Asset Accounting Policy

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1. PURPOSE

To provide a framework for the consistent and prompt identification, measurement, recording and reporting of Council's asset base, in accordance with relevant Accounting Standards and NSW Government legislation, policy and guidelines.

This policy should be read together with the following current policies and procedures: Asset Accounting Procedure; Asset Management Policy; Asset Management Strategy; Procurement Policy; and Procurement Procedure.

2. SCOPE

The *Asset Accounting Policy* applies to infrastructure, property, plant & equipment (IPPE), intangible assets, investment property, real estate assets and assets held for sale, as disclosed in Council's Statement of Financial Position.

The policy applies to all Council staff, particularly those who have asset procurement, capital projects delivery, asset management and asset accounting responsibilities, when performing the following functions:

- Acquisition, construction or development
- Maintenance
- Renewal, replacement or enhancement
- Disposal or sale of assets
- Revaluation
- Reporting and disclosure

3. RELATED DOCUMENTS

This document is based on:

- Gold Coast City Council (GCCC), '*Non-Current Asset Accounting Policy'*
- Greater Bendigo City Council, '*Asset Capitalisation Policy'*
- City of Salisbury*, 'Asset Capitalisation Policy Framework'*

3.1. Legislation

NSW Government legislation, policy and guidelines

- Local Government Act 1993
- Local Government (General) Regulation 2005
- Office of Local Government Circulars
- Office of Local Government Code of Accounting Practice and Financial Reporting
- TPP 14-01 Accounting Policy: Valuation of Physical Non-Current Assets at Fair Value issued by NSW Treasury

Australian Accounting Standards Board (AASB)

- *AASB 5 Non-current Assets held for Sale and Discontinued Operations*
- *AASB 13 Fair Value Measurement*
- *AASB 16 Leases*
- *AASB 102 Inventories*
- *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors*
- *AASB 116 Property, Plant and Equipment*
- *AASB 123 Borrowing Costs*
- *AASB 136 Impairment of Assets*

- *AASB 138 Intangible Assets*
- *AASB 140 Investment Property*
- *AASB 1051 Land under Roads*
- *AASB 1058 Income of Not-for-Profit Entities*
- *AASB 2016-4 Recoverable Amount of Non-Cash-Generating Specialised Assets for Non-for-Profit Entities*

3.2. Other Documents

- POL16/79 Asset Management Policy
- POL 17/67 Asset Management Strategy (AMS)
- Asset Management Plans (AMPs)
- POL18/74 Procurement Policy
- PRD17/8 Procurement Procedure

4. PROVISIONS

4.1. Asset classes

An asset class is a grouping of non-current assets of a similar nature or function and which, for purposes of disclosure, is shown as a single item without supplementary disclosure.

The following asset classes and categories are reported by Council:

INVENTORIES

- Real Estate Assets

INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT

Land:

- Operational Land
- Community Land
- Land under Roads (post 30/06/2008)
- Land Improvements – Non-depreciable
- Land Improvements – Depreciable

Plant & Equipment:

- Plant & Equipment
- Office Equipment
- Furniture and Fittings

Infrastructure:

- Buildings – Non-specialised
- Buildings - Specialised
- Other Structures
- Roads
- Bridges
- Footpaths
- Bulk Earthworks (Non-depreciable)
- Stormwater Drainage
- Water Supply Network
- Sewerage Network
- Swimming Pools

- Other Open Space/Recreational Assets
- Other Infrastructure

Other Assets:

- Library Books

Reinstatement, Rehabilitation and Restoration Assets:

- Tip Assets

INVESTMENT PROPERTY

INTANGIBLE ASSETS

More information about the asset hierarchy can be found at Attachment 1.

