



# LAND UNDER ROADS

## DISCLOSURES -

### A *HYPER*-CRITICAL REVIEW

*A Coalface Discussion Paper*

## INTRODUCTION

With the introduction of Australian Accounting Standard AAS 27 *Accounting for Local Governments* for reporting periods commencing on and after 1 July 1993, all Australian Councils adopted a full accrual accounting basis. Prior to this, New South Wales and South Australian, and some Northern Territory and Queensland, Councils used a modified accrual basis where some expenditures, capital by nature, were expensed<sup>1</sup>. Other Councils accounted on a cash - sometimes modified cash - basis.

The valuation of land under roads, as a pre-requisite for recognition, was early identified as a problem area. AAS 27 provided for a transition period for the recognition of assets, and in relation to land under roads, the transition period (during which Councils could defer recognition) was extended by various devices until 1 July 2008<sup>2</sup>.

It is fair to say that during this extended transition period no consensus on an appropriate valuation methodology for valuing the land under roads was developed, although while the transition period was being extended there was a discernable lack of urgency.

Strictly speaking, the issue is the valuation of the land contained in **road reserves**, rather than merely the land under the road surface itself.

Road reserves include land under road surfaces, land under footpaths, nature strips and median strips - all the land between the facing land parcels that adjoin the road reserve.

We use the conventional nomenclature - **land under roads** - to refer to the land contained within road reserves.

1. Generally these were expenditures on, and related to, road and other reserves including roads, footpaths, kerb & gutters, stormwater drainage and park furniture and developments. Water supply, sewerage, community waste-water management schemes were commonly - but not universally - capitalised
2. These included amendments to AAS 27, and standards AAS 27A and AASB 1045.

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The normal accounting convention, of course, is to recognise and subsequently measure such assets at cost unless the entity has elected to adopt the fair value basis set out in AASB 116 *Property, Plant and Equipment*. Cost, for not-for-profit entities receiving assets at no or nominal cost, is the fair value of the asset at the date of acquisition<sup>3</sup>.

In particular, the valuation of land under roads transferred to Councils prior to the commencement of AAS 27 presented insuperable practical difficulties in determining either the actual cost, or the fair value, at the date of acquisition which may have occurred at any time after the commencement of local government in the 1850s.

Accordingly, Accounting Standard AASB 1051 *Land Under Roads* permitted Councils to elect to recognise, or not to recognise, land under roads acquired before 1 July 2008.

***For land under roads acquired after 1 July 2008, the general principles in AASB 116 Property, Plant and Equipment apply.***

## STATE JURISDICTION APPROACHES

As well as complying with Australian Accounting Standards, Councils are required to comply with regulatory frameworks within their State. In practical terms, these are expressed as codes, manuals, and example or model statements. The procedures in these codes, etc. may be mandatory or merely for guidance, but in all jurisdictions they are regarded as being, at the least, highly persuasive.

A short summary of the approach to recognition of land under roads contained in these codes, etc. in each jurisdiction follows:

New South Wales - compliance with the Australian Accounting Standards; no guidance on recognition or non-recognition provided; no guidance on valuation methodologies if recognition was elected.

Northern Territory - compliance with Australian Accounting Standards; NT Finance Reference Group recommended non-recognition on the grounds that no generally accepted valuation methodology existed to be sufficiently reliable for the purposes of AASB 116 paragraph 7(b).

Queensland - land under roads not to be recognised on the grounds that Councils do not "control" the assets within the meaning of the accounting standards. (When land ceases to be used for road purposes, it reverts to the Queensland Government.)

South Australia - Model Statements authorised by the Minister recommended non-recognition on the grounds that no generally accepted valuation methodology existed to be sufficiently reliable for the purposes of AASB 116 paragraph 7(b).

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3. AASB 116 *Property, Plant and Equipment*, paragraph Aus 15.1.  
"Aus15.1 Notwithstanding paragraph 15, in respect of *not-for-profit entities*, where an asset is acquired at no cost, or for a nominal cost, the cost is its *fair value* as at the date of acquisition.

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Tasmania - compliance with Australian Accounting Standards; we have been unable to obtain information whether any other guidance was given.

Victoria - compliance with the Australian Accounting Standards; no guidance on recognition or non-recognition provided, although the finance professionals group *FinPro*, in conjunction with the local government valuers organisation did develop a valuation methodology for consideration if recognition was elected.

Western Australia - land under roads not to be recognised by legislative instrument - *Local Government (Financial Management) Regulation 1996, clause 16 (a)*.

## THE PURPOSE OF THIS PAPER

This paper reports the analysis of the disclosures in relation to the recognition of land under roads made by a sample of 59 NSW Councils.

Our comments are deliberately intended to be **hyper-critical**, and seek to highlight potential areas for confusion and inconsistencies in the disclosures made by the Councils.

As such, they cannot be taken to provide any comment - favourable or otherwise - on the general standard of preparation of each Council's Annual Financial Statements, or on the audit thereof. In **no** case, in our opinion, do the values (if any) attributed to land under roads constitute a material amount.

