COUNCIL POLICY		
ACCOUNTING FOR ASSETS POLICY	Policy No:	
	Adopted by Council:	15 July 2026
	Next review date:	July 2030
Executive Director:	Director Corporate and Community Services	
Responsible Officer:	Chief Financial Officer	
Functional Area:	Financial Services	
Introduction and Background	West Wimmera Shire Council is committed to maintaining, monitoring and reporting on the assets of the community. A key strategy in managing community assets is a sound asset control framework that makes clear the roles, responsibilities and procedures of all members of the organisation. This policy sets the framework for the financial monitoring and reporting of assets.	
Purpose and Objectives	To provide guidance on Council's approach in meeting its obligations regarding the recognition, accounting, and financial valuations of non-current physical assets, in accordance with relevant Australian Accounting Standards and other legislative requirements. The intention is to expand and provide clarification to the document produced by Local Government Victoria entitled "Local Government: Accounting for non-current physical assets under AASB116.	
Response to the Overarching Governance Principles of the Local Government Act 2020	Section 9 of the *Local Government Act 2020* states that a Council must in the performance of its role give effect to the overarching governance principles. This policy is in response to the following overarching governance principle/s of the *Local Government Act 2020*: a) the financial management principles (section 101)	
Definitions	*Annual Average Asset Consumption (AAAC):* Amount of asset base consumed during a year. Calculated by dividing the Current Replacement Cost (CRC) by the useful life and totalled for each and every asset OR by dividing the Fair Value (Written Down Current Replacement Cost) by the Remaining Life and totalled for each and every asset in an asset category or class.	

	Asset - New: Capital expenditure that creates a new asset providing a new service/output that does not currently exist. As it increases service potential, it will impact future operations and maintenance expenditure *Asset - Expansion:* Capital expenditure that extends the capacity of an existing asset to provide benefits at the same standard to a new group of users, e.g. extending a drainage or road network. *Asset - Renewal:* Capital expenditure on an existing asset or replacing an existing asset which returns the service capability of the asset to that which it originally had. *Asset - Upgrade:* Capital expenditure which enhances an existing asset to provide a higher level of service, e.g. widening an existing road from 2 lane to 4 lanes, replacing stormwater pipes with larger pipes *Brownfield Costs:* Include the cost of construction and such costs as demolition, disposal and site restoration. *Capital Expenditure:* Is expenditure on assets that has a useful life of more than 12 months, is for the purchase or development of the asset, and substantially prolongs, enhances or improves the life or economic benefit of the asset. Maintenance works should not be included as Capital Expenditure. The threshold for the capitalisation of an asset will vary based on the Asset Type. *Carrying Amount:* Is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses. *Component:* An individual part of an asset which contributes to the composition of the whole and can be separated from or attached to an asset or a system. *Cost: Is* the amount of cash or cash equivalents paid, or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction. *Current Replacement Cost:* The cost the entity would incur to acquire the *asset* on the reporting date. *Current Replacement Cost "As New":* The current cost of replacing the original service potential of an existing asset with a similar modern equivalent asset, i.e. the total cost of replacing an existing asset with an as NEW or similar asset expressed in current dollar values. *Depreciation:* Is the systematic allocation of the depreciable amount of an asset over its useful life. *Depreciated Replacement Cost:* For infrastructure assets such as roads, the best indicator of fair value is depreciated replacement cost. This is calculated by determining the current replacement cost less accumulated depreciation (based on current condition) less any other impairment, form of obsolescence or optimisation. *Fair Value:* Is 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. I.e. it is an exit price. *Gifted Assets:* Are assets that have a fair value and have been gifted, donated or constructed for use on Council owned or controlled land

	(including Crown land) such as a road and associated drainage and footpaths in a new subdivision. *Greenfield* Costs*:* Include costs that would be included on initial acquisition or construction of an asset at an undeveloped site. *Historical* Cost*:* Amount paid for an item of plant, furniture or equipment that is not revalued and held as an asset at its original cost. *Impairment:* Is where the carrying amount of the non-current asset exceeds its recoverable amount. *Impairment Loss:* The amount by which the carrying amount of an asset exceeds its recoverable amount. *In-Kind:* Is the value of a contribution of materials, services or labour provided by a third party towards the asset concerned. E.g. - provided by committees of management or service clubs towards improvements to a building or playground. *Level of Service:* The defined service quality for a particular Primary Service against which service performance may be measured. Service levels usually relate to quality, quantity, reliability, responsiveness, environmental, acceptability and cost. *Materiality:* An item is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial report. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. *Major Culvert:* A culvert structure or series of culverts with a waterway capacity greater than 3m2. *Minor Culvert:* A culvert structure or series of culverts with a water way capacity less than 3m2. *Net* Present *Value:* Net Present Value (NPV) is a calculation that compares the amount invested today to the present value of the future cash receipts from the investment. In other words, the amount invested is compared to the future cash amounts after they are discounted by a specified rate of return. The current value of future cash payments when the payments are discounted by a rate that is a function of the interest rate. For example, the present value of $1,000 to be received in two years is $812 when the $1,000 is discounted at an annual rate of 11%. Conversely, $812 invested at an annual return of 11% would produce a sum of $1,000 in two years. *Non-Current Asset:* Is an asset with economic benefit that is consumed over a period greater than 12 months. Recoverable *Amount:* Is the higher of an asset's fair value less costs to sell and its value in use. *Recurrent Expenditure:* Operational expenditure that is not capital expenditure in nature and generally relate to maintaining the asset in its current condition. *Residual Value:* Is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

	Risk Management: The application of a formal process to the range of possible values relating to key factors associated with a risk to determine the resultant ranges of outcomes and their probability of occurrence. *Service Potential:* The capacity to provide goods and services in accordance with the entity's objectives, whether those objectives are the generation of net cash inflows or the provision of goods and services or a particular volume and quantity to the beneficiaries thereof. *Specialised Properties:* Property that is rarely, if ever, sold in the market except by way of a sale of the business or entity of which it is part, due to uniqueness arising from is specialised nature and design, its configuration, size, location or otherwise. *Unexpired Cost:* Relates to Leasehold assets and is the cost amortised over the unexpired period of the lease or the estimated useful life. *Useful Life:* Is the period over which an asset is expected to be available for use by an entity OR the number of production or similar units expected to be obtained from the asset by the entity. *Value in Use:* The present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. *Waterway Area:* Is the water flow capacity of a culvert, box culvert or combination of culverts.
Policy Details	
1.	Application and Scope
	Council must comply with requirements of the Local Government financial reporting framework including Australian Accounting Standards, Local Government Model Budget and the Local Government Model Financial Report. To ensure that for Financial Reporting purposes, these valuations were undertaken to comply with the following Australian Accounting Standards: a) AASB 13, "Fair Value Measurement"; b) AASB 116, "Property, Plant and Equipment"; c) AASB 136, "Impairment of Assets"; d) International Valuation Application 3 – Valuations of Public Sector Assets for Financial Reporting. Accounting standards (particularly AASB 116 – Property, Plant and Equipment) require expenditure on physical assets that will provide services over more than one financial year to be recognised as non-current physical assets. Typical non-current physical assets managed by Council include roads, bridges, footpaths, drains, plant & equipment, parks and buildings used by the community. AASB 116 requires Council to undertake periodic revaluations of all non-current physical assets after acquisition. Assets are recognised at Fair Value. For infrastructure assets, the best indicator of fair value is Depreciated Replacement Cost. This is the current cost of replacement, less deductions for accumulated depreciation, deterioration and all forms of obsolescence and optimisation.

