

# Asset Lifecycle Policy



**Yarriambiack**  
SHIRE COUNCIL

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## Definitions

**Asset:** The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:

- (a) it is probable that future economic benefits associated with the item will flow to the entity; and
- (b) the cost of the item can be measured reliably.

Items such as spare parts, stand-by equipment and servicing equipment are recognised in accordance with this Standard when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

**Revaluation:** An increase in an asset's value in order to reflect the current market value of the asset.

**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.

**Impairment:** Is the amount by which the carrying amount of an asset exceeds its recoverable amount.

**Depreciation Replacement Cost:** Is the current replacement cost less accumulated depreciation to reflect the already consumed future economic benefits of the assets.

**Market approach:** Is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (or similar) assets, liabilities, or a group of assets and liabilities, such as a business.

**Non-financial Physical Asset:** A non-financial physical asset is an asset with a physical value. Examples include real estate, equipment, machinery or a vehicle.

**Revaluation Model:** Being an assets fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

**AASB:** Australian Accounting Standards Board.

**Community Group:** A Community Group is defined as a not for profit, incorporated association, or a corporation that's purpose and intent is to enhance the liveability of the Shire, and (reference section – like Rup Future).

## Administrative Updates

It is recognised that, from time to time, circumstances may change leading to the need for minor administrative changes to this document. Where an update does not materially alter the policy, such a change may be made administratively. Examples include a change to the name of a Council department, a change to the name of a Federal or State Government department, and a minor update to legislation which does not have a material impact. However, any change or update which materially alters this document must be by resolution of Council.

## Policy Review

This policy will be reviewed in conjunction with its associated procedure every three years.

## Legislative Context

This document is to be reviewed against the Local Government Act 2020, Australian Accounting Standards along with best practice guidance issued by the Victorian Auditor General's Office, Local Government Inspectorate, Ombudsman and Local Government Victoria.

**Consistency with Governance Principles Local Government Act 2020**

<b>Governance Principle</b>	<b>Section of policy where covered</b>
(a) Council decisions are to be made and actions taken in accordance with the relevant law;	Legislative Context, Section 4, 5, 8, 9, 10, 12, 14.
(b) priority is to be given to achieving the best outcomes for the municipal community, including future generations;	Sections 1, 3, 14, 15, 17, Appendix A
(c) the economic, social and environmental sustainability of the municipal district, including mitigation and planning for climate change risks, is to be promoted;	Section 4, 5, 6, 7, 8, 9, 10, 11, 12, 14, 15, 16, 17 – all outline the process of good governance to support financial sustainability.
(d) the municipal community is to be engaged in strategic planning and strategic decision making;	This policy supports the strategic decision-making outcomes of Council in regard to the sale of assets.
(e) innovation and continuous improvement is to be pursued;	This policy has been revised to support continuous review and improvement to enhance practices and procedures.
(f) collaboration with other Councils and Governments and statutory bodies is to be sought;	This policy has been revised based on review and feedback from the Local Government Inspectorate.
(g) the ongoing financial viability of the Council is to be ensured;	Section 4, 5, 6, 7, 8, 9, 10, 11, 12, 14, 15, 16, 17 – all outline the process of good governance to support financial sustainability.
(h) regional, state and national plans and policies are to be taken into account in strategic planning and decision making;	Legislative Context, Section 4, 5, 8, 9, 10, 12, 14. This includes best practice guidance and accounting standards.
(i) the transparency of Council decisions, actions and information is to be ensured.	This whole policy reflects sound decision making for account for assets, including disposal and gifting.

In giving effect to the overarching governance principles, a Council must take into account the following supporting principles—

- (a) the community engagement principles;
- (b) the public transparency principles;
- (c) the strategic planning principles;
- (d) the financial management principles;
- (e) the service performance principles.

## Asset Lifecycle Policy and Procedure

### 1 Objective

The objective of this policy and procedure is to outline and define the process for how Yarriambiack Shire Council accounts for tangible and intangible assets from a monetary and non-monetary perspective.

The Policy and procedure will outline the principles and process for:

- Asset recognition and capitalisation.
- Asset renewals and upgrades.
- Asset depreciation.
- Asset revaluation.
- Asset disposal.
- Asset componentisation.
- Asset stocktakes.
- Managing low value, high risk of theft portable assets.
- Managing consumables and materials.

### 2 Responsibility

The Director Business Strategy and Performance in conjunction with the Manager Corporate Services is responsible for ensuring assets are:

- a) Accounted for in accordance with Australian Accounting Standards.
- b) Disposed of in accordance with legislative requirements, Council's policies and procedures and accounting standards.
- c) Depreciated and revalued in accordance with accounting standards and guidance provided within this policy and procedure.

The Director Assets and Operations in conjunction with the Manager Infrastructure and Works is responsible for ensuring that:

- a) All assets are recorded in Council's asset register.
- b) All assets are componentised in accordance with this policy and procedure.
- c) Plant, fleet and equipment stocktakes are undertaken every 12 months.

The Business Systems Co-ordinator is responsible for ensuring that:

- a) ICT equipment stocktakes are undertaken every 12 months.
- b) ICT assets are disposed of in accordance with this policy and procedure.

### 3 Policy Statement and Scope

The Policy and Procedure:

- a) States the measurement and recognition model council applies to its assets.
- b) Provides guidance to staff involved in budgeting and expenditure decisions around assets.
- c) Provides direction on responsibilities around asset data management.
- d) Specifies how assets will be depreciated and applying an assets useful life.
- e) Specifies how assets will be revalued; and
- f) Outlines the process for the Disposal and Sale of assets.

## 4 Definition of Expenditure

### 4.1 Administration / Operations Costs

Administration and Operation costs are defined as costs associated with the general administration and operation of the business. Costs that are to maintain a business's daily operations and administer its business.

Administrative and operational costs are not directly attributable to the production of goods and services.

Example of Administrative Costs are salaries, wages, professional fees such as consulting, legal and audit fees, office supplies, subscriptions, insurance, depreciation, utilities.

### 4.2 Maintenance Costs

Maintenance costs are costs incurred to keep an item in good condition or good working order.