4.2. Asset recognition

For an asset to be included in Council's financial asset register, it must meet all of the following criteria:

- It is probable that future economic benefits associated with the asset will flow to Council
- The cost can be measured reliably
- The cost exceeds Council's asset recognition threshold

Probability that future economic benefits will flow to Council

The term 'future economic benefits' refers not only to the potential of an asset to contribute, directly or indirectly, to the flow of cash or cash equivalents, but to the potential of the asset to contribute, directly or indirectly, to the ability to provide goods or services in accordance with Council's objectives. Benefits can arise from:

- Use of the asset
- Cash inflow
- Revenue from future sale
- Provision of goods and services
- Efficiency improvements and savings in operating costs

In accordance with the relevant accounting standard (AASB 116), a benefit is deemed to be probable if it is more, rather than less, likely to eventuate.

Reliable measurement

For a measurement to be reliable, it has three characteristics:

1. Faithful representation of underlying transactions and events that affect Council's economic transactions and obligations
2. Neutrality
3. Verifiability

To meet this requirement, all Council assets that qualify for recognition are, initially, measured at cost. However, where an asset is acquired at no cost, such as contributed/donated assets or for nominal consideration, the cost is deemed to be its fair value at the date of acquisition. Fair value is estimated by:

- Market Approach, if there is a readily available market;
- Cost Approach – current replacement cost estimated using depreciated modern engineering equivalent replacement cost, if there is no readily available market, or reproduction cost
- Income Approach - discounting future amounts (e.g., cash flows or income and expenses) to a single current amount using present value techniques, option pricing models and/or multi-period excess earnings methods

Where an asset was acquired in prior financial years and has yet to be recorded in Council's financial asset register, the asset is brought to account at fair value as at the date of recognition.

Where reliable measurement of an asset cannot be obtained, the asset is not to be recognised within the financial asset register.

Recognition thresholds

To avoid insignificant non-current assets being recognised in the financial asset register Council will apply the following recognition thresholds within its asset classes from 1 July 2019:

Asset Class	**Threshold (minimum)**
Land	$0
Plant &Equipment	$5,000[1]
Office Equipment	$5,000[2]
Buildings & Structures	$10,000[3]
Other Structures	$10,000[3]
Water & Sewerage	$10,000[3]
Drainage	$10,000[3]
Roads & Bridges	$10,000[3]
Other Assets	$5,000

[1] *previously $2,000*
[2] *previously $1,000*
[3] *previously $5,000*

For infrastructure assets comprised of major components the above asset recognition thresholds apply to the aggregate asset value (i.e., the financial asset as a whole) and not to individual asset components.

Asset acquisition/construction costs that fall below the threshold should be expensed and, as such, the asset is not recognised in the financial asset register. Similarly, any contributed or donated asset valued on acquisition below the recognition threshold should not be financially recognised.

Portable and attractive items

Portable and attractive items are non-consumable items that:

- Have a value of $2,000 or more (GST exclusive), but less than Council's capitalisation threshold for the asset class, and
- Are susceptible to theft or loss due to their portable nature and attractiveness for personal use or resale.

An item is considered portable if it can be easily carried or moved. For example, an item would be considered portable if it could easily fit in a backpack; it would not be considered portable if it required more than one person to carry it.

An item is considered attractive if it has a likelihood of being advantageous or profitable. For example, an item would be considered attractive if there was an active market for the sale of the item; it would not be considered attractive if it could not be used by a body/individual external to Council.

This treatment applies to individual items of equipment, except where several related items, when considered collectively, constitute an item of equipment. For example, a laptop, docking station, monitor, keyboard and mouse are to be regarded as one item.

By definition, portable and attractive items do not meet the asset capitalisation threshold and, consequently, are expensed in the financial year in which they are acquired. However, because of their susceptibility to loss or theft, such items are recorded in the appropriate asset register for physical control purposes.

Timing of Asset Recognition

Financial recognition of newly developed, improved or purchased assets should occur as soon as possible. In general, assets are recognised when commissioned. However, a reasonable amount of time between date of commission and date of recognition may be needed to allow for completion of information collection, accounting and other financial transaction requirements.