	Council must also comply with AASB13 – Fair Value Measurement which aims to improve consistency and reduce complexity by providing a definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards. This policy applies to all non-current physical assets, and other assets which meet the definition of non-current, however may be treated as current for specific purposes (e.g., land held for resale and investment properties). This policy provides direction and guidance to Council officers who are charged with accounting for or revaluing these Council owned or controlled assets. This document also sets the capitalisation thresholds for the development of business cases and transfers to the balance sheet (capitalisation) of expenses relating to the acquisition, development or improvement of assets. The policy applies to all employees, Councillors, contractors and volunteers engaged directly by Council.
2.	Asset Classifications
	Council uses 12 categories as detailed in the Local Government Victoria (LGV) guidance and model documents to record its non-current physical assets. Council also has 3 categories for assets that are held separately to the non-current physical assets above. These assets are Land Held for Resale, Land Held for Inventory, and Investment Properties. Each category has been allocated to a responsible officer to review all the relevant information for the revaluation and condition assessment of the non-current physical assets to be quantified for audit purposes.
3.	Asset Management Plans
	Asset Management Plans (AMP) form the centre piece of Council's Service and Asset Management framework. The aim of an asset management plan is to set out the assets required underpinning the service delivery. The AMP is the best place to capture and document corporate knowledge about assets. It influences the future strategic direction with regards to Operational and Maintenance programmes, Renewal and Replacement programmes and Capital Investment (New, Upgrade, Expansion and Disposal) decisions which, in turn, then influences and complements the Service to be delivered. All asset decisions should be made incorporating "whole of life cost" approach to asset management to provide for sustainable assets and resources. This document underpins the financial assumptions made in AMPs.
4.	Financial vs Physical Asset Management
	This document guides the capitalisation of assets which are to be accounted for in the financial statements of Council. Whilst the capitalisation thresholds are set out Councils Capitalisation Policy, the capture and use of asset management data is and should be far more reaching that the capitalisation amount i.e. whilst individual personal computers may not be

	recognised as a financial asset, best practice asset management recommends all assets are tagged, identified and listed with the asset management system. Capitalisation thresholds can be applied at the individual item level or at a collective item grouping. Where the same type of asset is located at the one location and it is beneficial to manage the assets as a group either financially or physically, they may be capitalised as a group, even though their individual value is less than the threshold, but their collective value is greater than the threshold value.
5.	Impairment
	An asset is impaired when it is not meeting its intended purpose to its full carrying amount. Examples of impairment might occur following a natural disaster such as flood, fire or storm. Others may be result of an accident. Where the damage/impairment is minor and the asset is returned to its original condition within the course of operations of a year, there is no need to recognise impairment, however where the impairment is of a longstanding or severe manner, impairment calculations will need to be carried out and recognised in the records of Council: a) AASB136 Impairment of Assets must be followed along with guidance from LGV. b) AASB 136 requires entities to make an assessment at each reporting date as to whether there is an indication that an asset is impaired. If any indication exists, the entity must estimate the recoverable amount. Where the carrying amount exceeds the recoverable amount, the asset must be written down to its recoverable amount. In assessing whether there is any indication that an asset may be impaired, the standard states the minimum external and internal indications that must be considered. For example: a) A decline in market value of the asset; b) Changes in the technological, market, economic, or legal environment in which the entity operates; and c) Evidence that the asset is obsolete or has been damaged. The approach incorporates a review and/or calculation of the following: a) Currency and accuracy of asset register. b) Asset replacement policy. c) Replacement unit rates d) Residual values where applicable e) Useful lives f) Pattern of consumption of future economic benefits g) Current Replacement Cost = Unit Cost x Asset Dimension x Unit Rate h) Depreciable Amount = Current Replacement Cost – Residual Value i) Accumulated Depreciation = (Age/Useful Life) x Depreciable Amount j) Depreciated Replacement Cost = Current Replacement Cost – Acc Dep Test for indicators for impairment: a) Annual Depreciation expense = Depreciable Amnt / Useful Life

	AASB 136 directs 60 An impairment loss shall be recognised immediately in the profit and loss, unless the asset is carried at revalued amount in accordance with another Standard (for example, in accordance with the revaluation model AASB 116). Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that other standard. Please refer to the Accounting for Natural Disasters (2017) put out by Local Government Victoria.
6.	Asset Valuation
	To ensure that for Financial Reporting purposes, asset valuations are undertaken to comply with the Australian Accounting Standards and *Local Government Act 1989*, and as such, have been completed with reference to the following: a) AASB 13, "Fair Value Measurement" b) AASB 116, "Property, Plant and Equipment" c) AASB 136, "Impairment of Assets" International Valuation Application 3 – Valuations of Public Sector Assets for Financial Reporting
7.	Asset Valuation (Newly Acquired Assets)
	Asset Valuation is the process of determining the worth of an asset or liability. Different valuation methods may be appropriate in different circumstances. *Found or gifted assets*, including assets taken over by Council from sub-division developments, will be valued at fair value, either market value, historical value or cost of acquisition. *Market Value* is where an active and liquid market exists for assets similar in type and condition, the fair value of an asset is its price in that market. This approach is suitable for assets such as freehold land, non-specialised buildings, antiques, artworks and plant & equipment. *The Fair Market Value* of assets is usually determined from market-based evidence by appraisal, which is normally undertaken by a professionally Certified Valuer. Where there are costs to be incurred in acquisition of the assets, such as delivery and handling, these costs are to be excluded from the fair value. Other costs to be excluded from fair value include prices inflated or deflated by special terms or circumstances such as financing, sale and leaseback arrangements of concessions granted by persons associated with the sale. *Acquisition Cost (or Historical Cost)* Assets may be acquired by various means, including: a) Purchased from a supplier. b) Constructed by Council. c) Constructed by a contractor on behalf of Council. d) Constructed by another Council or Agency and contributed to Council. Cost elements in acquiring infrastructure assets may include:

- Project management - overall management of the project delivery including contract management (if applicable).
- Investigation - strategic planning, development of options, community engagement, business planning and recommendation of preferred option.
- Statutory approvals - town planning, government authority, regulatory permit and licence applications and approvals.
- Design - survey and design, engineering plans, specification and tender documentation (if required).
- Professional Fees - fees paid to consults for professional services including planning, community engagement, approval applications, survey, design and documentation, contract supervision and management.
- Acquisition - payments made to a supplier for acquisition of the asset.
- Delivery and handling - packaging, transportation, delivery, and replacement of asset.
- Site preparation - clearing, fencing, earthworks, site access and base preparation for the asset.
- Installation and testing - placement of purchased asset and compliance testing, less sale of any proceeds gained from testing.
- Construction - in-house construction of the asset using the resources of Council and sub-contractors (where applicable), including direct and indirect labour, plant and materials costs and management overheads.
- Supervision - in-house supervision of construction work.
- Testing - ensuring compliance with specified outcomes.
- Asset handover - preparation of and certification of 'as constructed' drawings, preparation of asset handover from construction to operations and capitalisation of costs documentation.
- Corporate services - corporate services costs indirectly associated with in-house construction and acquisition such as payroll, purchasing, financial services, information technology, human resources, etc.
- Contract payments - payments made to external contractors for work performed under contract.
- Contract supervision - in-house supervision of construction work carried out by contract.

Construction Date

The construction date entered into the asset register will be the date at which Council accepted ownership of the assets:

a) In-House Construction: Completion of Works, as notified.
b) Contracted Construction: Final Completion Notification issued.
c) Gifted Assets (Subdivisions): Statement of Compliance issued.
d) Gifted Assets (Community Grants, etc.): Completion of Works, as notified.

Assumed Age

For historical assets, where no definitive construction date exists, the construction date will be assumed to be June 30th of the assumed year of construction.

Useful Life

The useful life of an asset, or part of an asset, is the period over which an asset is expected to be available for use by Council.

8.	Asset Valuation - Unit Costs/Revaluations (Existing Assets)
	Fair Value is generally considered more relevant for decision making than the initial acquisition (historical) cost. Fair Value requires Council to adopt the 'revaluation model' option under AASB 116. The Revaluation Model requires an item of property, plant and equipment whose fair value can be measured reliably, to be carried at a re-valued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. This is known as the asset's 'Depreciated Replacement Cost (Value)'. Revaluations are to be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. The frequency of revaluations depends upon the changes in fair value of the items of property, plant and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required. Some items of property, plant and equipment experience significant and volatile changes in fair value and may require annual revaluation. Other items of property, plant and equipment may experience insignificant changes in fair value. For those items, they may only require revaluation every 3 to 5 years. When an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs is to be revalued. Prior to commencing the revaluation, a Unit Justification Document should be prepared which outlines the methodology and units of measurement to be utilised for the asset class or subcategory. Other important criteria include how the valuation is to be carried out (internal or contract), timing of the valuation, data capture and integration, support resources required and Audit requirements for assurance purposes. This document should be reviewed each year, immediately prior to the end of financial year, utilising latest knowledge of asset costs to ensure there is no material movement from the carrying unit rates. Councils Assets Unit maintains a Unit Justification Document which is updated annually.
9.	Asset Valuation - Fair Value
	Fair value is defined as 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: a) Key aspects of AASB 13 include: b) Market-based measurement - fair value is determined based on market conditions and assumptions that market participants would use, not on an entity's specific intentions or circumstances. c) Exit price - fair value is measured as the price an entity would receive to sell an asset or transfer a liability, not the price they would pay to acquire or incur it.

	d) Highest and best use - for non-financial assets, fair value is determined based on their highest and best use by market participants, even if the entity has different plans. e) Valuation techniques - if a market price isn't available, entities must use valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. f) Non-performance risk - for liabilities, the fair value measurement includes the effect of non-performance risk, which includes the entity's own credit risk. g) Public Sector Entities - AASB 13 has specific guidance for not-for-profit public sector entities in measuring the fair value of non-financial assets not held primarily for their ability to generate h) net cash inflows. This guidance is outlined in a separate appendix and does not apply to for-profit entities or not-for-profit private sector entities. i) In essence, AASB 13 ensures that fair value measurements are consistent, reliable, and reflect market conditions, providing a common basis for financial reporting across different entities and jurisdictions. j) Where assets have a market price for their current type and condition, the market price is the fair value. k) Where no market price exists, fair value may be determined from the cost to replace the future economic benefits (service potential) embodied in the asset. l) For revaluations, the fair value of land and non-specialised buildings is usually determined from market-based evidence by appraisal that is normally undertaken by a professionally Certified Valuer. The fair value of items of plant and equipment is usually their market value determined by appraisal. m) If there is no market-based evidence of fair value because of the specialised nature of the item of property, plant and equipment and the item is rarely sold, except as part of a continuing business, Council may need to estimate fair value using an income or a Depreciated Replacement Cost (DRC) approach. n) Assets for which no market price may exist include: o) Infrastructure such as roads, bridges, stormwater drainage, recreation, and public furniture. p) Specialised buildings such as municipal offices, libraries, sports pavilions, toilets, halls & community centres, swimming pools, day care centres, and pre-school centres/kindergartens.
10.	Asset Valuation - Fair Value Hierarchy
	Overview AASB 13 seeks to increase consistency and comparability in Fair Value measurements and related disclosures through a 'Fair Value hierarchy'. The hierarchy categorises the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. If the inputs used to measure Fair Value are categorised into different levels of the Fair Value hierarchy, the Fair Value measurement is categorised in its entirety in the level of the lowest level input that is significant to the entire measurement (based on the application of judgement). *Level 1 Inputs*

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

A quoted market price in an active market provides the most reliable evidence of Fair Value and is used without adjustment to measure Fair Value whenever available, with limited exceptions.

If an entity holds a position in a single asset or liability and the asset or liability is traded in an active market, the Fair Value of the asset or liability is measured within Level 1 as the product of the quoted price for the individual asset or liability and the quantity held by the entity, even if the market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Level 2 Inputs

Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 2 inputs include:

a) quoted prices for similar assets or liabilities in active markets
b) quoted prices for identical or similar assets or liabilities in markets that are not active
c) inputs other than quoted prices that are observable for the asset or liability, for example
d) interest rates and yield curves observable at commonly quoted intervals
e) implied volatilities
f) credit spreads
g) inputs that are derived principally from or corroborated by observable market data by correlation or other means ('market-corroborated inputs')

Level 3 Inputs

Level 3 inputs are unobservable inputs for the asset or liability.

