

## Fixed assets

## Table of Contents

Table of Contents	2
Policy statement and principles	4
What	4
Why	4
How	4
Distinction between capital and operating expenditure	5
Operating expenditure	5
Capital expenditure	5
Assets	5
Definition of Police assets	5
Threshold amount for capitalising expenditure	7
Composite assets	7
Creation/commissioning of new Police assets	8
When not to capitalise	8
Costs that must be capitalised	8
Applying the test	8
Work on an existing Police asset	9
Capitalisation of existing Police assets	9
Decision tree for capitalising or expensing expenditure	9
Buildings	10
Asset classes	10
Building fit-out	10
Building plant	10
Houses	10
Other buildings	11
Stations	11
Computer hardware and software	13
What must be capitalised	13
What must not be capitalised	13
Accounting Treatment for Software as a Service (SaaS) Specific Guidance	13
Furniture and fittings	15
Land	16
Motor vehicles	17
Motorcycles	17
Motor vehicles	17
Plant and equipment	19
Communications equipment	19
Control systems	19
Office equipment	20
Plant and equipment	20
Weapons and associated equipment	21
Vessels	22
Police dogs	23
Annual and ongoing reviews of the accounting classification of expenditure	24
Assets under Construction	25
Annual Audit of all Assets	26
Asset Disposal	27
Appendix 1	28
Policy for capitalising work on an existing asset except computer hardware and software and land.	28
Policy of capitalising Expenditure for Computer Hardware and Software	28
Policy for capitalising expenditure on land	29

Appendix 2	31
Categorisation Operating or Capital costs if software development results in an intangible asset being created	31
Appendix 3	32
Software as a Service identification software	32
Appendix 4	34
The treatment of associated costs incurred under a SaaS model	34

## Policy statement and principles

### What

Legislation requires New Zealand Police to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP), specifically Public Benefit Entity Standards (PBE Standards).

This policy relates to all Police internal and external financial statements including the annual report, its annual business plans/budgets and asset management plans as well as for its business cases.

The term 'fixed asset' refers to a long-term, tangible piece of property or equipment that is owned by New Zealand Police and used in its day-to-day operations. The general assumption about fixed assets is that they are expected to provide an economic benefit to New Zealand Police for more than 12 months.

### Why

This policy ensures the correct classification of capital expenditure versus operating expenditure in the treatment of the financial accounts.

### How

To ensure that the capital expenditure of New Zealand Police is planned, evaluated, authorised, implemented, monitored and reported in a systematic manner that is consistent with best practice.

Failure to comply may lead to New Zealand Police auditors, on behalf of the Office of the Auditor General, providing modified audit opinions, together with the ramifications of legislative non-compliance.

## Distinction between capital and operating expenditure

### Operating expenditure

Operating expenditure is expenditure in relation to Police assets which either:

- restores an asset to its original operating capability or condition (i.e., maintenance); or
- provides a minor improvement in the asset's original output service potential/capability.

### Capital expenditure

Capital expenditure must be subject to advanced planning and review and appropriately authorised to ensure that acquisitions and disposals are:

- properly evaluated and scheduled
- appropriately funded and maintained
- prioritised in a way that is consistent with the New Zealand Police's Our Business.

The capital expenditure creates an asset which will provide a benefit to the organisation for more than 1 year.

The capitalised asset value is then depreciated over the expected life of the asset. This depreciation charge is recognised as an operating expense in the period it relates to.

Depreciation of an asset must commence from the first day of the month in which the asset is acquired, or in which it becomes operational for built assets.

### Assets

The original output service potential capability is measured by an asset's:

- original design capability; or
- original accounting economic life.

The original accounting economic life for an asset is the accounting life that is recorded in the Police fixed asset register.

Capital work over \$5,000 may be undertaken on assets which either creates a new asset thereby replacing the old asset, or extending the life of the original asset. If extending the life of an asset, the revised value of the asset must be more than the current value of the asset.

For assets with a long life (i.e. more than 5 years), significant improvement measured as a guideline % would be 10% of the original accounting economic life for an asset. For assets with a short life (i.e. 5 years or less) significant improvement measured as a guideline % would be 20% of the original accounting economic life for an asset.

### Definition of Police assets

In the Statement of Concepts for General Purpose Financial Reporting, assets are defined as: "Assets are service potential or future economic benefits controlled by the entity as a result of past transactions or other past events."

Within Police an asset (i.e. non-current asset as opposed to a current asset) is defined as an item which:

- provides service potential or future economic benefits of greater than one year from the date of purchase, and is
- sufficiently material to meet Police's thresholds for capitalising expenditure as an asset.

Police assets are broken down into asset classes in the Police fixed asset register. The table below is representative of the asset classes :

Fixed assets  
Proactively released by New Zealand Police

Asset category	Asset class description
<b>Buildings</b>	Building fit-out
	Building plant
	Houses
	Other buildings
	Stations
<b>Computer hardware and software</b>	PC Desktop Hardware
	Computer Hardware
	Computer Software
<b>Furniture and fittings</b>	Furniture and fittings
<b>Land</b>	Land
<b>Motor vehicles</b>	Motor vehicles (including commercial)
	Motorcycles
<b>Plant and equipment</b>	General communications equipment
	Radio equipment (including specialist)
	Repeater equipment
	Telephone equipment
	Control systems
	Radar equipment
	Speed cameras
	Office equipment
	General plant, equipment, and instruments
	Weaponry equipment
<b>Vessels</b>	Police launches and fittings
	Inflatable boats and fittings

Several different types of assets may be included within an asset class as set out later in this chapter. Assets are depreciated within the fixed asset register at either the:

- asset class level (i.e., at a generic level), or
- asset number level (i.e., at an individual asset level).

As such, asset class is the lowest generic level at which assets are depreciated. Hence, the asset classes provide the Police definition of its assets unless a further breakdown of the asset class is provided in this chapter.

If work is carried out on several asset classes as part of the one project or job, then the decision to capitalise must be based on the total project or job cost and whether that total cost meets the minimum threshold amount for capitalisation. Provided the minimum

threshold for capitalisation is met, expenditure should be separately captured and classified for each asset class. Where the expenditure for a particular asset class within a project or job does not meet the minimum threshold amount for capitalisation, that asset class expenditure is to be recorded against the predominant asset class (in dollar terms).