4.3. Accounting for costs after acquisition

Expenditure on an asset incurred after it comes into service falls into one of two categories:

1. Capital expenditure – these costs are added to the carrying amount of an existing asset and, as such, are capitalised into the financial asset register
2. Operational expenditure – these costs are expensed when incurred and are not capitalised

Details on the type of costs that are considered either capital or operational in nature are presented below.

4.3.1. Capital expenditure

Certain costs, incurred over the life of an asset, can renew, extend or upgrade the asset's underlying service potential. Such costs are capitalised into the financial asset register as an addition to the carrying value of existing assets and are attributable to at least one of the following:

- Extension of an existing asset – as a result of the expenditure being incurred, the service potential of an asset is provided to a wider geographical area or to greater number of potential users; e.g., extending a stormwater pipeline, widening of a road to include additional lanes or adding additional rooms to a building
- Renewal of an existing asset – existing assets or facilities are replaced with assets or facilities of equivalent capacity or performance capability; e.g., reseal of a road or re-roof of a building

- Upgrade of an existing asset – enhances an existing asset to provide a higher level of service or increases the useful life beyond that originally expected; e.g., relining a stormwater pipeline
- Major repainting of a building's external walls, which effectively reseals and waterproofs the external structure (renewal type capital works)
- Replacing a major asset component, such as an engine in a motor vehicle (renewal type capital works)
- Costs associated with implementing a new module to Council's information system (extension to an existing asset)

4.3.2. Operational expenditure

Operational expenditure encompasses all costs associated with general maintenance and operations of an asset. These costs are expensed when incurred.

The useful life of an asset used for depreciation purposes is determined assuming appropriate levels of general maintenance at appropriate intervals. Cleaning carpets, pothole maintenance in roads and clearing drains are all examples of general maintenance. A similar principle applies to minor repairs, such as treating cracking in road seals, replacing an oil filter in a motor vehicle or repairing a water leak in a building.

As such, general maintenance and repair work is comparatively minor in nature and does not significantly renew service potential, expand service potential or extend life expectancy beyond that originally intended.

Similarly, the cost of operating an asset is not capitalised but expensed when incurred. The cost of staff to run a facility, fuel and power, corporate overheads and any asset inspection costs are additional examples of operational expenditure.

4.3.3. Depreciation or amortisation method

Depreciation of an asset begins when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. (AASB 116.55).

The straight-line depreciation or amortisation method is adopted by Council for all non-current assets, other than road earthworks and parcels of land, which are not subject to depreciation.

Asset depreciation and amortisation parameters, useful lives, asset condition (used to assess remaining useful lives) and residual values are reviewed with sufficient regularity to ensure that they are representative of current conditions and expectations at the end of each financial year.

The remaining useful life of an asset is reassessed whenever a major addition or any significant partial disposal occurs.

4.3.4. Asset revaluations

With the exception of assets that remain valued at cost, a full revaluation is undertaken every three to five years; earlier, if the carrying amount differs materially from the fair value at the end of the reporting period. Full revaluations for other applicable asset classes are completed simultaneously for all underlying assets within the asset class. Such revaluations are usually completed within one financial year.

An interim revaluation using indices developed via a desktop approach is undertaken annually for an asset class, subject to regular revaluations whenever there has been a material movement in current replacement cost (or market value, where applicable) since the last full revaluation.

Materiality, in accordance with AASB 1031, is applied when assessing whether an asset or asset type within an asset class is to be revalued.

4.3.5. Annual reviews

Annual reviews of changes in fair value, based on unit valuation rates, useful life, residual value and impairment are conducted at the end of each reporting period, in accordance with Australian Accounting Standards AASB 116 Property, Plant and Equipment and AASB 136 Impairment of Assets.

