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LAND UNDER ROADS

The Department issued Circular to Councils 09/09 *Recognition of Certain Assets at Fair Value* on 17 March 2009.

The Department has reviewed the position on land under roads within that circular in light of comments received in relation to the Draft Local Government Code of Accounting Practice and Financial Reporting, Update 17 and comments received from New South Wales Treasury. This circular supersedes Circular 09/09 in relation to land under roads only.

The Department has now determined that in accordance with AASB 1051 Land Under Roads, **a council may elect to recognise or not to recognise as an asset land under roads acquired before 1 July 2008**. Land under roads acquired after that date is accounted for under AASB 116.

It is important for councils to note that land under roads is *“land under roadways, and road reserves, including land under footpaths, nature strips and median strips”*, (AASB 1051). Also *“an asset is a resource controlled by an entity as a result of past events; and from which future economic benefits are expected to flow to the entity”*, (AASB 138).

Land under roads acquired before 1 July 2008

LUR acquired before 1 July 2008	Council actions
Elect not to recognise	<ol style="list-style-type: none"> 1. Determine if land under road meets the definition of an asset. 2. Determine if the asset can be reliably measured. 3. Disclose accounting policy in financial reports in each reporting period that the standard applies to. 4. Derecognise any land under roads acquired before 1 July 2008 (where previously accounted for), against opening balance of accumulated surplus/ deficit. 5. Disclose nature and net amount of each adjustment made. 6. Report to council any budget implications.
Elect to recognise	<ol style="list-style-type: none"> 1. Determine if land under road meets the definition of an asset. 2. Determine if the asset can be reliably measured. 3. Disclose accounting policy in financial reports in each reporting period that the standard applies to.

	<p>4. Measure at cost or fair value as at that date. (If land under roads obtained at no or nominal cost AASB 116 states that Not For Profit entities must record at fair value).</p> <p>5. Recognise any land under roads acquired before 1 July 2008 against opening balance of accumulated surplus/ deficit.</p> <p>6. Disclose nature and net amount of each adjustment made.</p> <p>7. Report to council any budget implications.</p>
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Land under roads acquired after 1 July 2008

LUR acquired after 1 July 2008	Council actions
Recognise all LUR acquired after 1 July 2008	<ol style="list-style-type: none"> 1. Determine if land under road meets the definition of an asset. 2. Determine if the asset can be reliably measured. 3. Account for land under roads acquired in accordance with AASB 116 – Property, Plant and Equipment. 4. Councils should recognise land under roads acquired at its cost, where the cost represents fair value. 5. Any land under roads acquired at no or nominal value should be measured at its fair value.

In order to decide on the option that councils should take, council staff should refer to the Australian Accounting Standards, in particular AASB 1051 and AASB 116 as referred to above. Also, council staff may need to refer to the *Roads Act 1993*.

Council staff should ensure they discuss preferred actions with their auditor to make certain that they have the appropriate documentation to satisfy audit requirements.



Ross Woodward
Acting Director General