## Threshold amount for capitalising expenditure

The general threshold amount for capitalising expenditure is:

- \$5,000 for an individual asset purchase, or
- \$5,000 for a composite asset purchase subject to the criteria set out below for composite assets being met.

## Composite assets

A composite asset is the purchase of interrelated assets belonging to a particular asset class where:

- the purchase of one or more interrelated assets is essential for the main asset to carry out its intended full functionality or purpose; and
- the assets are significant from an operational perspective for New Zealand Police, and the cost of some or all the individual component assets is less than the dollar threshold amount for capitalising some or all the individual component assets; and
- the total purchase cost for all the interrelated assets is \$5,000 or more.

An example of composite assets:

- building fit-out is an example of an interrelated asset that could be viewed as a composite asset. The initial purchase of furniture for an office are to be capitalised as interrelated assets, but replacement of single furniture items or part only of the initial furniture items is to be expensed. Total replacement of furniture for an office is to be capitalised as an inter-related asset.

Composite assets:

- may be recorded against any asset class for each cost centre
- must be recorded against a cost centre.

When recording composite assets within the fixed asset register sufficient information, i.e., the location or the asset type and the quantity (for example, 12 desks), must be recorded to enable asset verification/review on an overall quantity basis to be carried out at a later stage.

## Creation/commissioning of new Police assets

### When not to capitalise

Expenditure must not be capitalised if it is incurred:

- prior to a business case decision being approved - these costs are operating costs
- prior to a decision (from a business case or otherwise) being made to acquire or construct a particular asset or in deciding whether the item is to be acquired or constructed. For example feasibility costs or the costs of evaluating several proposals for acquisition or construction, is not to be capitalised.

### Costs that must be capitalised

Where a new asset is created, all costs that are readily identifiable and associated with creating the new asset must be capitalised.

These include the following but not inclusive:

- investigating
- surveying
- planning
- designing
- equipment and land purchases
- compensation
- landscaping
- constructing
- site restoring
- installing
- commissioning and any remedial work.

### Applying the test

Apply this test to determine whether costs must be capitalised for a new asset.

Ask	if	then...
Did the asset previously exist?	no	capitalise.
Is the asset complete and ready for its intended use in part or in whole?	no	continue capitalisation of costs.
	yes	these two situations may arise which determine the cut off point for capitalisation of costs: <ul style="list-style-type: none"> <li>- when a project or work is completed in parts and each part is capable of being used while construction or completion continues on the other parts, each part is to be capitalised as it is completed. For example, an office building could be complete and ready to be occupied whereas the garage for the office may still be under construction</li> <li>- where all the components need to be completed in their entirety before any part of the asset can be used, capitalisation must not occur until the entire asset is completed ready for its intended use.</li> </ul>

Project managers must decide when an asset is commissioned either partly or wholly to an acceptable standard. Project managers must update the project status and forward the appropriate project close forms to the Finance Group at Police National Headquarters (PNHQ) in a prompt manner to ensure that the cut-off between capitalisation and operating is actioned correctly and without delay.

When the project or work is capitalised, the cost of the project or work must be analysed, broken down and recorded against the appropriate asset classes (e.g. land, building structure, fit-out, etc for a property project).



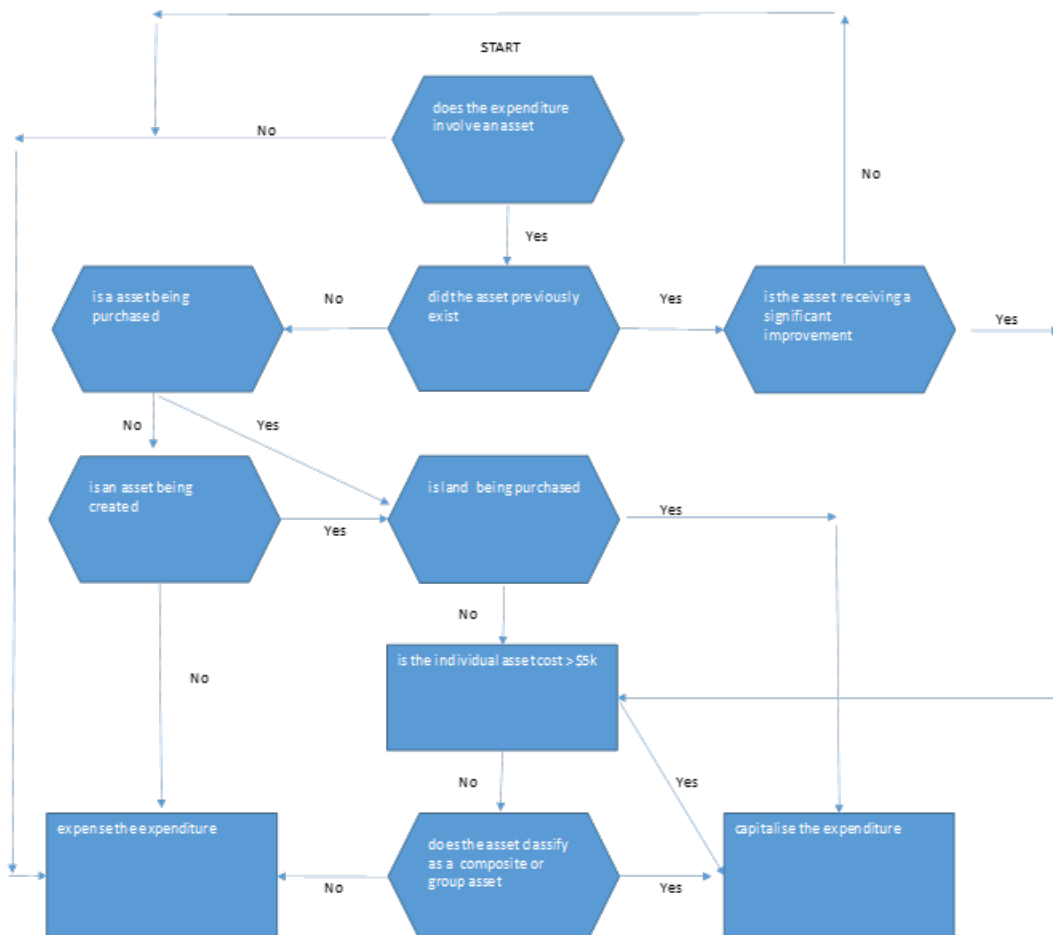
## Work on an existing Police asset

### Capitalisation of existing Police assets

The asset classes set out whether work on an existing Police asset represents a significant improvement and therefore should be capitalised.