Changes to fair value

An estimate of the fair value of each asset class will be prepared, having regard to valuation criteria specified in AASB 13 Fair Value Measurement. Where it is appropriate to base valuation rates on replacement cost, this estimate would be based on Council's current valuation unit rates and compared with the carrying amount of the asset class. The difference between the estimated fair value and the carrying amount will be assessed as to whether there is a material effect on financial reporting.

Useful lives

Useful lives of infrastructure and other assets are reviewed annually to identify any changes to useful life of assets resulting from changes in asset performance, functional suitability, capacity and utilisation, cost and efficiency, safety and risk, compliance, location and/or obsolescence, as identified in asset management plans and forward renewal/replacement and disposal programs for individual assets or an asset (sub) category.

If there is a material difference between the currently recorded useful life and estimated useful life for assets, adjustment will be made to the remaining useful life for applicable assets in the asset register.

A complete review of useful life will be undertaken with revaluation of an asset class.

Residual value

Residual values, where applied to infrastructure and other assets, are reviewed annually to identify any estimated variations to residual value due to changes to market conditions for sale or disposal of assets or other reasons.

Impairment

Impairment indicators are reviewed to determine whether the carrying amount of an asset may exceed its recoverable amount; these indicators include abnormal decline in the market value of assets, adverse changes in the operating environment, obsolescence or physical damage, unfavourable changes to the way an asset is used and adverse internal reporting of and asset's service performance. When assessing impairment, the requirements of AASB 136 and AASB 2016-4 shall be considered.

4.4. Assets held for sale

Items are classified as 'Held for Sale' in the Current Assets section of the Statement of Financial Position in situations where their carrying amount will be recovered principally through a sale, rather than continuing use. The item must be immediately available for sale in its present condition and sale must be highly probable. Indicators that sale is highly probable include:

- A recommendation to sell has been adopted by Council
- Council has actively undertaken marketing of the asset at a price commensurate with its fair value
- A sale is expected to occur within 12 months of the asset being classified as Held for Sale. The classification period can be extended where Council demonstrates that it remains committed to the sale and the sale has not occurred due to circumstances beyond Council's control
- It is unlikely that Council's commitment to sell the asset will change significantly or will be withdrawn

In circumstances where an item has been acquired for the purpose of continuing operations but, subsequently, meets the above criteria, then it should be reclassified as Held for Sale.

Land held for resale

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition and development.

4.5. Intangible assets

Intangible assets are classified under non-current assets and, mainly, include IT development and software. The costs that are capitalised to software and systems need to contribute to future period financial benefits through revenue generation and/or cost reduction; they include:

- Costs incurred in developing products or systems
- Costs incurred in acquiring software

Capitalised costs include external direct costs of materials and service, direct payroll, and payroll-related costs of employees' time spent on the project. IT development costs only include those costs directly attributable to the development phase and are recognised following completion of technical feasibility, where Council has an intention and ability to use the asset.

Amortisation is calculated on a straight-line basis over the expected useful life of the asset.

4.6. Investment property

Investment property is property held to earn rentals or for capital appreciation or both. Investment property is classified under non-current assets.

The basis of valuation of investment properties is fair value, being the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The fair value is estimated using the income approach and should reflect, among other things, the rental income from current leases and other assumptions that market participants would use when pricing investment property under current market conditions. Investment property is not depreciated.

4.7. Disposal of assets

4.7.1. Decision to dispose

A decision to dispose of an asset may be prompted by one or more of the following:

- Reached the end of its useful life
- Surplus to requirements
- Under-utilised
- Not fit for purpose
- Unserviceable
- Does not meet legislative requirements
- Part of an asset replacement program

Asset disposal decisions, and the reasons for taking them, should be documented. A community engagement plan may be needed in some of these circumstances.

The disposal of an item of property, plant and equipment may occur in a variety of ways (e.g., sale, entering into a finance lease or donation). On disposal, the carrying amount of an item of property, plant and equipment is derecognised: Any gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Whenever an asset has been destroyed or subsequently removed from service following an irregular event or catastrophe, it should be accounted for as a disposal.