Maintenance and repairs is defined as the costs incurred to bring an asset back to an earlier condition or to keep the asset operating at its present condition (as opposed to improving the asset). In order to realise the full potential of any asset, routine maintenance is required. Maintenance does not return the asset to its "as new" condition, but it stops it from deteriorating quicker than it should.

### 4.3 Recurrent Expenditure

Administration, operations and maintenance costs are costs generally considered as "Recurrent Expenditure" and accounted for in the Profit and Loss Statement.

Administration costs that directly attribute to bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by management may be allocated to the project and classified as capital costs<sup>1</sup>. Refer to [Appendix B](#) for further guidance.

### 4.4 Capital Costs

Capital expenditure is expenditure, which has benefits (service potential), expected to last for more than 12 months. Capital costs include the purchase/construction of a new asset, renewal/replacement, and expansion/upgrade of existing assets.

- a) New asset capital expenditure is costs associated with the purchase of a new asset such as a building, land or the construction of a new asset.
- b) Capital renewal/replacement is expenditure on an existing asset, which restores the service potential and extends the life of the asset beyond that which it had originally. As it extends the life of the asset any income generated from it will likewise be extended. Future operating and maintenance expenditure may be reduced if completed at the optimum time, e.g. resurfacing or resheeting part of a road network, replacing a section of a drainage network with pipes of the same capacity, resurfacing an oval.
- c) Capital upgrade/expansion is expenditure, which enhances an existing asset to provide a higher level of service. Upgrade expenditure is discretionary and may not result in additional revenue unless direct user charges apply. It will increase operating and maintenance expenditure, including depreciation, in the future because of the increase in the council's asset base, e.g., widening the sealed area of an existing road, replacing drainage pipes with pipes of a greater capacity, enlarging a grandstand at a sporting facility, building extension etc.

<sup>1</sup> Australian Accounting Standards AASB 116 Property Plant and Equipment (Elements of Cost)

Refer to [Section 5.3 Asset Acquisition and Construction Costs](#) for what costs can be considered capital in nature and allocated to an asset.

## 5 Asset Recognition

### 5.1 What is an Asset?

An asset is a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.

Assets include physical assets which provide future economic benefits for more than 12 months. Any item which has a life of less than 12 months is expensed under a maintenance or operational budget and cannot be classed as an Asset.

### 5.2 When is an Asset Recognised?

An asset is recognised in the balance sheet when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

Assets will be measured and recognised in accordance with AASB 116 – Property Plant and Equipment:

- a) An item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost.
- b) Notwithstanding this, where an asset is acquired at no cost, or for a nominal cost (as the case with developer and other granted assets), the cost is its fair value as at the date of acquisition.

Assets owned by Yarriambiack Shire Council not previously recognised shall be recognised in line with the requirements of AASB 116.

Not for Profit entities are to consider AASB 1058 Income of Not For Profit Entities when assessing the value of an asset that is considered significantly less than fair value principally.

Land under roads acquired after 30 June 2009 is brought to account using the cost basis. Council does not recognise land under roads that is controlled prior to that period in its financial reports.

### 5.3 Asset Acquisition and Construction Costs

Assets acquired by Council are to be recorded based on acquisition or construction cost (fair value) plus costs incidental to acquisition including architect's fees, engineering fees and all other costs incurred in preparing the asset ready for use.

The following are to be included in the cost base to bring the asset to use and what is considered capital expenditure and what is considered recurrent (operational / administration expenditure):

Activity	Recurrent Expenditure (Profit and Loss)	Capital Expenditure (Balance Sheet)
All activities prior to decision made to proceed with investment including: <ul style="list-style-type: none"> <li>▪ Strategic planning reports.</li> <li>▪ Project feasibility planning and investigation.</li> </ul>	✓	
All activities following decision made to proceed with investment including: <ul style="list-style-type: none"> <li>▪ Planning approvals.</li> <li>▪ Survey and design.</li> <li>▪ Professional fees.</li> </ul>		



Activity	Recurrent Expenditure (Profit and Loss)	Capital Expenditure (Balance Sheet)
<ul style="list-style-type: none"> <li>▪ Site preparation.</li> <li>▪ Construction.</li> <li>▪ Contract payments (excluding compensation payments.)</li> <li>▪ Council direct costs, wages, salaries, plant hire, materials, on- costs.</li> <li>▪ Administration and other general overhead costs.</li> <li>▪ Supervision.</li> <li>▪ Transport, installation, assembly and testing.</li> <li>▪ Project Management.</li> </ul> <p>Future dismantling and removing item and site restoration (where applicable)</p>		✓

#### 5.4 Gifted Assets

Assets which are gifted or contributed to Council by developers or other bodies (i.e. - acquired for nil consideration) are to be recorded at fair value at the date of acquisition, based on currently assessed replacement rates or developer costs (whichever is the best information source at the time).

#### 5.5 Internally Constructed Assets

The cost of assets constructed by Council shall include the cost of all materials used in construction, direct labour employed and an appropriate proportion of variable and fixed overheads.

#### 5.6 Materiality

Assets are recognised on the balance sheet when the cost is greater than the thresholds below:

Asset Class	Threshold
Land & Land Under Roads	\$1000
Buildings	\$5000
Plant, Machinery and Equipment	\$1000
Motor Vehicles	\$1000
Fixtures, Fittings and Furniture	\$1000
Earthworks All	\$5000
Gravel Road Pavements / Re-sheets	\$2000
Sealed Road Pavements	\$5000
Sealed Road Final Seal	\$2000
Bridges	\$5000
Footpath, Kerb and Channel	\$2000
Drainage	\$5000
Aerodromes	\$5000
Recreation and Leisure	\$5000
Parks and Open Space	\$5000

Asset Class	Threshold
Waste Management	\$5000
Other Infrastructure	\$5000

### 5.7 Low Value and High Risk of Theft – Portable Assets

Whilst an asset may not be recognised as an asset on the balance sheet, Council does record all low value, portable – high theft assets in the Asset Register. The assets will be held at zero value in the register and expensed in the year that they are purchased.