### Decision tree for capitalising or expensing expenditure

The decision tree provides a general guide only on whether to capitalise or expense expenditure. Specific guidance for capitalising or expensing expenditure on an asset must be obtained from your finance senior business manager.



## Buildings

### Asset classes

This asset category includes these assets classes:

- Building fit-out
- Building plant
- Houses
- Other buildings
- Stations

The initial purchase of the above assets for a **new building** must be capitalised where the total cost for each asset class exceeds \$5,000.

The above asset classes must be used for freehold and leasehold buildings.

### Building fit-out

‘Building fit-out’ is defined as all inner fixtures that are affixed to a building structure and includes all partitions, shelving, fittings, carpet, lockers, swimming pool and any other affixed fixtures. Fixtures not affixed to a building structure and not part of the building structure must be recorded against these asset classes as set out in this chapter:

- furniture and fittings
- office equipment
- plant, equipment, and instruments.

Where the cost of fit-out for a building (e.g., a garage) is less than the \$5,000 capitalisation threshold then the cost should be expensed.

### Building plant

The ‘building plant’ asset class includes lifts, heating systems, air conditioning systems, security and burglar alarm systems, fire detection and alarm systems, CCTV security camera equipment and systems, building sprinkler systems, roof mounted extraction fans and filters, cellblock monitoring equipment, automatic pool cleaner systems, generator, etc.

Where the cost of a building plant for a building is less than the \$5,000, expense the item.

### Houses

‘Houses’ refers to building structures for either residential houses or tied houses owned by Police. A tied house is a residential house with a Police station located either inside the residential house or on the same land section. Note: This asset class must only be used for the building structure and not for any assets that are building fit-out or building plant.

This asset class therefore includes the building structure for:

- residential house
- Police station (only where this is located with a tied house)
- dog kennel buildings and compound (where the dog is taken home by the dog handler)
- storage buildings
- garaging/carport facilities.

Building structure for the ‘houses’ asset class comprises the structure of the building, vis the outer walls including the linings, outer doors, windows, interior bearer walls, inner fixtures of brick or concrete, foundations, roof, ceilings, floors, chimney, drainage, sewerage, stairways, plumbing, water and power supply including water tanks.

**Note** that:

- any building fit-out for the ‘houses’ asset class that meets the threshold for capitalisation must be recorded against the
- Building fit-out’ asset class, and

- any building plant for the 'houses' asset class that meets the threshold for capitalisation must be recorded against the 'building plant' asset class.

## Other buildings

'Other buildings' are defined as the building structure for all buildings other than Houses and Stations. Note: This asset class must only be used for the building structure and not for any assets that are building fit-out or building plant.

This asset class therefore includes the building structure for:

- office buildings including the administration block and any related garaging/carport facilities
- call centre buildings
- cell blocks and suicide proof cells that are not part of a Police station facility depots
- dog training school/whelping buildings including related dog kennel and compound buildings
- rifle range buildings and facilities
- RNZ Police College buildings (including assembly halls, lecture theatres/classrooms, dining hall and amenities building, hostels, flats, chalets, and gymnasium) storage buildings, workshops.

Building structure for the 'other buildings' asset class comprises the structure of the building, vis the outer walls including the linings, outer doors, windows, interior bearer walls, inner fixtures of brick or concrete, foundations, roof, ceilings, floors, chimney, drainage, sewerage, stairways, plumbing, water and power supply including water tanks.

**Note that:**

- any building fit-out for the 'other buildings' asset class that meets the threshold for capitalisation must be recorded against the Building fit-out' asset class, and
- any building plant for the 'other buildings' asset class that meets the threshold for capitalisation must be recorded against the 'building plant' asset class.

## Stations

'Stations' are defined as the building structure for Police stations other than those located with a tied house.

**Note:** This asset class must only be used for the building structure and not for any assets that are building fit-out or building plant.

This asset class therefore includes the building structure for:

- Police stations not associated with a tied houses and any related garaging/carport facilities
- community policing centres and any related garaging/carport facilities
- Police wharf buildings
- cell blocks and suicide proof cells that are part of a Police station facility
- dog holding kennel and compound buildings.

Building structure for the 'stations' asset class comprises the structure of the building, vis the outer walls including the linings, outer doors, windows, interior bearer walls, inner fixtures of brick or concrete, foundations, roof, ceilings, floors, chimney, drainage, sewerage, stairways, plumbing, water and power supply including water tanks.

**Note that:**

- any building fit-out for the 'stations' asset class that meets the threshold for capitalisation must be recorded against the Building fit-out' asset class, and
- any building plant for the 'stations' asset class that meets the threshold for capitalisation must be recorded against the 'building plant' asset class.

A leasehold building may include (but is not limited to):

- the building structure
- a mast for communications
- the fit-out for the leasehold building

- the plant for a leasehold building.

Purchase of furniture and fittings for a leasehold building must be recorded against the 'furniture and fittings' asset class provided the purchase meets the criteria for capitalising furniture and fittings.

Any creation of a building structure by Police on leasehold land that meets the threshold for capitalisation must be capitalised.

Many leasehold buildings have masts either attached to or adjacent to the building. The initial purchase or creation of the masts must be capitalised against the 'other buildings' asset class as a separate asset.

Expenditure in relation to buildings is operating expenditure when it is either:

- repairs and maintenance of existing assets, or
- alterations that do not amount to significant improvement.

Expenditure is of a capital nature when it is either:

- installation of new assets, or
- replacement of a whole new asset, or
- additions or extensions to an existing asset, or
- major alterations to the extent that they are a significant improvement, or
- purchased building which requires dilapidation repairs to bring it up to an acceptable standard where each of the above is \$5,000 or more in cost.

The decision as to whether expenditure incurred after the initial purchase or construction of any of the above asset classes is expensed (i.e. treated as operating expenditure) or capitalised must be assessed according to the table in Appendix 1.

## Computer hardware and software

This asset category includes these asset classes:

- PC Desktop hardware
- computer hardware
- computer software.