Partial derecognition of an infrastructure asset occurs when:

- A significant component or section of an infrastructure asset is destroyed, abandoned or decommissioned with no future economic benefit expected to be generated from its use; or
- Major renewal works have been undertaken resulting in a significant component or section of an infrastructure asset being replaced

5. DEFINITIONS

Sources: SCC Asset Management Strategy; Australian Accounting Standards; IPWEA (2015), International Infrastructure Management Manual Glossary; IPWEA (2006), International Infrastructure Management Manual

Asset	An item, thing or entity that has potential or actual value to an organisation. A resource controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity. Infrastructure assets are a sub-class of property, plant and equipment, which are non-current assets with a life greater than 12 months and enable services to be provided.
Asset category	Sub- group of assets within an asset class for financial reporting and management purposes.
Asset class	A group of assets having a similar nature or function in the operations of an entity.
Asset component	An asset component is a part of an asset that, for any reason, needs to be identified separately from its parent asset, such as, specific parts of an asset having independent physical of functional identity and having specific attributes such as different life expectancy, maintenance regimes. risk or criticality.
Asset recognition	The process of incorporating an item that meets the definition of an asset into the financial statements.
Asset register (technical)	A record of asset information including condition, construction, financial, historical, inventory and technical details.
Asset register (financial)	A financial asset register is a high-level register designed, primarily, to cater for the financial aspects of asset management, rather than the engineering and operational aspects. It is a register of all assets and groups of assets with value greater than the capitalisation threshold.
Borrowing costs	Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds.
Capital expenditure	Relatively large (material) expenditure, which has benefits, expected to last for more than 12 months. Capital expenditure includes renewal, expansion and upgrade. Where capital projects involve a combination of renewal, expansion and/or upgrade expenditures, the total project cost needs to be allocated accordingly.
Capital expenditure – expansion	Expenditure that extends the capacity of an existing asset to provide benefits, at the same standard as currently enjoyed by existing beneficiaries, to a new group of users.
Capital expenditure – new	Expenditure which creates a new asset providing a new service/output that did not exist beforehand.

Capital expenditure – renewal	Expenditure on an existing asset, or on replacing an existing asset, which returns the service capacity of the asset up to that which it had originally or to a lower service capacity.
Capital expenditure – upgrade	Expenditure which replaces a previously existing asset with enhanced capacity or function, where an option existed for replacement without the enhanced capability or functionality.
Capitalisation / asset recognition threshold	The value of expenditure on non-current assets above which the expenditure is included in the financial statements as capital expenditure and below which the expenditure is charged as an expense in the year of acquisition.
Contributed asset	An asset that is acquired by Council at nominal or no cost, usually by way of an agreement with property developers, through State Government arrangements or bequeathed to Council.
Fair value	The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.
Infrastructure asset	Physical assets of an entity that contribute to meeting the public's need for access to major economic and social facilities and services, e.g., roads, drainage, footpaths and cycle ways. These are typically large, interconnected networks or portfolios of composite assets. The components of these assets may be separately maintained or replaced individually so that the required level and standard of service from the network of assets is continuously sustained. Generally, the components and hence the assets have long lives. They are fixed in place and often have no market value.
Materiality	An item is material if its omission or misstatement could influence the economic decisions of users on the basis of disclosures in the financial report. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances.
Non-current asset	All assets other than current assets (e.g. cash), including assets held but not traded by a business in order to carry out its activities. Such assets are intended for use, not exchange, and normally include physical resources, such as land, buildings, drains, parks, water supply and sewerage systems, furniture and fittings.
Operating expenses	Recurrent expenses continuously required to provide a service, including all costs associated with operating an asset (i.e., electricity, fuel, staff, plant and equipment on costs and corporate overheads).
Qualifying asset	A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.
Service potential	The total future capacity to provide goods and services in accordance with Council's objectives.