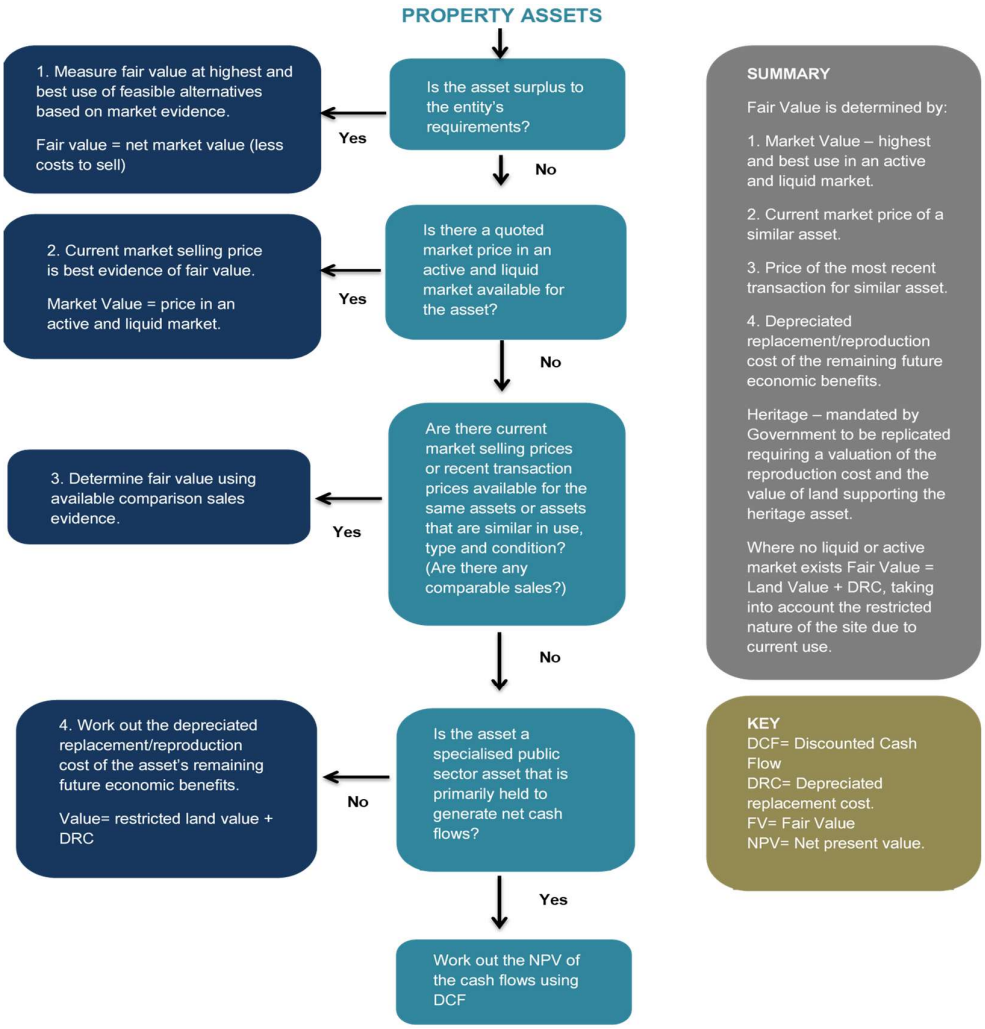
Unobservable inputs are used to measure Fair Value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. An entity develops unobservable inputs using the best information available in the circumstances, which might include the entity's own data, considering all information about market participant assumptions that is reasonably available.

The following information is required for inclusion in the financial report in relation to the significant unobservable inputs for Level 3 assets:

Specialised Land and Land Under Roads

Valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values. The market value of land varies significantly depending on the location of the land and the current market conditions.

	Specialised Buildings Valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. The remaining useful lives of buildings are determined based on the current condition of buildings. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings. Infrastructure Assets Valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined based on the current condition of the asset. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.
11.	Asset Valuation - Highest and Best Use
	The use that maximizes its potential and that is physically possible, legally and financially feasible. The following is a decision tree that Australian state and territory Valuers-General have agreed upon to be the process involved in deciding the method to use for financial reporting in the government sector. This is a simplified high-level decision tree that has been reproduced for guidance and should be viewed as a guide only. The calculations and assumptions used by Council when recognising the associated CSO is documented as part of the valuation reports. If plans for an asset within the next 12 months are going to change than this should be recognised.



12.	Asset Valuation - Disruption Costs
	AASB 2022-10 does not include a definition of 'disruption costs' and this is probably where most of the confusion exists when applying the new updates to the standard. However, the following costs are included as examples, when constructing a replacement road: a) Costs of redirecting traffic (AASB13.F12(a)). b) Employing safety officers (AASB13.BC179). Therefore, disruption costs can be interpreted broadly, to include costs related to the disruption of activities of third parties or the entity itself. However, AASB 2022-10.BC180 makes it clear that disruption costs are only included in the estimated replacement cost of fair value where all the following apply:

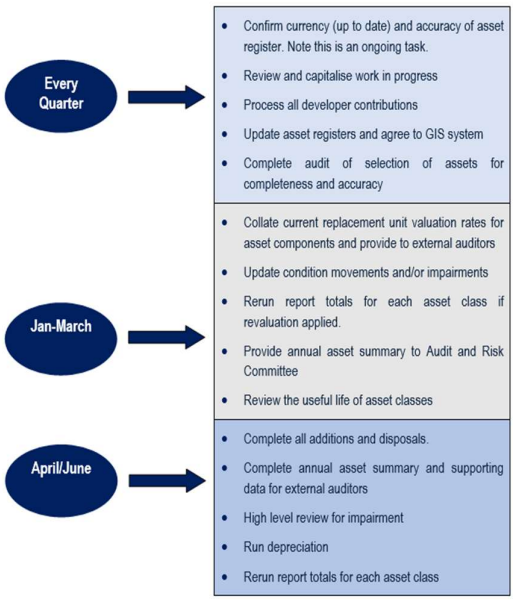
	a) Intrinsically linked to the hypothetical acquisition or construction of the reference asset at the measurement date. b) Would necessarily be incurred by a market participant. c) Reflect the pricing assumptions a market participant would make. All examples given are of single assets and do not relate easily to Local Governments multiple assets. We have considered disruption costs and applied them as a unit rate or percentage against relative assets. The disruption costs have been broadly applied to a group of assets based on factors such as location. We are using green fields with distribution costs added.
13.	Asset Valuation - Replacement with New Value
	The Replacement with New Value has been determined at the date of the valuation to allow for replacement by similar property, in a condition equal to but not better, nor more extensive, than its condition when new. When appropriate, due allowance has been made for land or sea cartage and freight, insurance, duty, delivery, installation, commissioning, design, engineering costs and the like.
14.	Asset Valuation - Modern Equivalent Replacement Asset (MERA)
	The MERA replacement cost is determined by reference to the current market buying price, current reproduction cost or replacement cost of modern equivalent assets. In respect of specialised assets, such as infrastructure, the appropriate cost is the lower of the current replacement cost and the current reproduction cost of the gross service potential of the existing asset.
15.	Asset Valuation - Depreciated Replacement Cost (DRC)
	This method of valuation is used as a surrogate for market value, of specialised and limited market properties and assets, for which market evidence is not available. The DRC methodology is based on the current gross replacement or reproduction cost of the asset reduced by factors providing for age, physical depreciation; technical and functional obsolescence and market factors, considering the total estimated useful life and anticipated residual value of the assets.
16.	Asset Valuation - Optimisation
	In determining optimisation, the Valuer attempts to assess value by referring to the concept of substitution. It is logical to assure that the maximum amount a potential purchaser would be prepared to pay for an asset is represented by the purchaser's lowest alternative cost to replicate the asset. In assessing what represents the lowest alternative cost, consideration must be given to the optimum set of assets that would be required to provide the reasonably foreseeable services required to be delivered by the assets.
17.	Asset Valuation - Operational Assets
	Operational assets are those, which are utilised in the operation of the entity and are held for the continued use or service potential for the foreseeable future.