### What must be capitalised

- All individual hardware items \$5,000 or more
- All on-premise software licenses over \$5,000 per individual license fee.

### What must not be capitalised

Purchases of:

- individual PC CPU, or individual monitor, or individual keyboard must not be capitalised unless the cost of the individual item is \$5,000 or more.
- Software including licences for PC desktop hardware must not be capitalised unless it costs \$5,000 or more on an individual software item basis.
- Software as a Service (SaaS) and internal development costs relating to cloud must be expensed unless New Zealand Police have the contractual right to take possession of the software during the hosting period and can run the software on its own hardware or have a contract with another party unrelated to supplier to host the software.
- in relation to capitalising software expenditure, pre-development relates to the exploration of options and/or any feasibility study carried out to determine whether software is to be developed/bought. Pre-development expenditure must be expensed. See Appendix 2 for details of costs relating to a software project which can be capitalised if an asset is created.

The decision as to whether subsequent expenditure incurred on computer hardware is expensed (i.e. treated as operating expenditure) or capitalised must be assessed according to the table in Appendix 1.

## Accounting Treatment for Software as a Service (SaaS) Specific Guidance

The latest Treasury Guidance which can be found at the following file path.

<https://www.treasury.govt.nz/sites/default/files/2022-02/guide-saas-feb22.pdf>

The key indicator is in the detail of the service provider's contract, to determine if an intangible asset has to be created for New Zealand Police.

In order to identify an intangible asset, New Zealand Police must be able to prove that the item meets the definition of Intangible Asset including:

- Definition
  - being an identifiable non-monetary asset (defined as a resource controlled by New Zealand Police)
  - an item without physical substance
- Control
  - control of future economic benefits for over a year and
  - able to restrict access of other entities to these benefits
- Recognition
  - future economic benefits to New Zealand Police is probable and
  - the cost of the asset can be measured reliably.

Most contracts for software as a service do not provide for rights of ownership transfer to the purchaser, but a right to use the software under contractual agreements. The SaaS provider usually holds, manages, and updates the SaaS application software over the period of the arrangement, therefore no transfer of ownership takes place. This right to use is usually by the charging of fees to access the software. This right to use does not provide New Zealand Police with an intangible asset as control and all rights of ownership remains with the provider.

The flow charts from the treasury that assist with identifying software as a service costs and treatment are shown in Appendix 3.

The treatment of associated costs incurred under a SaaS model (Extract from Deloitte - software as a service arrangements May 2021) is shown in Appendix 4.

While this policy provides direction, exceptions may occur in which case both the Finance (CFO) and ICT (CIO) should approve that an intangible asset will be created prior to business case approval being sought.

## Furniture and fittings

This asset category includes this asset class:

- Furniture and fittings

The initial purchase of furniture assets for an office with a total cost of \$5,000 or more must be capitalised as a composite asset.

Replacement of single furniture items or part only of the furniture items must be expensed except where an individual furniture item costs \$5,000 or more. Then the individual furniture item only must be capitalised.

The total replacement of furniture assets for an office with a total cost of \$5,000 or more must be capitalised as a composite asset. Furniture and fittings must not include assets that are permanently affixed to a building. The latter assets must be treated as part of 'building fit-out'. Furniture and fittings therefore include furniture and fittings that have been placed in buildings belonging to these asset classes:

- Houses
- Other buildings
- Stations.

Furniture and fittings may therefore include:

- loose furniture for the above buildings, e.g., desks, chairs, etc.
- unfixed fittings, e.g., curtains, blinds, mobile shelving, unfixed air conditioning units, etc
- loose furnishings, .g., bedding, mattresses, etc.

The decision as to whether subsequent expenditure incurred on furniture is expensed (i.e. treated as operating expenditure) or capitalised must be assessed according to the table in Appendix 1.

## Land

This asset category includes this asset class:

- Land

All land purchases irrespective of the purchase cost amount involved must be capitalised to the 'land' asset class. Purchases of land are not depreciable.

Improvements to freehold and leasehold land must be captured separate from the land purchase or land lease decisions because the improvements to the land are assets that are depreciable. Improvements to leasehold land must be depreciated having appropriate regard to the term of the lease.

Any leasing of land by Police from the owner must be expensed.

The decision as to whether subsequent expenditure incurred on freehold or leasehold land is expensed (i.e., treated as operating expenditure) or capitalised must be assessed and charged to the Land asset class or the Land Improvements asset class respectively as indicated in Appendix 1.

Initial landscaping work in Appendix 1 refers to the initial vegetation clearance, earthworks, drainage, grassing, planting, paving, fencing, etc. required when a Police station, office building, etc. is initially established. Such landscaping costs must be included in the project budget for that capital work under either the 'land' asset class or the 'land improvements' asset class as indicated in Appendix 1.

Subsequent landscaping work in Appendix 1 refers to subsequent earthworks, drainage, grassing, planting, paving, fencing, vegetation maintenance, etc. required when a Police station, office building, etc. has already been established. Such landscaping costs must generally be directed towards either maintaining the initial landscaping work or carrying out minor improvements and therefore must generally be expensed.

Subsequent work may also involve either:

- re-establishment work to maintain an asset, e.g., car parks and driveways, in a usable condition, or
- extensions to an established asset e.g., a car park or driveway.

Maintenance or minor improvement work to an existing asset (e.g., a car park or driveway) must be expensed. Creating a new asset or significantly extending an existing asset (e.g., a car park or driveway) must be capitalised. Appendix 1 provides further guidance in this respect.



## Motor vehicles

This asset category includes these assets classes:

- Motorcycles
- Motor vehicles

### Motorcycles

The 'motorcycles' asset class includes these vehicle types:

- Motorcycles
- Motorcycle trailers.

### Motor vehicles

The 'motor vehicles' asset class includes these vehicle types:

- Marked dog vans
- Marked AOS command van
- Marked prison trucks and vans
- Marked Police motorcycles
- Marked speed camera Hi Ace van
- Marked Highway Patrol vehicles
- Marked Police vehicles with full official permanent livery
- Unmarked CVST (Commercial Vehicle Safety Team) vehicles
- Unmarked surveillance squad vehicles Unmarked dog vans
- Unmarked Search and Rescue Landcruiser
- Unmarked STG (Special Terrorist Group) Vehicle
- Unmarked STG (Special Terrorist Group) Van
- Unmarked SSG (Special Search Group) Vehicle
- Unmarked CIB Shift Vehicles
- Unmarked Fingerprinting Vehicles
- Unmarked Photography Vehicles
- Unmarked Police Welfare Officer Vehicles
- Unmarked other Police vehicles
- Mobile Road Safety Bases
- Forklifts
- Caravans
- Trailers.