Spare parts	Minor items of spare parts and servicing equipment are carried as inventory and expensed when utilised. Major spare parts and stand-by equipment are recognised as non-current assets when the following criteria are met: • Exceeds the recognition threshold for the applicable asset class; and • Benefits from the item will be obtained for more than one financial year; or • The spare part can only be used in connection with an asset that is already recorded within the financial asset register.
Useful life	Useful life must be based on the physical asset or component in service and not the useful life of any modern equivalent. The following factors are considered when establishing the useful life of an asset: design life; technical life; economic life; legal life. For major infrastructure assets, such as road networks and stormwater drainage, where the financial asset is comprised of multiple components, the useful life of the aggregated financial asset is deemed to be the weighted average useful life of all underlying components.

6. IMPLEMENTATION

This policy shall be administered through the Finance, Corporate and Community Services Group.

7. REVIEW

This policy shall be reviewed

- Within 12 months of the date of the election of a new Council or
- Every four (4) years or
- As directed by Council or
- A change occurs to legislation that affects the policy

8. APPLICATION OF ESD PRINCIPLES

All works, whether asset replacement / renewal / upgrade / disposal or new, must consider ecological sustainable development

Attachment 1: Summary of asset hierarchy with capitalisation thresholds

Asset Category	Asset Class	Asset Component	Capitalised	Depreciated	Capitalisation Threshold (ex GST)		Valuation Technique	Useful life
					Measure $	Measure other		
Land	Land	Land - Council land / controlled	Y	N	**$0**	All		unlimited
		Land - open space / freehold	Y	N	**$0**	All		unlimited
		Land under roads (purchased before/on 30/06/2008)	N	N	**N/A**	N/A		N/A
		Land under roads (purchased after 30/06/2008)	Y	N	**$0**	All		unlimited
		Land - improvements	Y	Y	**$5,000**	N/A		various
Plant & Equipment	Plant & Equipment	Plant	Y	Y	**$5,000**	N/A		various
		Light Vehicles	Y	Y	**$5,000**	N/A		various
		Other Equipment	Y	Y	**$5,000**	N/A		various
	Furniture & Office Equipment	Office Equipment	Y	Y	**$5,000**	N/A		various
		Office Furniture	Y	Y	**$5,000**	N/A		various
		Computer Equipment	Y	Y	**$5,000**	N/A		various
		Software (licensed)	Y	Y	**$5,000**	N/A		various

Asset Category	Asset Class	Asset Component	Capitalised	Depreciated	Capitalisation Threshold (ex GST)		Useful life
					Measure $	Measure other	
Buildings & Structures	Buildings	Structure / Sub-structure	Y	Y	**$10,000**	N/A	20-130 years
		Roof	Y	Y	**$10,000**	N/A	20-130 years
		Building Services (Mechanical / Fire / Electrical / Hydrolic / Security / Transport)	Y	Y	**$10,000**	N/A	5-130 years
		Fit Out	Y	Y	**$10,000**	N/A	15-130 years
		Floor coverings	Y	Y	**$10,000**	N/A	6-50 years
		Heritage Buildings	Y	Y	**$10,000**	N/A	various
Other Infrastructure assets	Other Structures	All	Y	Y	**$10,000**	N/A	various
	Swimming pools	All	Y	Y	**$10,000**	N/A	50 years
	– Other open space / rectreational assets	All	Y	Y	**$10,000**		10-20 years
	Other infrastructure	All	Y	Y	**$10,000**	N/A	10-50 years
Water & Sewer	Water	Treatment Plants	Y	Y	**$10,000**	N/A	25-70 years
		Pipes	Y	Y	**$10,000**	N/A	80 years
		Reservoirs	Y	Y	**$10,000**	N/A	100 years
		Dams	Y	Y	**$10,000**	N/A	100
		Other water assets	Y	Y	**$10,000**	N/A	20-80 years
	Sewer	Pumping stations	Y	Y	**$10,000**	N/A	20-100 years
		Pipes	Y	Y	**$10,000**	N/A	40-117 years
		Treatment works	Y	Y	**$10,000**	N/A	10-50 years
		Other sewer assets	Y	Y	**$10,000**	N/A	20-100 years