18.	Asset Valuation - Non-Operational Assets
	Non-operational assets are assets, which are not integral to the operation of the entity and are valued based on Market Value only.
19.	Asset Valuation - Specialised or Non-Specialised Assets
	Operational assets may be non-specialised or specialised in whole or part. The Valuer should assess the degree of specialisation, having regard to the following: a) The use to which the asset is put b) The degree of special adaptation c) The location d) Whether the category of asset has a readily definable market e) Guidance by the Directors and/or Technical Staff of the entity
20.	Asset Valuation - Green Fields / Brown Fields
	The residual value of an asset is the estimated amount that would be obtained today from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. When valuing infrastructure assets, the concept of residual value can be problematic, especially where the asset is renewed or replaced. The difficulty arises because the costs incurred in renewal (commonly called the “brownfield” costs) are often significantly different from than the costs incurred during initial construction (commonly called the “greenfield” costs). It is a requirement of the Australian Accounting Standards (AASB116) that Infrastructure assets are valued at “fair value”, which is the cost to replace the asset with a modern-day equivalent built on a “greenfield” – that is assuming that there is no existing road in place. The cost of renewal will include new and relatively higher costs that arise from factors that were not present when the asset was originally constructed. These costs include relocation of services, removal and restoration of ‘improvements’ erected over the assets, traffic control and increased workplace safety requirements. Such costs are excluded from the determination of replacement cost. However, some of the “brownfield” costs incurred in renewal will also be relatively less than those incurred in original construction. In the case of roads, the initial earthworks required to create the road formation will not need to be re-done on renewal, achieving a significant saving when compared to a greenfield site. Closer consideration of the difference in these costs shows that a large part of the difference arises because certain components are not replaced when an asset is renewed. The difference between the initial greenfield costs on acquisition and the expected brownfield costs on renewal is often used as a proxy for the residual value of the existing asset. It is preferable, as with the estimates of useful lives, to also separately determine residual values for each asset component. In the case of roads, it is likely that many if not most road formations (earthworks) will have an indefinite life and hence will not be depreciated.

	Alternatively, if road formations are considered to have a finite life, this could be expected to be very long, for example when compared to the life of the pavement. In either case the issue of a residual value is either not relevant or likely to be immaterial. Road seals generally would have no or little residual value at the end of their lives, their original cost would be fully depreciated over their lives. Road pavements or sub-grades may be considered to have a proxy "residual" value in terms of the in-situ material from which they were constructed being able to be re-used in re-constructing or rehabilitating the pavement. In this case, the "residual" value of the in-situ pavement materials would be costed into the new pavement – the combined value of the residual value and the brownfield costs potentially being equivalent, or close to, the greenfield replacement cost of that component.
21.	Asset Valuation - Community Service Obligation (CSO)
	In accordance with AASB 116, the valuation of land for financial reporting purposes must have regard to its highest and best use. This means adopting a HBU that is legal and feasible. Land needs to be valued at fair value and measured having regard to the HBU when and only where there exists possible and feasible alternative uses in the existing natural, legal, financial and socio-political environment and the alternative uses are feasible within the near future. Where there are natural, legal, financial or socio-political restrictions on the use and disposal of land, and there is no feasible alternative use in the near future, the land should be valued at fair (market) value for its existing use. That is, opportunities that are not available to the entity are not taken into account. Allowances need to be made in the valuation of the land for the restricted nature of the land. Once the restrictions in use are put in place the asset is said to provide a CSO. The CSO is represented by the difference between the value of the land as if it was to be used for its HBU compared to the value of the land in its current restricted use. The zoning and use of the various categories will have an impact on the value of the land to be ascribed for financial reporting purposes. As this land is serving its CSO for a long period of time and cannot ostensibly be used for other purposes, it should be valued at a discounted amount from its unencumbered HBU value on an 'englobo' basis. For example: the dollar amount per hectare 'englobo' less 95 per cent equals the encumbered fair value of the land. The high discount rate reflects an extreme restriction placed on the land in that it does not allow the land to be used for a HBU than the CSO for a very long period of time.
22.	Asset Valuation - Demolition
	In the context of AASB 13 (Fair Value Measurement) and demolition costs, an entity should consider the costs required to remove and dispose of unwanted existing structures on land to make way for the hypothetical construction of a reference asset, as part of the fair value measurement process. The costs of demolishing of the reference asset itself should generally not be included in the replacement costs of the reference asset. This is because the current use is assumed to be the highest and best use, and it follows the hypothetical market participant would not therefore demolish the existing structures.