The cost of motorcycles or motor vehicles may include these fit-out levels:

- Police uniform fit-out
- Plain fit-out (i.e., no light bar and no livery)
- Covert fit-out (i.e., same as plain fit-out but policing vehicle extras are hidden within the vehicle)
- Police traffic fit-out.

The initial purchase cost of the motorcycle and the motor vehicle plus corresponding fit-out as well as any other affixed extras, e.g., air conditioning, air bags, alarm, fire extinguishers, etc., must be capitalised provided the capitalisation threshold of \$5,000 has been met.

On road costs (i.e., the cost of petrol, warrant of fitness and registration) must be expensed. Other un-affixed extras such as the cost of flares, first aid equipment, rubber mats, etc. must also be expensed because of their consumable nature and low cost.

**Note:** On decommissioning any of these un-affixed items that have not been consumed, they must be transferred to other vehicles.

The decision as to whether subsequent expenditure incurred on motorcycles or motor vehicles is expensed (i.e., treated as operating

expenditure) or capitalised should be assessed according to the table in Appendix 1.

## Plant and equipment

This asset category includes these asset sub-categories:

- Communications equipment
- Control systems
- Office equipment
- Plant, equipment and instruments
- Weaponry equipment.

## Communications equipment

This asset sub-category includes these assets classes:

- General communications equipment
- Radio equipment
- Repeater equipment
- Telephone equipment.

The initial purchase and installation of each asset in these asset classes with a total cost of greater than \$5,000 or more on a per item basis, must be capitalised.

**Note:** exception is for Radios where group capitalisation may be allowed providing grouping criteria is met (see Threshold‘ amount for capitalising expenditure’).

General communications equipment may include:

- Police Enterprise Communications Network.

Radio equipment may include:

- radios (whether mobile, portable, search and rescue, or encrypted) and related equipment. However, it does not include radio equipment which is affixed to a motor vehicle since this is treated as part of the cost of a motor vehicle
- mobile radio network monitoring unit.

Repeater equipment may include:

- repeaters (portable or otherwise) and transmission network,
- analysers and battery
- microwave communication equipment.

Telephone equipment may include:

- telephone system equipment, facilities, and
- network integrated communication systems
- telephone accounting system.

The decision as to whether subsequent expenditure incurred on the above assets is expensed (i.e. treated as operating expenditure) or capitalised must be assessed according to the table in Appendix 1.

## Control systems

This asset sub-category includes these assets classes:

- Logging and surveillance systems
- Radar equipment
- Speed cameras.

Logging and surveillance systems may include:

- CCTV equipment and systems
- Surveillance systems
- Control systems.

Radar equipment may include:

- stalker radar
- helicopter surveillance equipment
- speed guns.

Speed cameras may include:

- speed camera
- equipment for fixed traffic camera
- traffic camera site set up equipment
- traffic mobile camera.

The initial purchase of each asset in these asset classes with a total cost of \$5,000 or more on a per item basis must be capitalised. The decision as to whether subsequent expenditure incurred on these assets is expensed (i.e. treated as operating expenditure) or capitalised is assessed according to the table in Appendix 1.

## Office equipment

This asset sub-category includes this asset class:

- Office equipment

The initial purchase of each asset in this asset class with a total cost of \$5,000 or more on a per item basis must be capitalised.

The 'office equipment' asset class includes all standalone equipment that would mainly be used in the office, or a Police station as opposed to equipment that would be used for field work. This may include (but is not limited to):

- drying cabinet
- electronic whiteboard
- projector equipment recording equipment video
- conferencing equipment video interview unit.

Equipment used for field work must, unless stated otherwise in this chapter, be classified as belonging to 'plant, equipment, and instruments' asset class.

The decision as to whether subsequent expenditure incurred on office equipment is expensed (i.e. treated as operating expenditure) or capitalised should be assessed according to the table in Appendix 1.

## Plant and equipment

This asset sub-category includes this asset class:

- General plant, equipment, and instruments.

The initial purchase of each asset in this asset class with a total cost of \$5,000 or more on a per item basis is to be capitalised.

The **General Plant, Equipment and Instruments asset class** includes all standalone equipment and instruments assets that would be expected to mainly be used for field work as opposed to equipment that would be expected to be used in the office or in a Police station. As such this may include (but is not limited to):

- audio analysers
- crash analysis/investigation equipment
- CVST scales
- diving equipment

- electrostatic detector equipment
- evidential breath testing machine
- firing range with computer drive
- metal detector
- microscopes
- night vision equipment
- photographer's camera and related equipment
- protocol analyser scopemeter searchlight
- video camera unit/camcorder
- wheel balancer.

Equipment used in an office, or a Police station must, unless stated otherwise in this chapter, be classified as in the 'office equipment' asset class.

The decision as to whether subsequent expenditure incurred on general plant, equipment and instruments is expensed (i.e. treated as operating expenditure) or capitalised must be assessed according to the table in Appendix 1.

## **Weapons and associated equipment**

This asset sub-category includes this asset class:

- Weaponry equipment (which may include firearms training systems).
- The initial purchase of each asset in this asset class with a total cost of \$5,000 or more on a per item basis must be capitalised.
- Group capitalisation for bulk purchased items falling under this category is allowed providing:
  - items are of a similar nature; and have a
  - useful life of more than 2 years; and
  - items are easily identifiable by serial number and not prone to loss or damage; and
  - items are trackable at an individual level through an asset management system; and
  - are purchased as a group totalling more than \$5,000.

## Vessels

This asset category includes these asset classes:

- Inflatable boats (includes the related outboard motor)
- Police launches (includes any related life rafts).

The initial purchase of each asset and related equipment in these asset classes with a total cost of \$5,000 or more on a per item basis must be capitalised.

## Police dogs

Although the cost of Police dogs could be capitalised as working animals in terms of ISA 16 it has been decided that these costs should not be capitalised.