Asset Category	Asset Class	Asset Component	Capitalised	Depreciated	Capitalisation Threshold (ex GST)		Useful life
					Measure $	Measure other	
Drainage	Stormwater	Pipes	Y	Y	**$10,000**	N/A	70 -80 years
		Pits & End walls	Y	Y	**$10,000**	N/A	70 -80 years
		Minor Culverts	Y	Y	**$10,000**	N/A	70 -80 years
		Open Channel Drains (lined only)	Y	Y	**$10,000**	N/A	70 -80 years
		Gross Pollutant Traps	Y	Y	**$10,000**	N/A	70 -80 years
		Drainage Pumps & Housing	Y	Y	**$10,000**	N/A	various
	Environmental	All	Y	Y	**$10,000**	N/A	various
	Flood Control	All	Y	Y	**$10,000**	N/A	various
	Waterways	All	Y	Y	**$10,000**	N/A	various
Roads & Bridges	Roads (sealed &unsealed)	(1) Surface - Asphalt	Y	Y	**$10,000**	100 sqm	15-25 years
		(2) Surface - Spray/flush/chip seal	Y	Y	**$10,000**	100 sqm	7-15 years
		(3) Surface - Concrete	Y	Y	**$10,000**	100 sqm	40-60 years
		(4) Surface - Brick/ Paved	Y	Y	**$10,000**	100 sqm	20-40 years
		(5) Road pavement	Y	Y	**$10,000**	100 sqm	15-40 years
		(6) Road formation/ Earthwork	Y	N	**$10,000**	100 sqm	unlimited
	Kerb & Gutter	All	Y	Y	**$10,000**	20 lineal metres	70 years
	Pathways - rigid	Concrete/Brick/Pavers	Y	Y	**$10,000**	40 sqm	40 years
	Pathways - non-rigid	Bitumen/ Asphalt Pathways	Y	Y	**$10,000**	80 sqm	20-30 years
		Unsealed Pathways (>50mm depth)	Y	Y	**$10,000**	80 sqm	various
		Miscellaneous Paved Areas	Y	Y	**$10,000**	40 sqm	various
	Bridges & Major Culverts	Super-Structure	Y	Y	**$10,000**	N/A	various
		Sub-Structure	Y	Y	**$10,000**	N/A	various
		Abutments	Y	Y	**$10,000**	N/A	various

Asset Category	Asset Class	Asset Component	Capitalised	Depreciated	Capitalisation Threshold (ex GST)		Useful life
					Measure $	Measure other	
Other Assets	Heritage Assets (not in use)	Identified in Building/ Structures	Y	N	**$0**	N/A	N/A
	Library Books / Toy Library	All	Y	Y	**$0**	N/A	5 years
	Other Assets (not in use)	All	Y	Y	**$5,000**	N/A	various

ATTACHMENT 2: Cost, market value and depreciated replacement cost

Elements of cost

The value of assets initially recognised at cost include:

- Purchase price, including duties and taxes (excluding GST), after deducting discounts and rebates
- Any other cost directly attributable to bringing the asset to its location and condition

Costs capitalised into the financial asset register typically include:

- Contract costs for construction or development of an asset
- Employee benefits directly involved in the construction, development or acquisition of an asset, including directly attributable labour on-costs
- Project management costs
- Site preparation
- Design
- Initial delivery and handling
- Installation and assembly
- Interest on a loan directly funding a specific project incurred during construction or development of the asset (until commissioning), where the interest is deemed material to the overall cost of the project
- Commissioning
- Directly attributable real estate fees, legal costs and associated professional fees
- Tender costs
- Major inspections on system assets (where it is probable that future economic benefits will flow to Council and the cost can be measured reliably)
- Initial estimate of the obligation incurred for dismantling and removing the item and restoring the site on which it is located