Our sample included 7 Councils that recognised land under roads acquired before 1 July 2008. Their policy statements and disclosures are analysed later in this paper. All of these Councils expressed the intention of recognising all land under roads acquired after 1 July 2008.

With the exception of 6 Councils that did not make a clear policy statement in this regard, all other Councils that elected **not** to recognise roads acquired before 1 July 2008 expressed their intention of recognising all land under roads acquired after 1 July 2008.

Of these 46 Councils, 9 recognised amounts for land acquired after 1 July 2008. Their policy statements and disclosures are also analysed later in this paper.

## NON-RECOGNITION OF ROADS BEFORE 1 July 2008

For the preparation of their Annual Statements Councils may use spreadsheet templates sourced from different suppliers, or replicate the format set out in the NSW Code of Accounting Practice and Financial Reporting. As a result, the policy wordings adopted by many Councils are identical, and often the differences from the template wordings - usually indicated by a wording used by only one Council - are of particular interest.

The judges of the NSW Annual Statements Award have recorded their concern that Councils are not critically reviewing the example accounting policy statements contained in these sources and amending them where necessary to accurately reflect the policies adopted in preparing their own accounts. Their concerns appear to be supported by some of the examples shown below.

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## Definition of Land under Roads

Most Councils found it necessary to explain what *land under roads* is:

| # | WORDING  | COUNCILS (paragraph #)   |
|---|--|--|
| 1 | Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips.                 | N0050 (#1); N0070 (#1); N0110 (#1); N0170 (#1); N0300 (#1); N0320 (#1); N0340 (#1); N0360 (#1); N0390 (#1); N0400 (#1); N0420 (#1); N0440 (#1); N0510 (#1); N0830 (#1); N0840 (#1); N0895 (#1); N1115 (#1); N1210 (#1); N1220 (#1); N1230 (#1); N1250 (#1); N1360 (#1); N1390 (#1); N1400 (#1); N1410 (#1); N1500 (#1); N1520 (#1); N1530 (#1); N1560 (#1); N1650 (#1); N1740 (#1); N1750 (#1); N1760 (#1) |
|   | An identical wording was used as part of another policy paragraph dealt with under "Recognition Policy after 1 July 2008" on page 6 below. | N0020 (#1); N0090 (#3); N0200 (#2); N0410 (#3); N0450 (#3); N0720 (#3); N0760 (#3); N0800 (#3); N0820 (#3); N0960 (#3); N1020 (#3); N1090 (#3)   |

The wording is identical to that used in AASB 1051 *Land under Roads* and in the *Glossary of Defined Terms* available for download from the AASB web-site.

The *Framework for the Preparation and Presentation of Financial Statements* assumes that users "have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information with reasonable diligence". We question whether inclusion of this statement significantly adds to the understanding of such users when they are interpreting the accounts. Further, we question whether the difference between the *land under the road surface* and the *land comprising the whole of the road reserve* would ever be significant in interpreting a Council's accounts.

But we suppose that it looks nice.

Most commonly the definition was the first paragraph of the land under roads section, but there were exceptions as shown in the table. We concur that the logical place, if a definition is supplied, would be in the first paragraph.

## Non-Recognition of Roads before 1 July 2008

Paragraph wordings used to report this election were as follows:

| # | WORDING   | COUNCILS (paragraph #)   |
|---|---|--|
| 2 | Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051. | N0050 (#2); N0070 (#2); N0110 (#2); N0170 (#2); N0300 (#2); N0320 (#2); N0340 (#2); N0360 (#2); N0390 (#2); N0400 (#2); N0410 (#1); N0420 (#2); N0440 (#2); N0510 (#2); N0830 (#2); N0840 (#2); N0895 (#2); N1115 (#2); N1210 (#2); N1220 (#2); N1230 (#2); N1250 (#2); N1360 (#2); N1390 (#2); N1400 (#2); N1410 (#2); N1500 (#2); N1520 (#2); N1530 (#2); N1560 (#2); N1650 (#2); N1740 (#2); N1750 (#2); N1760 (#2) |

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- |   |  |   |
|---|--|---|
| 3 | Council, being of the opinion that it is not possible to reliably determine fair value for land under roads, and it being impracticable to determine actual cost of acquisition, has elected not to recognise land under roads acquired before the commencement of AASB 1051 <i>Land under roads</i> .   | N0790 (#1); N1470 (#1)  |
| 4 | Land under roads has not been recognised, in accordance with advice provided in Departmental Circular 09/25. This Circular allows Councils to elect to recognise or not to recognise land under roads as an asset which is acquired before 1 July 2008. It is very difficult to get a reliable measurement of the value of this asset category.                  | N0200 (#1)  |
| 5 | Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051. Any land under roads that was recognised before 1 July 2008 has been derecognised at 1 July 2008 against the opening balance of retained earnings.   | N0090 (#1 - derecognised NIL);<br>N0450 (#1 - derecognised NIL);<br>N0720 (#1 - derecognised NIL);<br>N0760 (#1 - derecognised NIL);<br>N0800 (#1 - derecognised NIL);<br>N0820 (#1 - derecognised 2388);<br>N0960 (#1 - derecognised 1357);<br>N1020 (#1 - derecognised NIL);<br>N1090 (#1 - derecognised NIL) |
| 6 | Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips. Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051. Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 - Property, Plant & Equipment.  | N0020 (#1)  |
| 7 | In accordance with Department of Local Government Circular 09/29 Council has elected not to recognise the value of land under roads acquired before 30 June 2008. Land dedicated or transferred after this date is valued at an average value per unit area for rateable land for the Shire as a whole. This calculation makes use of Valuer General valuations. | N0700 (#1)  |

Paragraphs #3 and #4 refer to the difficulty of obtaining a reliable measurement of this asset category.