## **Annual and ongoing reviews of the accounting classification of expenditure**

It is the responsibility of Corporate Finance to ensure that all Police expenditure is classified correctly in accordance with this chapter.

The classification of expenditure in business cases must be reviewed for compliance with this chapter. Audit programmes will cover reviewing district expenditure and an assurance check to see whether expenditure is being classified in accordance with this chapter.



## Assets under Construction

While the asset is currently being constructed and not yet being used for its final intended purpose, then the completed costs associated with the asset should be transferred as an asset to the appropriate asset class. Corporate Finance are responsible for the review of this account to ensure assets are capitalised on completion.

## **Annual Audit of all Assets**

It is the responsibility of Corporate Finance to ensure that all Police expenditure is audited annually to ensure the asset is held and is in operational use. This should also include a review to ensure that the depreciation rate is still correct and any items requiring change in rate should be raised with the Corporate Finance Team.

## Asset Disposal

All assets should be disposed of as they cease operational use, This includes assets either reaching the end of their useful operational life or being replaced due to changes in operational requirements.

## Appendix 1

### Policy for capitalising work on an existing asset except computer hardware and software and land.

Asset Category	Asset Class	Type of Expenditure			
		Additions and Extensions	Alterations and Modifications	Maintenance and Repairs	Replacement of parts
Generic accounting policy adjacent applies, unless otherwise stated in the asset classes below.		Capitalise if addition or extensions per asset is \$5k or more	Expense if less than \$5k per asset, over \$5k per asset consider capitalising if significant improvement to the total asses is involved	Expense	Expense if less than \$5k per asset, over \$5k per asset consider capitalising if significant improvement to the total asses is involved
Buildings	Building Fit out	As above	As above	As above	As above
	Building Plant				
	Houses				
	Other Buildings				
	Stations				
Furniture and Fittings		Capitalise if addition to each furniture item is over \$5k	Expense if less than \$5k per item, if over \$5k per item capitalise	Expense	Expense if less than \$5k per item, if over \$5k per item capitalise
Motor Vehicles	Motorcycles (this includes fit out and affixed extras)	As above	As above	Expense (this includes on road costs and unfixed extras)	As above
	Motor Vehicles (this includes fit out and affixed extras including fire extinguisher)	As above	As above	Expense (this includes on road costs and unfixed extras)	As above

### Policy of capitalising Expenditure for Computer Hardware and Software

Asset Class	Asset Class Breakdown	Type of Expenditure				
		Initial Purchase	Upgrade	Modifications	Repairs and Maintenance	Replacement of Parts not involving an upgrade
PC Computer Hardware	Personal computer, CPU, Screen, keyboard, mouse and printer (purchased as composite unit)	Capitalise if cost per is \$5k or more. Otherwise expense	N/A	N/A	N/A	N/A
	Laptop (i.e. including docking station and other items that enable the laptop to function)	Capitalise if cost per is \$5k or more. Otherwise expense	Expense	Expense	Expense	Expense
	Personal Computer CPU only	Expense	Expense	Expense	Expense	Expense
	PC Screen only	Expense	Expense	Expense	Expense	Expense
	PC Keyboard and mouse only	Expense	Expense	Expense	Expense	Expense
Computer Hardware	Generic policy adjacent applies, unless other wise stated, to the breakdown of this asset class as set out below.	Capitalise if cost per is \$5k or more. Otherwise expense	Capitalise if cost per is \$5k or more. Otherwise expense	Expense	Expense	Expense
	Printer	As above	As above	As above	As above	As above
	Plotter	As above	As above	As above	As above	As above
	Multi-functional device (MFD) NB: MFD combines the functions of photocopier, fax, printer into one device	As above	As above	As above	As above	As above
	PC Lan and SMC equipment cabling NB: SMC is system management centre	As above	As above	As above	As above	As above
	Server	As above	As above	As above	As above	As above
	Mainframe	As above	As above	As above	As above	As above
	Computer Equipment for Digital Imaging/Photography	As above	As above	As above	As above	As above