Categories of assets that are considered low value, high risk portable assets are (but not limited too):

Information Communication Technology Equipment < \$1000
Furniture <\$1000
Office Equipment < \$1000
Tools and Equipment < \$1000

## 6 Work in Progress (WIP)

Capital works still in progress at balance date are recognised as other non- current assets (under WIP) and transferred to the infrastructure, property, plant and equipment asset register when completed ready for use.

The Capital works project costs are recorded in the Xero Financial Management System. When the project is complete, the costs allocated to the project that represent bringing the asset to the “location and condition necessary for it to be capable of operating in the manner intended by management” is recognised as the cost of the Asset.

The cost is to be transferred from the WIP Project and capitalised as an Asset on the Balance Sheet. The cost of the asset is also to be recorded in the Asset Register.

The Transactions are as follows:

Balance Sheet Accounts	DEBIT	CREDIT
Asset (Balance Sheet)	\$5000	
Capital Works in Progress		\$5000

When an Asset is Capitalised Journal from Xero Capital WIP Account to Asset Account. This will decrease the Capital Work in Progress Balance and increase the Asset Balance.

## 7 Fixed Asset Register

The fixed assets register is to record individual assets in sufficient detail as to permit their identification and control. The fixed asset register is to be updated on an ongoing basis as asset transactions occur, with a detailed review to be undertaken annually in line with asset revaluations and financial reporting requirements. The fixed assets register is to be used for the purpose of identifying, revaluing and depreciating assets.

## 8 Asset Depreciation

Depreciation is defined in AASB 116 as the systematic allocation of the depreciable amount of an asset over its useful life.

Council uses straight line depreciation for all its non-current assets on the basis that the economic benefits, being the service provided by the asset, are generally used in a

uniform manner throughout the assets useful life. This decision is based on the recommendation paper from Local Government Victoria<sup>2</sup>.

The straight line depreciation method differs from the concept of condition based depreciation which, in the above example, does not reflect the pattern of consumption of the future economic benefits but rather measures the degradation curve of the underlying asset providing those economic benefits. Consequently, methods that vary depreciation over time to reflect an asset's condition require a clear rationale and demonstrable explicit linkages to the rate of consumption of economic benefits. The clear linkage cannot be demonstrated as a trafficable road in the first year of its life can be argued to provide the same service potential in its 50th year of life – it allows commuters to get safely from A to B.

In accordance with AASB 116 - Property, Plant and Equipment, depreciation of an asset will begin from the time the asset is available and ready for use. This includes the asset being in its intended location and in a condition to enable the assets to be used in the manner they were intended. In the case of contributed assets, depreciation will begin from the time of handover to Council of those assets.

Other than land, all infrastructure, property, plant and equipment assets recognised are systematically depreciated over the useful life.

### **8.1 Accounting for Depreciation**

A depreciation calculation for each applicable asset class will be processed in the Asset Register. A journal will be compiled and processed based on the Asset Register Report and recorded in Council's financial management software to recognise the depreciation. Reconciliation / adjustments will be completed bi-annually, in December and June each year.

Where there is a delay in the recording of the asset in the Asset Register, Council must ensure that depreciation is accounted for in the period since the asset was available for use in line with AASB - 116, not from the date it was entered into the Asset Register system.

## **9 Investment Property**

Investment property are held to generate long-term rental yields. An investment property is measured initially at cost, including transaction costs. Cost incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefit in excess of the originally assessed performance of the asset will flow to the Council. In line with the requirements of AASB140 Investment Property, subsequent to initial recognition at cost, an investment property is carried at fair value, determined annually by independent valuers. Changes to fair value are recorded in the Comprehensive Income Statement in the period that they arise. Investment properties are not subject to depreciation. Rental income from the leasing of investment properties is recognised in the Comprehensive Income Statement in line with the requirements of AASB 1058.

## **10 Intangible Assets**

Intangible assets are amortised in accordance with their useful life. Some intangible assets have indefinite or unlimited useful life. Such assets are not amortised.

Intangible assets are amortised using the straight-line depreciation method.

<sup>2</sup> Local Government Victoria – Local Government: Accounting for non-current physical assets under AASB 116 – A guide, May 2006.

AASB 138 Intangible Assets provides guidance on the accounting treatment of intangible assets.

Leases are recognised as intangible assets on the balance sheet.

## 11 Useful Life

Depreciation is recognised on a straight-line basis over the useful life of the asset. Useful life is the period over which an asset is expected to be available for use by the entity.

The useful life of each infrastructure asset has been estimated based on the best information available to Council.

The useful life of Council Assets will be reviewed at least annually. If expectations differ from previous estimates, the change(s) shall be accounted for in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

The Director Assets and Operations is to provide the Manager Corporate Services with a formal letter, addressed to the external auditors, confirming that the Useful Lives of the Assets have been reviewed and confirm any changes (if any).

### *Residual Value*

Unless there is evidence to the contrary, Council deems all non-financial physical assets, other than vehicles, to have a residual value of zero.

Useful Life periods for each class of asset are shown at [Appendix B](#).

## 12 Asset Revaluation

Council is required to measure fair value accurately for all Yarriambiack Shire Council financial assets. Accurate and reliable measurement will ensure the revaluation of non-current assets is triggered according to the stipulations in standards and directions.

Accounting Standard AASB 116 Property Plant and Equipment (AASB 116) prescribes the methods of accounting for Property Plant and Equipment along with AASB 138 Intangible Assets (AASB 138) and AASB 140 Investment Properties (AASB 140). Under the standards, Yarriambiack Shire Council can elect to adopt the cost model or the revaluation model of valuation.

Council utilises the approach that all non-current physical assets are to be measured using the revaluation model.

The Fair Value of all Yarriambiack Shire Council assets is measured in accordance with AASB 13 Fair Value Measurement (AASB 13).

Fair Value assessments are to be conducted annually on all asset purpose groups (Yarriambiack Shire Council financial asset classes) to ensure the values reflect fair value at the end of the annual reporting period. Fair value assessments are undertaken according to AASB 13.

### 12.1 Revaluation of Non-Current Assets

Council is required to undertake an annual assessment for every asset to assess if movement is material under the requirements of AASB 13.