	For example, when valuing a hospital (the subject asset), the cost of demolishing this hospital should not be included in the replacement cost of the reference asset.
23.	Asset Valuation - Third Party Costs
	In many instances, it is expected that restoration of the third-party assets would not be included in replacement cost, because a subsequent construction would not need to disturb those same assets as they have already been removed from the existing location of the subject asset. However, there may be other third-party assets that have been installed by third parties or by the entity itself at the subject asset location after it was constructed. Restoration of these other assets may need to be factored in replacement costs of the reference asset even though these costs have never been incurred, i.e., they are hypothetical.
24.	Asset Valuation - Exhaustive Efforts
	An entity need not undertake exhaustive efforts to obtain information about the costs referred to in paragraphs AASB 13-F12 and F13. However, an entity shall include all such costs for which data are reasonably available. We have kept the review to big picture and broad application but ensured that the assumptions can be supported.
25.	Asset Valuation - Ensure Assets Recorded at Component Level
	Almost all infrastructure assets can be separated into component parts. These assets are typically managed at the component level, because each major part has a different life and/or requires different approaches to repair, maintenance and renewal/ replacement. A good example is the three major components of a road being foundation, pavement and seal. All have different useful lives and depreciated separately. The financial reporting standards require that major parts (significant components) of assets be separately identified and depreciated. It is important therefore that the primary or subsidiary accounting records can distinguish between major parts. Ideally, the subsidiary accounting records will be integrated with asset management systems. The way that assets are separated into components and managed in the asset management system should be reflected in the accounting for these assets. The separable components of buildings may include: a) Structure/shell/building fabric – includes the substructure, columns, floor, upper floor, staircases, roof, external walls, windows and external doors. b) Site engineering services and central plant – includes external site services (roads, footpaths, paved areas), boundary walls, fences, gates, outbuildings, covered ways, landscaping improvements, external stormwater drainage, external sewer drainage, external water supply, external gas, external fire protection, external electricity, external communications and external special services. c) Fit out – includes internal walls, internal doors, wall finishes, floor finishes, ceiling finishes, fitments, sanitary fixtures and special equipment. (Note: The fit out is often leased and not owned by the reporting entity.

	In such circumstances, the fit out will not form a component of the building for depreciation purposes.) d) Trunk reticulated building systems– includes lifts, escalators, walkways, heating and cooling systems, other (cranes, hoists etc). In addition to the above, there are some building elements that cannot be differentiated and are treated as common to two of the components. For example, it may be necessary to combine fit out and trunk reticulated building systems. This would include sanitary plumbing, water supply, gas services, heating systems, air-conditioning, and ventilation (refrigerated plant, terminal units, heating oils, fans, pumps), fire protection alarm systems, electrical distributions (mains cables, switch gear & distribution equipment), lighting installations, communications (telephone & call systems), specialist services in kitchens or laundries.
26.	Frequency of Valuation/Revaluation
	AASB 116 does not stipulate how frequently revaluation of specific asset classes must occur. However, the standard stipulates that, if any item of property, plant and equipment is revalued, then the entire class to which that asset belongs must be revalued. The guiding principle for revaluation frequency is that the carrying amount at the end of the reporting period of an asset class does not differ materially from the fair value of that class of assets at the same date. This means that Councils must assess: a) Whether the depreciable amount has moved materially, which is determined by movements in replacement cost and residual value of assets; and b) Whether the accumulated depreciation has moved materially, which is determined by changes in total and remaining useful life of assets. An asset revaluation schedule is maintained to identify the planned frequency at which Council will undertake comprehensive revaluations and associated condition assessments for the various asset classes in order to maintain the value of assets in current terms. Expectations to this frequency of revaluation will only be made when a material change is demonstrated in between scheduled revaluations.
27.	Annual Review of Fair Value / Assessing Material Change
	Materiality assessment will be based on a comparative assessment of fair value from the date of last revaluation as compared to the annual review. Materiality is assessed at the Asset Class level. The inputs to this annual review include: a) Replacement Costs b) Useful Life c) Condition Assessment This annual review will be completed prior to the end of financial year, allowing sufficient time to conduct a condition assessment to inform a revaluation, if required. For each material asset class, an appropriate sample size will be assessed. Selection of assets within the sample will be representative of the entire asset class.

	If the annual review identifies a material change for an asset class, a revaluation will be conducted as follows: a) If the material change is primarily due to a change in replacement costs or residual value, then an interim revaluation will be conducted via application of indexation. b) If the material change is primarily due to a change in useful lives, then a condition assessment will be conducted in the same year as the annual review and a full revaluation completed.
28.	Frequency of Asset Condition Assessments
	Condition assessments are essential to ensure that carrying values of assets are not materially different from their face values. That is, condition assessment results are used as an input to determine useful lives and remaining useful lives which impact on fair values. The remaining useful life may also be affected by technological obsolescence, the maintenance regime or changes in usage. Condition assessments may be via periodic assessment or rolling assessment (refer to Councils Asset Revaluation Schedule).
29.	Annual Asset Revaluation Process
	Council should perform a review of assets each year to assist in ensuring the accuracy of its asset register and valuations. Council needs to ensure that all assets are held at fair value. The most important step in ensuring this is the case is a complete and accurate asset register. It is difficult to know fully if an asset register is complete due to the number of assets and expertise involved in the valuation. The following table is a high-level guide to an annual review process: **Annual Infrastructure Asset Revaluation Process** 

30.	Depreciation
	Depreciation is the measure of 'using up' or consumption of the asset, in providing that asset to the community and is measured on an annual basis. Therefore, it is part of the cost of providing the future economic benefits that is expensed along with other annual changes such as maintenance, insurance, etc., through a charging system to the Annual Financial Statement. Depreciation is not a measure of the expenditure required to maintain or renew assets in any given year. Depreciation is not cash and does not create cash more importantly it is used to reflect the appropriate carrying value to provide a statement of financial position. It is therefore acknowledged that: a) Assets are identified and recorded at the component level, each having an expected useful life. b) The amount to be depreciated is limited to the Depreciable Amount; c) The Depreciable amount is the Gross Value less the Residual Value; d) The "Intervention Point" represents a particular point in time where the asset is considered to not be providing an acceptable level of service and therefore will need to be renewed; e) Depreciation is to be expensed over the "Useful Life" of the asset; and f) The "Useful Life" or "economic life" of the asset is the time to intervene. Depreciation is determined using the change in depreciated replacement cost over a predictable time period, based on the asset's consumption profile. The depreciation method used is to reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity. Future economic benefits to an entity can arise from any of the following: a) Cash flows from future use b) Cash flows from disposal c) Future service potential to the entity d) Cost savings e) Other benefits resulting from use of the asset by the entity For infrastructure assets, future economic benefits arise from the entity's ability to provide services to its customers/community in the future (i.e. the asset's service potential). There are at least four measures of asset consumption, each of which can be related to a method of depreciation such as: a) Straight line b) Diminishing value c) Output/service basis d) Units of production Depreciation is generally charged on a straight-line basis based on the remaining useful life of the asset. Depreciation is defined as the allocation of the cost of an asset over the years of its useful life. The following aspects of AASB 116 must be adhered to:

a) The depreciation method must “match pattern of consumption’.
b) Where the asset has a number of different components with varying patterns of consumption, each component is to be depreciated separately.
c) Depreciation is to be calculated on a systematic basis over its useful life.
d) As a minimum, the Pattern of Consumption and Useful Life need to be reassessed at year end and the depreciation method adjusted if there are any material changes.

Depreciation commences when an asset is available for use and ends when it is classified for sale or the date when it is derecognised.