## Policy for capitalising expenditure on land

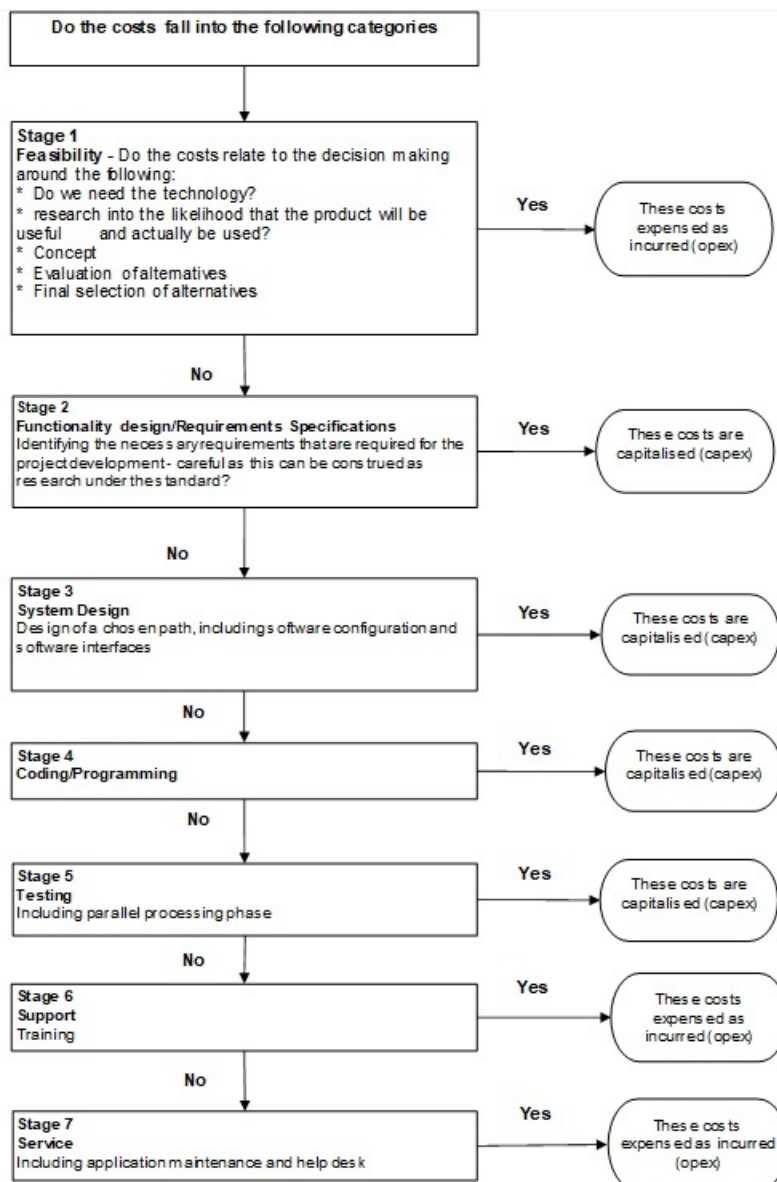
## Fixed assets

Proactively released by New Zealand Police

Asset Description of Work	Type of Expenditure		
	Initial Purchase or Landsdscaping work	Subsequent Landscaping or Re-establishment work	Extensions Work
Land Purchase	Capitalise if over \$5k if not expense		
Vegetation Clearance	Capitalise if over \$5k if not expense	Expense	
Grassing and Planting	Capitalise if over \$5k if not expense	Expense	
Vegetation Maintenance and Control		Expense	
Work on car parks and driveways Generic Policy	Capitalise if over \$5k if not expense	Expense but capitalise if significant improvement is involved and the costs is over \$5k	Capitalise if over \$5k if less than \$5k expense
Gravelling	As above	As above	As above
Metalling for surfacing	As above	As above	As above
Sealing	As above	As above	As above
Kerb and Channeling	As above	As above	As above
Drainage and Culverting	As above	As above	As above
Earthworks and drainage	As above	As above	As above
Paving and Fencing	As above	As above	As above
Retaining Walls	As above	As above	As above

## Appendix 2

### Categorisation Operating or Capital costs if software development results in an intangible asset being created



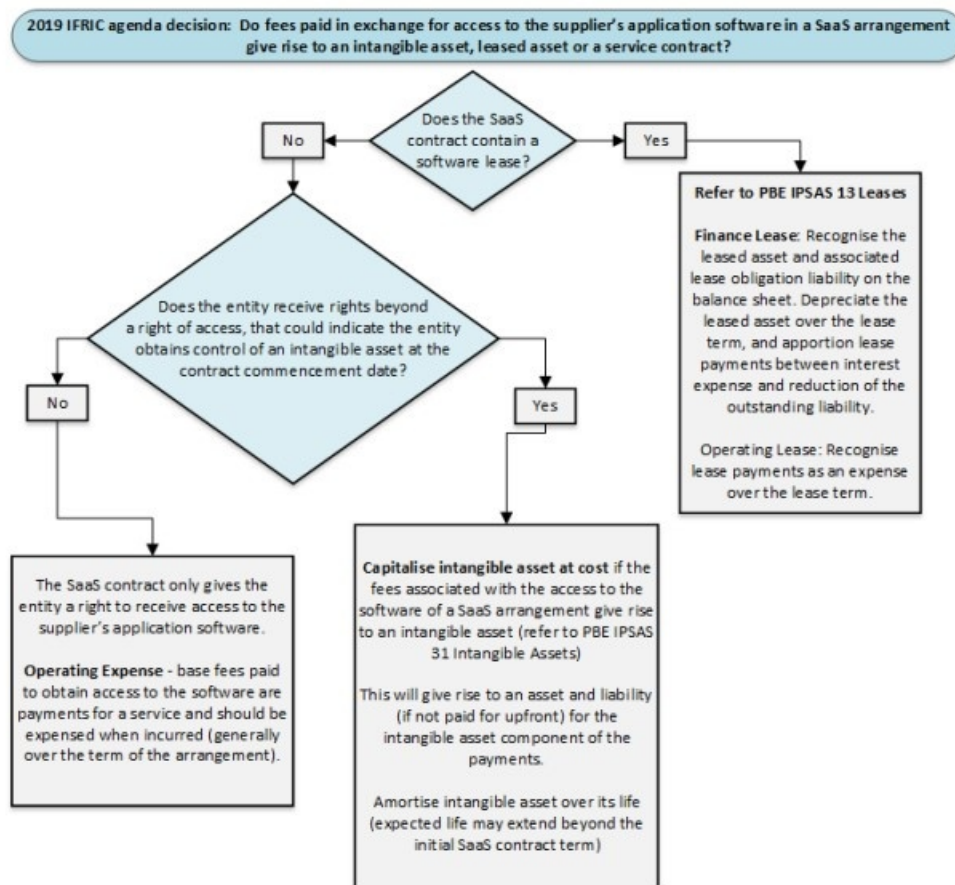
An asset in this instance means an item that is controlled by Police and is likely to produce an economic benefit (i.e., a benefit that can be expressed in terms of money that will be saved or generated as a result) to Police in the future. An intangible asset, which is often what is produced by ICT, will have the same characteristics but not have an obvious physical nature, such as software. For example a policy, guide or plan would not be classified as an asset (intangible or otherwise) as there is no direct link to show the production of such a policy, guide or plan will lead to economic benefit in the future. Software such as the NIA application developed by Police would be considered an asset as it is likely that there will be an inflow of economic benefit in the future (e.g. it saves Police Officers time and ensures their job is completed in a more efficient manner.)

