



POLICY – 2.1 – Accounting for Non-Current Assets

Relevant Delegation
N/A

Objective

To establish a consistent framework for the capitalisation, depreciation and valuation of the Shire's non-current assets in accordance with legislative and accounting requirements.

Policy Statement

1. Capitalisation of Assets

The Shire will capitalise expenditure where:

- The expenditure results in the acquisition, construction, enhancement, or replacement of an asset controlled by the Shire;
- Future economic benefits or service potential are expected to be derived from the asset;
- The cost or value can be measured reliably; and
- The expenditure meets the capitalisation threshold specified in this policy.

Capitalisation Threshold

Assets acquired or constructed at a cost of \$5,000 or greater (excluding GST) shall be capitalised and recorded in the Asset Register.

Assets costing less than \$5,000 (excluding GST) will generally be recognised as an operating expense in the period incurred.

Where a number of related items form part of a single project or asset system, the total project cost may be considered when determining whether capitalisation is appropriate.

Nature of Expenditure

The accounting treatment of expenditure will be determined by both its value and nature.

Expenditure that:

- creates a new asset;
- extends an asset's useful life;
- increases an asset's capacity;
- improves functionality; or
- enhances service potential

may be capitalised where the relevant criteria are met.

Expenditure incurred to maintain an asset in its existing condition, including routine repairs and maintenance, will be treated as an operating expense regardless of value.

Attractive and Minor Assets

Plant and equipment with a value between \$500 and \$5,000 may be recorded in the Attractive Items Register for control purposes. Inclusion in the Register does not constitute capitalisation.

2. Valuation of Non-Current Assets

As required by regulation 17A of the *Local Government (Financial Management) Regulations 1996*, the Shire will measure and report non-current assets using fair value or the cost model, as applicable to the relevant asset class and in accordance with Australian Accounting Standards.

The Shire will revalue non-current assets:

- a) whenever the fair value of an asset is considered likely to differ materially from its carrying amount; and
- b) as part of a revaluation program designed to ensure asset carrying amounts do not differ materially from fair value, with comprehensive revaluations generally undertaken at intervals not exceeding five years.

Revaluations may be undertaken by suitably qualified officers, independent valuers or other appropriately qualified professionals, having regard to the nature, materiality and complexity of the asset class.

The Chief Executive Officer will ensure that an appropriate revaluation program is maintained to comply with legislative requirements and to ensure the carrying value of non-current assets fairly reflects their value at the reporting date.

3. Depreciation of Non-Current Assets

All Shire-controlled non-current assets will be subject to depreciation or amortisation, as applicable, in accordance with AASB 116.

Where a non-current asset comprises material components with significantly different useful lives, those components may be separately identified and depreciated over their respective useful lives.

Land, cultural and heritage assets (including artwork) and certain identified earthworks are not depreciated.

Depreciation and amortisation, where applicable, are calculated using a straight-line method over an asset's estimated useful life, commencing from the date the asset is held ready for use.

The determination of the useful life of an asset requires professional judgement and considers factors such as the asset's nature, condition, expected usage, maintenance practices and experience with similar assets.

The indicative useful lives adopted by the Shire for major asset classes are:

Asset Class	Useful Life
Buildings	13 to 120 years
Plant and Equipment	5 to 10 years
Sealed/Gravel Roads and Streets	
- Formation	Not depreciated
- Pavement	80 years
- Bituminous Seal	15 years
- Asphalt Surface	15 years
Footpaths - Slab	30 to 60 years
Other Infrastructure	10 to 100 years
Parks and Ovals	10 to 40 years

4. References

Local Government Act 1995 (WA)
Local Government (Financial Management) Regulations 1996
AASB 116 Property, Plant and Equipment
AASB 136 Impairment of Assets
AASB 13 Fair Value Measurement
AASB 140 Investment Property

– *End of Policy*

ADOPTED: 15 SEPTEMBER 2026