The depreciation method used is to reflect the pattern in which the asset’s future economic benefits are expected to be consumed by the Council.

For infrastructure assets, future economic benefits arise from Council’s ability to provide services to its customers/community in the future (the asset’s service potential).

In most cases Council uses ‘Straight Line’ and ‘Condition Based’ depreciation. Where condition information is unavailable ‘Aged Based’ depreciation is used.

Critical assumptions relating to measuring consumption and calculating depreciation must be supported by sufficient and appropriate audit evidence.

Reporting of infrastructure consumption can be simplified by:

a) Ensuring that infrastructure assets are recognised at the component level.
b) The useful life of each asset (component) reflects its remaining service potential.
c) The depreciation method uses available and best information on consumption of the asset (component).
d) Key consumption information (residual value, useful life and depreciation method) is reviewed annually.
e) Changes are made in a prospective (forward looking) manner to reflect any variations in consumption rates or depreciation method.

Depreciation Method 1 – Straight Line Depreciation

Straight Line Depreciation assumes that the value of a depreciating asset decreases uniformly over its effective life.

Straight line depreciation is considered appropriate for most Council assets because the consumption of their service potential (i.e., their physical deterioration) is driven primarily by the time (for example drainage pits or gravel roads) and by obsolescence (for example reserves landscaping and playground equipment).

Depreciation Method 2 – Condition Based Depreciation

Where asset life is more a function of usage rather than time (for example road pavements subject to heavy commercial vehicles), it is permissible to reassess periodically the estimated useful life of assets based on condition surveys. The depreciation expense may be greater or less than that determined from the straight-line method depending on whether the reassessed useful life is greater than or less than originally assumed useful life.

	The method chosen is the Straight-Line Method of depreciation as this is the one that best reflects the future expected pattern of consumption (i.e. consumption is constant over the useful life of the asset). Councils are required to use a straight-line depreciation method with no residual value for infrastructure assets. However, infrastructure assets rarely have a constant consumption over the asset life. This means that there is often a conflict between the 'accounting depreciation' and the 'engineering depreciation' methods. Another way to describe the conflict is when a pavement asset is halfway through its life using straight line depreciation, it may not have moved in condition at all. The majority of the decline in condition for most infrastructure assets occurs during the last quarter of their life. There are two methods to recognise a change in asset condition, firstly the accumulated depreciation can be altered against the revaluation reserve. This will change the value of the asset but not the life of the asset. The second method is to not alter the accumulated depreciation but to adjust the useful life and therefore the depreciation would be adjusted moving forward. Both methods are acceptable, however it is more common to alter the condition through the revaluation reserve as a change in condition does not necessarily correlate to a change in useful life.
31.	Asset Valuation - Useful Life and Remaining Useful Life
	The range of useful lives for an asset class or sub-class should be considered as part of the Unit Justification Document and should take into consideration the commonly accepted life expectancies within the sector together with "local" experience and expert advice provided to Council. *Overview* Useful Life - the useful life of an asset, or part of an asset, is the period over which an asset is expected to be available for use by Council. Useful Life can be defined as a function of: a) Time – the period over which an asset is expected to be available for use by Council; or b) Usage – the number of production or similar units expected to be obtained from the asset by Council (e.g. Number of hours for an item of plant). Factors to be considered in determining the useful life of an asset are: a) The expected use of the asset, i.e. its physical output. b) The agreed level of service to be provided. c) Quality of service to be provided, i.e. is it 'fit for purpose'? d) Expected physical wear and tear – dependent on operation and maintenance programs. e) Technical or commercial obsolescence, i.e. change in market demand. f) Legal or similar limits on the use of the asset, i.e. expiry date on leases, legal requirements to replace equipment. The useful life of an asset should be based on past experiences and planned replacement programs as outlined in an asset management plan.

	The useful life used should reflect the actual service performance of the asset in use rather than an 'ideal' or 'optimum' timeframe. Total Useful Life should be derived from actual local data where assets have been renewed or show sufficient distress to enable remaining life to be determined. Where this data is not available, Councils need to use the best available estimates of remaining life and asset age to determine total useful life. Total useful life is the elapsed life plus the estimated remaining life of the asset (Total Useful Life = Age + Remaining Life). Accounting Standards require the useful life of an asset to be assessed at least annually, and, if expectations differ from previous useful life estimates, the change is to be accounted for as a change in the accounting estimate. Remaining Useful Life is the time remaining until an asset ceases to provide the required service level or economic usefulness. The remaining useful life may be assessed by: a) Identifying a sample of assets nearing the end of their life and estimating the period until replacement/renewal is required using best available information including local knowledge; and/or b) Assessing the remaining useful life using condition and economical information. Remaining life should be determined from either age or condition, depending on where the asset is in its lifecycle. *Age Based Approach* Age based assessment of remaining life is recommended in the early part of the asset lifecycle where visible signs of distress are not evident or are difficult to reliably convert to remaining life. Where an age-based approach is used to identify asset depreciation, the 'Remaining Useful Life' equals the Average Service Life Less Asset Age. *Condition Based Approach* The actual service life of a particular asset can vary significantly from the average service life for that category of assets for many reasons including: a) Quality of construction supervision b) Variability of geological conditions c) Variability in climatic conditions d) Variability in usage e) Variability in maintenance regime It is generally more accurate to base asset remaining life through periodic asset condition surveys. Asset condition is a key parameter in determining remaining useful life and can be used to predict how long it will be before an asset needs to be repaired, renewed or replaced. Asset condition is also an indicator of how well it is able to perform its function. Measuring, recording and understanding asset condition is a key to successful asset management. Factors that affect an asset's condition include:

	a) Age b) Environment c) Maintenance history d) How well it is treated by the community (vandalism etc.) e) Usage Knowledge of the asset condition and performance can avoid unforeseen failure, assist in the development of maintenance programs and renewal or rehabilitation priorities and provide a comparison to the agreed levels of service. An assessment of the current condition of Council's assets is included in each plan. Condition monitoring is the continuous or periodic inspection, assessment, measurement and interpretation of the resultant data, to indicate the condition of a specific asset to determine the need for some preventative or remedial action. The purpose of condition surveys of the assets is to evaluate the condition and performance of the asset. The respective Asset Management Plans specify for each asset category: a) Condition assessment survey frequency. b) The criteria to be evaluated and scored; and c) Basis of condition forecasting and deterioration assumptions. *Treatment of Assets with Zero Remaining Useful Life* In theory, an asset with zero remaining service life (or "Failed" condition) cannot continue to exist in service.
32.	Asset Replacement Policy
	The replacement policy considers whether the asset will be replaced or not replaced. If the asset is replaced, the decision on the preferred treatment is applied to reflect the service level that will be required into the future and, what the modern equivalent asset to provide that service would be. In the case of roads and stormwater drainage assets, factors that are likely to affect the replacement decision are: a) Infrastructure components approaching the end of their useful life due to design standards, construction and material quality, maintenance practices, operating environment and external stresses; b) New materials and changes in construction/rehabilitation technology; c) Planned obsolescence due to legislative and environmental changes; d) Operational costs and practices; and e) Changes in demand that result in a need for a different service capacity. Since advances in process and construction technology usually result in lower costs, other things being equal, it can normally be assumed that replacement cost using a modern equivalent asset (where there is one) can be less than the corresponding reproduction cost. Engineering investigation of alternatives can be expected to confirm whether or not this is so for a particular asset when an asset becomes due for renewal or augmentation.