## Appendix 3

### Software as a Service identification software

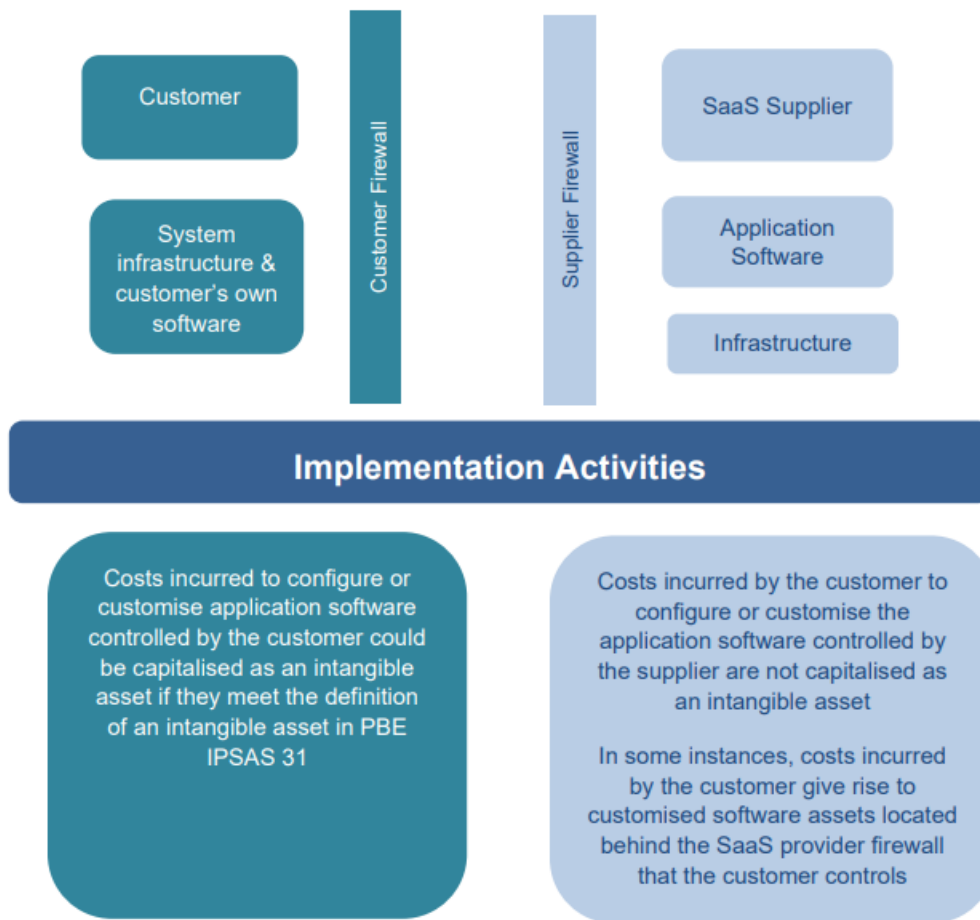
From <https://www.treasury.govt.nz/sites/default/files/2022-02/guide-saas-feb22.pdf>

**Figure 1: The 2019 IFRIC agenda decision flow diagram**

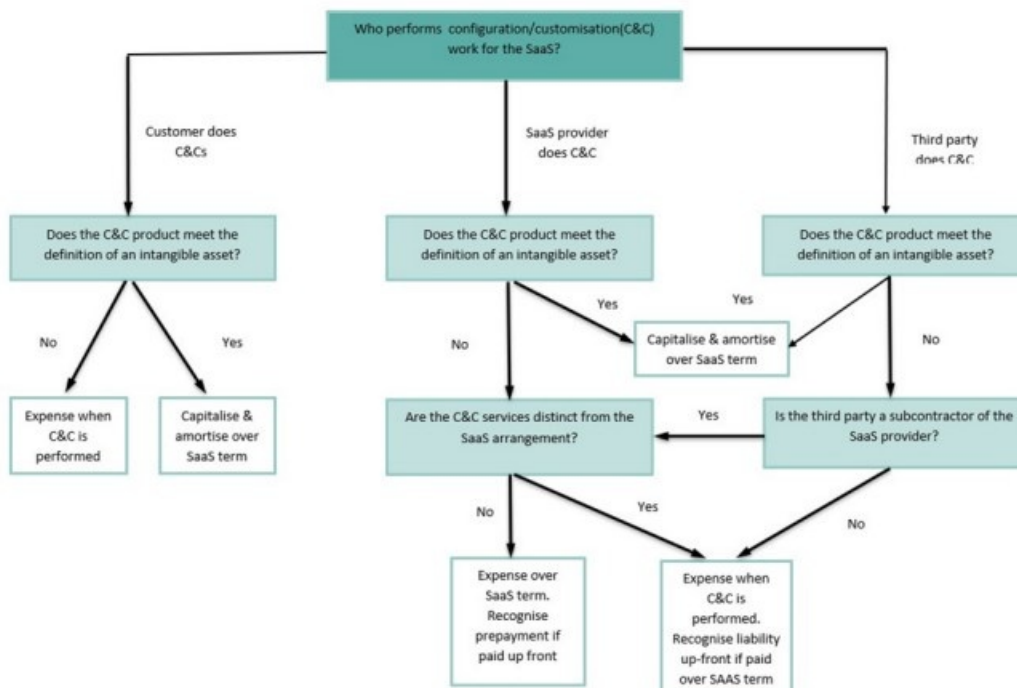




**Figure 2: SaaS arrangement which conveys to the customer only a right to access the SaaS application software**



**Figure 3: The 2021 IFRIC agenda decision flow diagram**



## Appendix 4

### The treatment of associated costs incurred under a SaaS model

(Extract from Deloitte - software as a service arrangements May 2021)

Implementation Stage	Activities	Expense /Capitalise	Additional Comment
Preliminary project stage	Selection of provider	E	
	Development of business case and project plan	E	
Installation and implementation	Installation and set-up of purchased or leased infrastructure (e.g., servers)	C	Property, Plant and Equipment or lease
	Configuration and set up of provider offerings and customisations of provider applications software	E	Where services are provided by the cloud provider, (not a third party), the timing of the expense recognition will depend on whether the services are distinct (see note below) from the SaaS access(expensed when software configured or customised) or if not (recognised as a prepayment and expensed over the SaaS contract Term when access to the cloud application software is received)
	Development of bridging modules/API's to existing on -premise systems or bespoke additional capability	C	Only where customer holds IP over any code written for the modification of existing or development of new on premise software
Data Conversion	Including purging or cleansing of existing data, reconciliation or balancing of the old data and data in the new system, creation of new or additional data, and conversion of old data to the new system	E	
	Purchased data conversion software	C	Although if only used for a single project, the useful life may be short
Post implementation	Employee training costs	E	
	Purchase of training materials, e-learnings, and user manuals	C	
	Development of training materials, e-learnings, and user manuals	C	
	Testing and ongoing maintenance activities	E	
	On-going access to SaaS	E	

#### Note:

Distinct costs relating to the configuration and customisation services are provided by a party other than the SaaS provider

Non distinct costs relating to the configuration and customisation of services are when the SaaS provider provides:

- a significant integrating service to produce a combined output with other services, or
- service significantly modifies or customises the other service(s), or
- services provided are highly interdependent or highly interrelated to each other.