Council's financial asset class investment properties are to be revalued annually by a certified Valuer.

### 12.2 Fair Value Measurement

Fair value is measured and reported annually in the Council's annual financial statements, in accordance with AASB 13:

The fair value measurement methods applied to each financial asset class are as per [Appendix B](#).

### 12.3 Impairment

Any reassessment of value shall be tested for impairment. This impairment shall be tested against the principles established by AASB 136 Impairment of Assets (AASB 136) with due regard to the criteria that applies to not for profit entities.

Intangible assets with indefinite useful lives are tested annually to ascertain if their carrying value exceeds their recoverable amount.

The Director Assets and Operations must provide the External Auditors with a letter at the end of each financial year, attesting to the fact that the assets have been tested for impairment.

### 12.4 Accounting Treatment for the Revaluation of Assets

When non-financial physical assets are revalued, an entity shall account for the accumulated depreciation at the date of the revaluation by eliminating the accumulated depreciation balance against the gross carrying amount of the asset and increasing the net amount to the revalued amount of the asset.

The amount of the adjustment of accumulated depreciation forms part of the increase or decrease in carrying amount that is accounted for in accordance with paragraphs 39, Aus39.1, 40, Aus40.1 and Aus40.2 of AASB 116.

### 12.5 Treatment of accumulated Depreciation on Revaluation

AASB 116 permits an entity to account for accumulated depreciation at the date of the revaluation either by:

- increasing proportionately the accumulated depreciation balance with the increase in the gross carrying amount of the asset, so that the net carrying amount of the asset after revaluation equals its revalued amount (gross approach); or
- eliminating the accumulated depreciation balance against the gross carrying amount of the asset and increasing the net carrying amount to the revalued amount of the asset (net approach).

Council measures non-current physical assets using the revaluation model, and accounts for the accumulated depreciation at the date of the revaluation by applying the net approach.

### 12.6 Derecognition and/or Disposal of Revalued Assets

An entity may elect to transfer the revaluation surplus/ (deficit) in respect of a non-financial physical asset to the accumulated funds when the asset is derecognised (except for transfers via contributions by owners).

Not-for-profit entities are generally not recommended to transfer the revaluation surplus/ (deficit) relating to derecognised assets to accumulated funds.

## 13 Disclosure

Annual disclosure notes required are contained within the Model Financial Report for Victorian Local Government (Model Report).

## 14 Asset Disposal

All non-current assets will be written off on disposal or when no future economic benefits are expected from their use.

When an asset is sold and its selling price varies from the carrying amount in Council's balance sheet, a gain or loss on disposal will be recognised directly to the Income Statement in accordance with AASB116.

If an asset is disposed before it has been fully depreciated, the carrying amount represents a loss on disposal and will be expensed.

### 14.1 Sale of Motor Vehicles

The sale of Motor Vehicles is in accordance with Council’s Motor Vehicle Policy.

### 14.2 Sale of Assets (Other than Motor Vehicles)

The sale of assets refers to all assets or property no longer required by Council for strategic or operational purposes and which have been identified for potential sale, transfer, exchange or disposal.

This includes:

- Land and Buildings
- Public open spaces
- Plant and Equipment (excluding vehicles).

### 14.3 Identifying Surplus Assets

#### *Land and Buildings and Public Open Spaces*

In identifying any potential surplus Council owned assets, a report shall be presented to Council providing all relevant information regarding the asset identified for potential sale including environmental and planning issues and shall include a proposed process for undertaking both consultative and/or statutory processes under the Local Government Act, including provisions for Council to hear submissions from the community related to the proposed sale.

The decision to proceed to offer specific parcels of land for sale (excluding Right of Ways and Road Discontinuances) rests exclusively with Council and will always require a Council Resolution.

#### *Plant and Equipment*

Plant and equipment maybe sold under the Chief Executive Officers delegation if all of the criteria’s outlined in the Asset Disposal section of this policy are met.

### 14.4 Sale of Surplus Assets

The procedure for any sale of surplus Council assets are subject to one of the following requirements:

- Trading the equipment to suppliers (testing that value for money has been achieved); or
- Obtaining expressions of interest from interested buyers; or
- Selective tender from an identified group of buyers; or
- Public tender – openly seeking buyers using the tender process (including third party provider); or
- Public auction - advertisement for auction through the local paper and, where appropriate, a paper circulating in the State, or procuring the services of an auctioneer.

The selection process is to give consideration to:

- The method likely to return the higher value net of disposal costs; and
- The current written down value (book value) of the asset; and
- Compliance with relevant statutory obligations.

The ale of each item of plant and equipment is to be subject to a minimum reserve price to be approved by the Chief Executive Officer.

### 14.5 Gifting of Surplus Assets to Not-For-Profit Community Groups

The Chief Executive Officer is authorised to gift plant and equipment, information communication and technology and fixture and fitting assets to not for profit, community groups where a transparent process has been documented and undertaken; that can withstand public scrutiny.

### 14.6 Council Owned Land

All sales, exchanges and transfers of land are required to comply with the provisions of the *Local Government Act 2020*<sup>3</sup>. Sales are to be conducted through a public process (i.e. public auction, public tender or by registration of expressions of interest) unless circumstances exist that justify an alternative method of sale, (for example the sale or exchange of land by private treaty).

All sales and exchanges of land should occur at not less than the market value assessed by Council's appointed Valuer.

Land will not be sold for less than the market value, unless there are some significant and independently verified alternate community benefits derived by the sale of the land.

Any proposal to sell the land at a reduced sale price must be reported to Council for consideration, providing commentary, including an independent assessment, of the alternate benefits derived by a sale at a reduced sale price.

Such benefits may include the achievement of planning and development goals, educational or medical benefits to the community, or some other significant strategic goal of Council.

Part 4 – Division 4, s114 *Local Government 2020* requires Council to undertake certain activities prior to selling or exchanging land as follows:

- a) To give at least four weeks' public notice of an intention to sell or exchange land; and
- b) Undertake a community engagement process in accordance with its community engagement policy<sup>4</sup>; and
- c) Obtain from a person who holds the qualification or experience specified under 13DA (2) of the *Valuation of Land Act 1960* a valuation of the land which is made not more than 6 months prior to the sale or exchange.