Costs not directly attributable to the cost of an asset and, therefore, not capitalised into the financial asset register include:

- Costs associated with feasibility studies, research studies, master plans, concept plans and investigations up to the point when Council formally decides that a capital project will be undertaken
- Costs of opening a new facility and any associated relocation and reorganisation costs
- Costs associated with operating and/or decommissioning an existing asset that is in the process of being replaced by a new asset
- Periodic software maintenance and licence agreement charges
- General administration and overhead costs
- Inspection costs where no physical upgrade, refurbishment or replacement of an asset is undertaken. This includes any outlay associated with the assessment of asset condition
- Cost to relocate services (water, sewer, power, communication services)

In some instances, the capitalised cost of an asset should include an initial estimate of the cost of dismantling and removing the asset and restoring the site on which it is located. Such costs should only be capitalised when:

- They can be reliably estimated
- Are material in amount or nature
- Where a clear obligation exists (predominantly through a legislative or environmental obligation) at the time an asset is first put into use

Where an asset is used to produce inventories (for example, a quarry), any restoration or removal cost capitalised on acquisition should not include restoration or removal costs that arise through actual operation of the asset. These costs are systematically recognised as an expense over the period of asset operation.

Market Value

Assets acquired at no cost, or for nominal consideration, are recognised in the financial asset register at the market value at acquisition date, whenever a readily available market for the asset exists.

Preference is to be given to assessing market value in an active market for identical assets that Council can access at acquisition date (i.e., a Level 1 fair value as prescribed within AASB 13 Fair Value Measurement). Identical markets would only apply to 'as new' items of plant or equipment contributed or donated to Council.

Other asset types with a market value commonly contributed or donated to Council include land, buildings and second-hand plant or equipment. Such assets are valued with reference to other observable inputs, such as second-hand markets for similar/identical assets or real estate markets. These valuations are considered to be Level 2 fair values, as prescribed within AASB 13, and take into account:

- The condition and location of the asset acquired; and
- The asset's highest and best use

As such, a market value should be obtained for assets in similar condition to the asset acquired by Council and, depending on its physical location, an adjustment may be required for transportation costs. Any other type of transaction cost, such as real estate or legal fees, are specifically excluded as being part of market value by AASB 13.

With regard to highest and best use, the following factors need to be considered:

- A use that is physically possible, taking into account the asset's physical characteristics, such as size and capacity, as well as any physical impediments due to location
- A use that is legally permissible, including zoning regulations applicable to a property and any other legally enforceable restriction
- A use that is financially feasible, taking into account the economic realities of upgrading or converting an asset to achieve a better usage

The important point to note is that highest and best use (and hence market value of the asset) is from the perspective of market participants, which can differ from how Council is using or intends to use the asset.

Depreciated replacement cost

Where assets are acquired by Council at no cost, or for nominal consideration, and a market value cannot be reliably obtained, the assets are recognised within the financial asset register at depreciated replacement cost, that is, the current replacement or reproduction cost less any accumulated depreciation.

Current replacement or reproduction cost of an asset is the minimum that it would cost Council, in the normal course of business, to replace an existing asset with a technologically modern equivalent (as opposed to a second-hand asset) that provides commensurate economic benefits.

Reliable sources of information for determining current replacement cost are:

- Appropriately qualified and knowledgeable valuers
- Reference to industry standards, such as Rawlinsons Construction Cost Guide, Cordell's Cost Guides, or NSW Reference Rates Manual
- Costs incurred by Council in the acquisition/construction of similar assets
- Expected costs of materials, services and labour sourced from appropriate suppliers and applied by appropriately qualified and knowledgeable Asset Managers within Council