	It has been assumed that all assets being valued will be replaced or reproduced on deprival using the Optimised Replacement Cost unless otherwise stated. This approach estimates the most appropriate modern equivalent asset offering the same level of service, as appropriate to the particular asset. Replacement decisions using modern equivalent replacement alternatives have been applied to infrastructure.
33.	Disposal
	Asset Disposal is subject to a separate Policy as to guidance about when an asset can be disposed. The transactions to record asset disposal must be in accordance with Accounting Standards.
34.	Definition of Asset Classes
	Property *Land* Land includes all land under the ownership or control of Council. Examples include: a) vacant land b) playgrounds c) public open space d) residential or commercial land e) crown land reserves. Subcategories within the assets system include: a) Council Land b) Crown Land c) Land Under Roads. Land excludes: a) Land Held for Resale b) Investment Property c) Land Held for Inventory. *Land Under Roads* Land Under Roads assets include the road reserve on which the road is constructed. The road formation is already included in with Road Assets and should not be duplicated. Land under roads acquired after 30 June 2008 is brought to account using Fair Value basis. Council does not recognise land under roads that it controlled prior to that date. *Land Improvements* Includes all assets under the ownership or control of Council that are generally fixed in location and do not fall under another asset category. Examples include:

a) Earthworks or landscaping to land, excluding land improvements that are classified as drainage as part of road formations.
b) Recreation and leisure assets including skate parks, playgrounds, sporting ovals, tennis/netball courts, sports lighting, pool shells, synthetic surfaces and all other minor infrastructure located within a recreational precinct.
c) Waste Management assets include all infrastructure associated with the landfill and transfer stations including weighbridges, retaining wall structures and signage.
d) Parks, Open Spaces and Streetscapes including all minor infrastructure such a street furniture and shelters, civic art, sculptures, water features, ponds, viewing platforms, landscaping, streetscaping located in a park, open space streetscape or natural conservation area.

Buildings & Structures

Includes all building, structures and improvements under the ownership, management or control of Council. This includes structures on Crown land that Council has been appointed as the Committee of Management.

Examples include libraries, kindergartens, shire offices, depot storage sheds, public halls, recreation reserves and swimming pool buildings on Crown Land, or Council owned or controlled land.

Improvements include extensions and additions to existing buildings which are of a semi-permanent nature. Examples include facades, lifts, air-conditioning and fit out.

Plant, Machinery & Equipment

Includes all items of Council owned heavy plant and equipment, (trucks, graders, tractors, rollers, trailers) and light vehicles (works utilities and other vehicles e.g., ATV, quad bikes and motorbikes).

Any minor plant and equipment is also included in this category.

Motor Vehicles / Fleet Vehicles

Includes all light vehicles (passenger cars or passenger utilities) that are designated as a fleet vehicle for Council purposes.

Fixtures, Furniture & Equipment

Furniture and Equipment includes all furniture, office equipment, computers, and telecommunications systems.

It may also include specialised furniture items at halls and community centres such as seating, lighting audio/visual equipment, and mechanical equipment. Software subscriptions and installation are expensed in the year they occur.

Roads

Road assets include Road Formation, Pavement, Sealed and Unsealed Surfaces owned or under the control of Council.

Roads also include all constructed kerb and channel including earth formation, bluestone, block and concrete construction.

Minor culverts (waterway area less than 3m2) are also included in the Roads classification.

	Bridges & Major Culverts Bridges includes all road and pedestrian bridges. Components included should be deck, substructure and guardrails as a minimum. Major culverts are included here also. A major culvert is defined as having a waterway greater than 3m2. *Footpaths Walking Tracks & Cycleways* Footpaths and Walking Tracks include all formed and constructed footpaths, walking and cycling tracks constructed of earth, gravel, asphalt or concrete, and includes crossovers at intersections and pedestrian crossings. *Drainage* Drainage includes all drainage structures constructed by or are the responsibility of Council. This includes open earth drains, underground storm water drains, drainage pits and sediment and litter traps. *Works in Progress (WIP)* WIP assets are varied in makeup from year to year, as there are dependent on the capital project being completed by 30 June. WIP can be across all asset classes. As the project is incomplete 30 June, no revaluation of this asset class is necessary and the value of WIP is based on Cost. It is expected that most projects that are not completed 30 June will be completed in the next financial year. *Land Held for Resale* Whilst the land is being developed, it will be held in "Work in Progress". Once the land is deemed ready to sell and Council has advertised its intention to sell, the land will be transferred to Land held for resale. *Investment Property* Investment Property is land or a building (or part of a building) held by Council to earn rental income or for capital appreciation rather than for use in the production or supply of goods or services or for administrative purposes. *Land Held as Inventory* This land is undeveloped and is held in preparation of development. As with land held for resale, whilst work is being carried out the asset will transfer to "Work in Progress". Once the land is deemed ready to sell and Council has advertised its intention to sell, the land will be transferred to Land held for resale. If the land is not to be developed for a substantial period the land should be reclassified to "Land" until such time as it meets other criteria.
35.	Asset Valuation Thresholds (Capitalisation)
	Refer to Council's Asset Capitalisation Policy.
36.	Asset Classifications & Revaluation Cycle
	Council will maintain a schedule by asset class outlining previous and future revaluation cycles. This will be reviewed as part of the accounting for assets policy and updated on an annual basis.

37.	Unit Justification Document
	Council will maintain a unit justification document by asset class to be reviewed annually. The UJD will include: a) an asset profile for each asset class b) a valuation methodology for each asset class c) a depreciation methodology for each asset class d) a useful methodology for each asset class e) a unit rate calculation including historical rates for each asset class
38.	Review
	The Accounting for Assets Policy shall be reviewed every four years, as determined by the Chief Executive Officer or as required in the light of significant legislative change.

Policy Adopted:	Council Meeting 15/07/2026	SRV Governance – Policies, Procedures, Plans Strategies – Policies and Procedures – Council Policies
Policy Reviewed:		