Additionally, Council will institute the process to sell land no more than 6 months after the notice of intention to sell has been advertised.

[Refer to Appendix A – Process for the Sale of Council Land](#)

### 14.7 Sale of Land – Discontinued Roads

The sale of land that forms part of a road that has been discontinued is subject to the provisions of the *Local Government Act 2020*<sup>5</sup> except for Community Consultation under s114.

The public consultation process for road discontinuance is provided for in the *Local Government Act 1989*, under clause 3, Schedule 10 by way of a notice published in the Government Gazette. Prior to considering the discontinuance and sale or transfer of roads

<sup>3</sup> *Local Government Act 2020*, Part 4 - Division 4 comes into effect from 01 July 2021.

<sup>4</sup> In the absence of a Community Engagement Policy the *Local Government Act 1989*, s189 will apply until 01 July 2021.

<sup>5</sup> In the absence of a Community Engagement Policy the *Local Government Act 1989*, s189 will apply until 01 July 2021.

or Right Of Ways or the removal of reserve status and the subsequent sale, transfer or exchange of land, officers will consider if land is required for any of the following purposes:

- a) There is an ongoing need for the land to provide either vehicular or pedestrian access.
- b) The land has strategic value to Council or the community.
- c) The land provides recreational linkages or linked paths.
- d) The land increases public open space.
- e) The land is generally required for a municipal purpose.

The benefits in discontinuing and selling or transferring a road or ROW or removing the status of a reserve and selling, transferring or exchanging land that is no longer required are:

- a) There will be a reduction in Council's financial liability in terms of the ongoing maintenance costs of unused and surplus land.
- b) There is the potential for increased rate revenue.
- c) There is improved security for unused portions of land.
- d) Council can formalise any illegal occupation of public land.

The general principles that Council will apply in considering selling or transferring a road or ROW are:

- a) Council will encourage the sale or transfer of such land that is not being used for pedestrian or vehicular access or is no longer required for a strategic or public use.
- b) The value of the land to be sold will be determined by a current expert valuation.
- c) Council will recover all costs incurred in the application of this policy including legal and land taxes.
- d) Council has the right to place an easement, covenant, or create an easement on, or over, the land parcel in order to protect existing rights or future requirements. If there is a requirement by service authorities to relocate any assets located within the land (e.g. drains, power lines, etc), then all costs will be borne by the purchaser.

#### Relocation Costs

The relocation or replacement costs of any assets within roads, ROWs or minor reserves will be borne by the purchaser. These may include:

- Relocation of fences.
- Service authority assets such as those belonging to water, gas or telecommunications organisations.
- Re-useable materials as determined by Council which may remain the property of Council.
- Replacement drainage or new storm water drainage.

#### **14.8 GST**

In accordance with the provisions of the *Goods and Services Tax Act 1999*, the sale, transfer or exchange of Council property, including the sale, transfer or exchange of discontinued Right Of Ways, roads, minor or major Reserves or other land parcels will attract GST. Council will ensure that GST is added to the sale price or that the sale price is inclusive of GST.

#### **14.9 Terms of Payment**

The full purchase price will be paid to Council at the time of settlement, except timing of payments may be at the discretion of the Manager Corporate Services in exceptional



circumstances. The transfer of land will not be passed onto the purchaser until the purchase price plus any costs or additional amounts are paid in full.

Terms payments associated with the sale of major reserves or other significant land parcels will be considered on a case by case basis determined by accepted commercial practices.

#### **14.10 Sale of Land – Public Open Space**

In addition to the requirements under the Local Government Act, Council is required to comply with section 20 of the *Subdivision Act 1988* when selling public open space.

The Subdivisions Act requires Council to apply the proceeds from the sale of any public open space to:

- a) Buy land for use for public recreation or public resort, as parklands or for similar purposes; or
- b) Improve land already set aside, zoned or reserved (by the council, the Crown, a planning scheme or otherwise) for use for public recreation or public resort, as parklands or for similar purposes; or
- c) With the approval of the Minister administering the Local Government Act, improve land (whether set aside on a plan or not) used for public recreation or public resort, as parklands or for similar purposes.

#### **14.11 Proceeds of any Sale**

The proceeds from any sale of surplus Council assets or land shall be allocated on the following basis:

##### Sale of Council Owned Land, Plant and Equipment

The purpose of all sale proceeds will be determined by Council through a formal Council Resolution. The proceeds allocated will be net of all expenditure including advertising, agent's fees, legal costs and other sale costs.

##### Public Open Space

All proceeds from open space reserve sales are required to be used in accordance with the Subdivision and Planning Environment Act and must be allocated to the Council's Open Space Reserves.

#### **14.12 Related Legislation**

This Policy will be implemented in conjunction with the following legislation:

- Under clause 3 of schedule 10 of the *Local Government Act 1989*, Council has the authority to discontinue a road or ROW, or part thereof, and sell it to a third party or retain it for municipal purposes.
- Under section 24A of the *Subdivision Act 1988*, Council has the authority to initiate procedures to remove and vest in itself all, or part, of a drainage reserve or sell it to a third party.
- Under section 189 of the *Local Government Act 1989* (up to 30 June 2021) and Part 4, Division 4 of the *Local Government Act 2020* (from 01 July 2021), Council has the authority to sell land to a third party. This may include discontinued roads and/or reserves and other Council properties.
- Under section 20 of the *Subdivision Act 1988*, Council may sell land set aside as public open space but must abide by the legislation in relation to the use of funds derived from the sale.

## 15 Asset Stocktakes

### *Registered Plant and Equipment - Trailers, Plant and Motor Vehicles*

Plant and Equipment Assets that are registered are to undertake a stocktake annually. The stocktake is to inform the annual insurance and registration premium payments.

The Stocktake is to be performed by the Infrastructure and Works Department and the information is to be provided to the Manager Corporate Services to inform the insurance and registration payment calculations.

Supporting data in the way of a report or spreadsheet verifying and siting the assets is to be provided to the Manager Corporate Services annually.

### *Non-Registered Plant and Equipment*

A stocktake is to be performed annually on all assets held in the Asset Register that are not registered. This is to monitor and manage Council's exposure to theft of low value, high portable assets.

The Stocktake is to be coordinated by the Manager Infrastructure and Works (or their delegate).

## 16 Asset Componentisation

Assets will be componentised in accordance with: as shown in Appendix B.

## 17 Consumables and Materials

Council purchases consumables and materials to ensure effective and efficient service delivery of Council operations. All consumables must undertake a reconciliation process. This process is conducted by each responsible Department Manager (or their delegate).

Council cannot on-sell consumables or materials to individuals (including staff members or contractors) or private businesses.

Council may sell consumables and materials to Local, State or Federal Government Agencies or Authorities where there is deemed a thin market. All requests must be referred to the Chief Executive Officer. This section must be read in conjunction with Council's External Private Works Policy.

## 18 References

- a) Property Plant and Equipment AASB 116
- b) Fair Value Measurement AASB 13
- c) Income of Not for Profit Entities AASB 1058
- d) Impairment of Assets AASB 136
- e) Intangible Assets AASB 138
- f) Investment Properties AASB 140
- i) Local Government Victoria – Accounting for non-current physical assets under AASB 116 Property Plant and Equipment – A Guide 2006.
- j) *Local Government Act 1989 and Local Government Act 2020*
- k) Australian Infrastructure Financial Management Manual 2015.
- l) Victorian Auditor -General's Office - issues annual reports on the results of Local Government Audits, including comments and recommendations regarding aspects of asset valuation practice.

- m) Local Government Victoria – Local Government Asset Management – Better Practice Guide.

## **Appendix A – Sale and Gifting of Council Owned Land Process**

The process for the Sale of Council Land is as follows:

- a) Council will identify land that is surplus to Council’s requirements.
- b) A valuation on the land will be sourced by a person (certified valuer) who holds the qualification or experience specified under 13DA (2) of the *Valuation of Land Act 1960*. The valuation cannot be greater than six months old.
- c) A Council report must be developed and presented at an open to the public Council meeting, identifying the parcel of land that is surplus to requirements.

The report will include:

- i. Why the parcel of land has been selected for sale.
- ii. How the funds will be utilised for a public benefit, and in accordance with the Asset Lifecycle Policy requirements.
- iii. The community consultation process to be undertaken.
- iv. How the community consultation feedback will be provided and reported to Council.
- v. How the process for the sale of Land will be undertaken. This will depend on the parcel of land and the anticipated community feedback.
  - Councillors may choose for the decision to return to Council, outlining the community consultation undertaken and feedback received prior to endorsing the sale of land decision; or
  - Councillors may endorse the decision for the Chief Executive Officer to proceed forward and be authorised to sell the land if no community feedback objecting to the sale of the land is received.
- d) Councillors will be provided with a copy of the valuation report, it will not be made public as that could compromise the sale process and not ensure the highest possible return on the sale of land is achieved. The report will be provided as an attachment, outlined as confidential and the reasons why the report is not being made public included in the body of the report.
- e) The Council report must outline and ensure that at least four weeks’ public notice of an intention to sell or exchange land is provided to the community; and
- f) The process is undertaken in accordance with Council’s Community Engagement policy.
- g) Council Officers must ensure that the process to sell land has been enacted no more than 6 months after the notice of intention to sell has been advertised. Failure to ensure this process has been undertaken within this timeframe will require Council to commence the process from the beginning and will require Council to ascertain a revised valuation.

Council Land cannot be sold for less than the market value assessed by Council’s appointed Valuer.

Land will not be sold for less than the market value, unless there is significant and independently verified alternate community benefits derived by the sale of the land. Any proposal to sell the land at a reduced sale price must be reported to Council, for a Council decision. The Chief Executive Officer is not endorsed to make this decision.

The process for Gifting Council Land is as follows:

- a) Council and/or the Community may identify land that is surplus to Council's requirements, that maybe gifted to a community group, that will derive a greater community benefit.
- b) A valuation on the land will be sourced by a person (certified valuer) who holds the qualification or experience specified under 13DA (2) of the *Valuation of Land Act 1960*. The valuation cannot be greater than six months old.
- c) A Council report must be developed and presented at an open to the public Council meeting, identifying the parcel of land that is surplus to requirements and is being considered for gifting to a Community Group.

The report will include:

- vi. Why the parcel of land has been selected to be gifted.
- vii. What the community benefit will be achieved by gifting the parcel of land to the community.
- viii. The community consultation process to be undertaken.
- ix. How the community consultation feedback will be provided and reported to Council.
- x. How the process for the gifting of the Land will be undertaken. This will depend on the parcel of land and the anticipated community feedback.
  - Councillors may choose for the decision to return to Council, outlining the community consultation undertaken and feedback received prior to endorsing the gifting of the land decision; or
  - Councillors may endorse the decision for the Chief Executive Officer to proceed forward and be authorised to gift the land if no community feedback objecting to the process is received.
- d) Councillors will be provided with a copy of the valuation report. The report will be provided as an attachment to the Council report and will be made public. This will ensure transparency in decision making is achieved.
- e) The Council report must outline and ensure that at least four weeks' public notice of an intention to exchange (gift) land is provided to the community; and
- f) The process is undertaken in accordance with Council's Community Engagement policy.
- g) Council Officers must ensure that the process to gift the land has been enacted no more than 6 months after the notice of intention to sell has been advertised. Failure to ensure this process has been undertaken within this timeframe will require Council to commence the process from the beginning and will require Council to ascertain a revised valuation.

Council has the ability to gift land to community organisations where a greater community benefit will be achieved. Examples of this may include, but not limited to, community housing, community co-operative supermarket development etc.

**Appendix B**

Yarriambiack Shire Council Financial Asset Class	Valuation Method	Asset Componentisation	Useful Life		Expenditure	
			Category	Life in Years	Maintenance	Capital
<b>Property</b>						
Investment Properties	Fair Value Market Approach (Level 1 or 2)	<u>Buildings:</u> <ul style="list-style-type: none"> <li>• Sub Structure</li> <li>• Super Structure</li> <li>• Roof</li> <li>• Mechanical Services</li> <li>• Fittings and Fixtures</li> </ul>	Buildings Fixtures & Fittings	30 - 75 03 - 15	<ul style="list-style-type: none"> <li>• All maintenance of any component of the building.</li> </ul>	<ul style="list-style-type: none"> <li>• Any structural addition to the building that extends the life of the asset.</li> <li>• Repairs/renewal that extends the life of the asset.</li> </ul>
Land <ul style="list-style-type: none"> <li>• Land</li> <li>• Land improvements</li> <li>• Land Under Roads</li> </ul>	Fair Value Market Approach (Level 1 or 2)	Per Parcel	Not Applicable		<ul style="list-style-type: none"> <li>• Landscaping to improve land that is intended to keep the asset in service but does not extend the life of the asset.</li> <li>• Landscaping to otherwise arable land that is intended to keep the asset in service but does not extend the life of the asset.</li> </ul>	<ul style="list-style-type: none"> <li>• Landscaping to improve land that extends the life of the asset.</li> <li>• Landscaping to otherwise arable land that extends the life of the asset.</li> <li>• Significant trees &gt;=\$1,000 in value at time of planting.</li> </ul>
Buildings <ul style="list-style-type: none"> <li>• Council Offices</li> <li>• Improvements, e.g. fit out, air conditioning, lifts etc.</li> <li>• Leasehold improvements</li> <li>• Heritage buildings</li> </ul>	Fair Value Depreciated Replacement Cost (Level 3) Market Approach (Level 1 or 2)	<u>Buildings:</u> <ul style="list-style-type: none"> <li>• Sub Structure</li> <li>• Super Structure</li> <li>• Roof</li> <li>• Mechanical Services</li> <li>• Fittings and Fixtures</li> </ul>	Buildings Fixtures & Fittings	30 - 75 03 - 15	<ul style="list-style-type: none"> <li>• All maintenance of any component of the building.</li> </ul>	<ul style="list-style-type: none"> <li>• Any structural addition to the building that extends the life of the asset.</li> <li>• Repairs/renewal that extends the life of the asset.</li> </ul>

Yarriambiack Shire Council Financial Asset Class	Valuation Method	Asset Componentisation	Useful Life		Expenditure	
			Category	Life in Years	Maintenance	Capital
<b>Infrastructure</b>						
<u>Roads</u> <ul style="list-style-type: none"> <li>Gravel Road Pavements / Re-sheets</li> <li>Sealed Road Pavements</li> <li>Sealed Road Final Seal</li> <li>Other: traffic islands, signage and traffic management devices.</li> <li>Kerb, channel and minor culverts.</li> </ul>	Fair Value Depreciated Replacement Cost (Level 3)	<u>Sealed Road:</u> <ul style="list-style-type: none"> <li>Kerb and Channel</li> <li>Formation</li> <li>Pavement (shoulders can be part of pavement)</li> <li>Surface</li> </ul> <u>Unsealed Road:</u> <ul style="list-style-type: none"> <li>Formation</li> <li>Pavement</li> </ul>	Sealed road pavements  Sealed road surface  Gravel road pavement  Sealed and Unsealed Formation  Kerb and Channel  Traffic islands and devices	60 - 70  10 - 20  10 - 16  100  50	<u>Sealed &amp; Unsealed Roads</u> <ul style="list-style-type: none"> <li>Patching that is intended to keep the asset in service but does not extend the life of the asset.</li> <li>Grading that is intended to keep the asset in service but does not extend the life of the asset.</li> <li>Line marking.</li> </ul> <u>Kerb and Channel</u> <ul style="list-style-type: none"> <li>All repairs that are intended to keep the asset in service but does not extend the life of the asset.</li> <li>General kerb maintenance.</li> </ul>	<u>Sealed and Unsealed Roads</u> <ul style="list-style-type: none"> <li>Any treatment to a road that extends the life of the asset.</li> <li>All new road construction.</li> </ul> <u>Kerb and Channel</u> <ul style="list-style-type: none"> <li>Repairs/treatment that extend the life of the asset.</li> <li>All new kerb construction.</li> </ul>
<u>Bridges: including major culverts</u> <ul style="list-style-type: none"> <li>Deck</li> <li>Substructure</li> <li>Guardrails</li> </ul>	Fair Value Depreciated Replacement Cost (Level 3)	<u>Bridges:</u> <ul style="list-style-type: none"> <li>Single structure for Box Culverts and Minor culvert</li> <li>Refer to Vicroads Level 2 inspection</li> </ul>	Bridges	80	<ul style="list-style-type: none"> <li>All repairs that are intended to keep the asset in service but does not extend the life of the bridge.</li> </ul>	<ul style="list-style-type: none"> <li>Repairs/treatment that extend the life of the asset.</li> <li>All new bridge construction.</li> </ul>

Yarriambiack Shire Council Financial Asset Class	Valuation Method	Asset Componentisation	Useful Life		Expenditure	
		guideline for component list.				
<u>Footpaths:</u> paved and gravel which are separate from road.	Fair Value Depreciated Replacement Cost (Level 3)	<u>Footpath:</u> <ul style="list-style-type: none"> <li>Footpath surface</li> </ul>	Footpaths (Concrete and Pavers)  Footpath - Hotmix  Footpath – Bitumen and Unsealed	50  25  15	<u>Footpaths</u> <ul style="list-style-type: none"> <li>All repairs that are intended to keep the asset in service but does not extend the life of the asset.</li> </ul>	<u>Footpaths</u> <ul style="list-style-type: none"> <li>Repairs that extend the life of the asset.</li> <li>New footpath and cycleway construction.</li> </ul>
<u>Drainage:</u> underground pipes and structures, lined and unlined channels, detention basins, access pits, inlet structures, wetlands and pollution control structures.	Fair Value Depreciated Replacement Cost (Level 3)		Drainage	25 - 80	<ul style="list-style-type: none"> <li>All repairs that are intended to keep the asset in service but does not extend the life of the asset.</li> </ul>	<ul style="list-style-type: none"> <li>Repairs that extend the life of the asset of the drainage segment being repaired.</li> <li>All new drainage construction.</li> </ul>
<u>Recreational, Leisure and Community Facilities:</u> sporting fields, ovals, aquatic facilities including structures and signage	Fair Value Depreciated Replacement Cost (Level 3)		Recreation & Leisure	30 - 75	<ul style="list-style-type: none"> <li>All repairs that are intended to keep the asset in service but does not extend the life of the asset. E.g. mowing, sanding flooring, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Repairs that extend the life of the asset of the facilities being repaired. E.g. replacement flooring, replacement of roof, new surface on oval / sporting field.</li> <li>All new facilities construction.</li> </ul>



Yarriambiack Shire Council Financial Asset Class	Valuation Method	Asset Componentisation	Useful Life		Expenditure	
<u>Parks, Open Space and Streetscapes</u> : passive parks, gardens, landscaping, street scaping and natural conservation areas	Fair Value Depreciated Replacement Cost (Level 3)	<u>Parks and Play Grounds</u> : Individual component examples: <ul style="list-style-type: none"> <li>• Play units</li> <li>• Soft fall</li> <li>• Drinking Fountain</li> <li>• Waste bins and enclosures</li> <li>• Edgings</li> <li>• Park benches</li> <li>• BBQ etc.</li> </ul>	Parks and Open Space	30 - 75	<u>Park Furniture</u> <ul style="list-style-type: none"> <li>• All maintenance to existing park furniture.</li> </ul> <u>Playground Equipment</u> <ul style="list-style-type: none"> <li>• All maintenance to existing playground equipment.</li> <li>• Repairs / replacement of playground equipment that are intended to keep the asset in service but does not extend the life of the asset.</li> </ul>	<u>Park Furniture</u> <ul style="list-style-type: none"> <li>• All new park furniture.</li> <li>• Replacement/renewal of existing park furniture that extends the life of the asset.</li> </ul> <u>Playground Equipment</u> <ul style="list-style-type: none"> <li>• All new playground equipment.</li> <li>• Repairs/replacement of playground equipment that extends the life of the asset.</li> </ul>
<u>Waste Management</u> : landfills, weighbridges including structures and signage.	Fair Value Depreciated Replacement Cost (Level 3)		Waste Management	4 - 30	<ul style="list-style-type: none"> <li>• All repairs that are intended to keep the asset in service but does not extend the life of the asset.</li> </ul>	<ul style="list-style-type: none"> <li>• Repairs that extend the life of the asset of the facilities being repaired. E.g. installation of major components on a weighbridge (upgrade).</li> <li>• New asset construction.</li> </ul>
<u>Aerodromes</u> : pavement and seal, substructure, formation and earthworks, structures, signage and fences	Fair Value Depreciated Replacement Cost (Level 3)		Aerodrome Buildings  Runway and taxiway Pavement  Runway Surfaces	30 - 75  60 - 70  10 - 20	All repairs that are intended to keep the asset in service but does not extend the life of the asset. E.g. repair to runway (patching).	<ul style="list-style-type: none"> <li>• Repairs that extend the life of the asset of the facilities being repaired.</li> <li>• New asset construction.</li> </ul>

Yarriambiack Shire Council Financial Asset Class	Valuation Method	Asset Componentisation	Useful Life		Expenditure	
<u>Other Infrastructure:</u> gravel pits, fire hydrants and tanks	Fair Value Depreciated Replacement Cost (Level 3)		Other Infrastructure	4 - 30	<u>Signs</u> • Repairs to existing signs & posts.	<u>Signs</u> • All new signs and/or posts. • Complete replacement of existing signs & posts.
<u>Motor Vehicles</u>	Historical Cost Purchase Price	Per Vehicle	Vehicle	1 - 5	• Expenditure <\$1,000 for individual assets or assets that cannot be easily grouped. • Servicing and maintenance of motor vehicles.	• Expenditure >=\$1,000 for individual assets, or assets that can be easily grouped. • New vehicle purchase.
<u>Plant, Machinery &amp; Equipment:</u> Road Construction Plants and Equipment  Information, Communication and Technology	Historical Cost Purchase Price	<ul style="list-style-type: none"> <li>• Computer and telecommunications including hardware, operating system software, cabling, phones, faxes and microwave links.</li> <li>• Graders, tractors, front end loaders, lathes, welders and motor vehicles.</li> <li>• Leased plant and equipment.</li> <li>• Heritage plant and equipment.</li> </ul>	Road Construction Plants and Equipment  ICT Equipment	3 - 15  3 - 5	<ul style="list-style-type: none"> <li>• Expenditure &lt;\$1,000 for individual hardware assets or assets that cannot be easily grouped.</li> <li>• Annual software licence and maintenance fees and all minor upgrades to core operating systems.</li> <li>• Repairs and maintenance on plant and equipment that does not extend the life. The repair or maintenance ensure</li> </ul>	<ul style="list-style-type: none"> <li>• Expenditure &gt;=\$1,000 for individual hardware assets, or assets that can be easily grouped.</li> <li>• Costs associated with the purchase or major upgrades of core operating systems.</li> <li>• Purchase of new plant and equipment assets.</li> </ul>

Yarriambiack Shire Council Financial Asset Class	Valuation Method	Asset Componentisation	Useful Life		Expenditure	
					the asset can achieve its expected life.	
<u>Intangible</u>	Historical Cost Purchase Price and tested for impairment.	Per item / lease of Motor Vehicle	Motor Vehicle	1 – 15		
<u>Fixtures, Fittings and Furniture:</u>		<ul style="list-style-type: none"> <li>Fixtures, fittings and furniture including chairs, tables, desks, filling cabinets.</li> <li>Library books.</li> </ul>	Fixtures & Fittings	03 - 15	<ul style="list-style-type: none"> <li>Expenditure &lt;\$1,000 for individual furniture assets or assets that cannot be easily grouped.</li> </ul>	<ul style="list-style-type: none"> <li>Expenditure &gt;=\$1,000 for individual furniture assets, or assets that can be easily grouped.</li> </ul>

**Council Approved Policy**

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