Derecognition of non-existent amounts for land under roads previously recognised was an issue for 7 councils. For those Councils, the second sentence of paragraph #5 was entirely irrelevant and should have been deleted. This point reappears immediately below.

Paragraphs #6 & #7 served as the complete statement of policies for those Councils, who thus collect the prize for succinctness.

Despite clear statements that land under roads acquired before 1 July 2008 had not been recognised, the following 13 Councils found it necessary to include them as a separate asset class in the relevant detailed note (Note 9):

N0390; N0400; N0510; N0895; N1090; N1220; N1310; N1360; N1410; N1470;  
N1520; N1560; N1740; N1760.

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## De-Recognition of Roads before 1 July 2008

As well as in paragraph #5 above, Councils reported the de-recognition of land under roads previously acquired in the following manner:

| # | WORDING  | COUNCILS (paragraph #)  |
|---|--|---|
| 8 | Any land under roads that was recognised before 1 July 2008 has been derecognised at 1 July 2008 against the opening balance of retained earnings.               | N0070 (#3 - derecognised NIL);<br>N0170 (#3 - derecognised NIL);<br>N0320 (#3 - derecognised NIL);<br>N0830 (#3 - derecognised NIL);<br>N0840 (#3 - derecognised NIL);<br>N0895 (#3 - derecognised NIL);<br>N1210 (#3 - derecognised NIL);<br>N1390 (#3 - derecognised NIL);<br>N1400 (#3 - derecognised NIL);<br>N1530 (#3 - derecognised NIL);<br>N1650 (#3 - derecognised NIL) |
| 9 | As council had no land under roads recognised before 1 July 2008 no de-recognition and adjustment against the opening balance of retained earnings was required. | N0440 (#3)  |

In all cases, paragraphs #8 and #9 were irrelevant and superfluous.

## Recognition Policy after 1 July 2008

Generally, Councils reported their intention to recognise land under roads acquired after 1 July 2008:

| #  | WORDING   | COUNCILS (paragraph #)  |
|----|---|---|
| 10 | Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 - Property, Plant & Equipment.      | N0070 (#4); N0090 (#2); N0110 (#3); N0170 (#4);<br>N0300 (#3); N0340 (#3); N0360 (#3); N0400 (#3);<br>N0410 (#2); N0450 (#2); N0510 (#3); N0720 (#2);<br>N0760 (#2); N0800 (#2); N0820 (#2); N0830 (#4);<br>N0840 (#4); N0895 (#4); N0960 (#2); N1020 (#2);<br>N1090 (#2); N1115 (#3); N1210 (#4); N1220 (#3);<br>N1230 (#3); N1250 (#3); N1360 (#3); N1390 (#4);<br>N1400 (#4); N1410 (#3); N1500 (#3); N1520 (#3);<br>N1530 (#4); N1560 (#3); N1650 (#4); N1740 (#3);<br>N1750 (#3); N1760 (#3) |
| 11 | Land under roads acquired after 1 July 2008 will be recognised in accordance with AASB 116 - Property, Plant & Equipment. | N0050 (#3)  |

In fact, only 7 Councils acquired land under roads after 1 July 2008 - N0110; N0360; N0390; N0400; N0720; N0820 - so possibly the future tense used in paragraph #11 is the more appropriate. (Further analysis of the treatment of the land under roads acquired by these 7 Councils is shown in "ACQUISITIONS DURING 2008/09" on page 11 below.)

| #  | WORDING   | COUNCILS (paragraph #) |
|----|---|------------------------|
| 12 | Land under roads acquired or dedicated to Council after 1 July 2008 is recognised under AASB 116. | N0390 (#3)             |

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|    |   |            |
|----|---|------------|
| 13 | Land under roads acquired or dedicated to Council after 1 July 2008 is recognised under AASB 116. There were no such acquisitions in the 2008/09 financial year.  | N0440 (#4) |
| 14 | Any land under roads purchased after 1 July 2008 will be recognised at cost.  | N1520 (#4) |
| 15 | Council has elected to recognise land acquired for road widening as land under roads in accordance with AASB 116 - Property, Plant & Equipment.   | N0690 (#1) |
| 16 | Although Land Under Roads acquired after 1 July 2008 should be recognised in accordance with AASB 116 - Property, Plant and Equipment the industry is yet to determine a methodology for the valuation of Land Under Roads. | N0420 (#3) |

2 Councils in paragraphs #12 and #13 considered the dedication of land to Council to be a sufficiently different method of acquisition to warrant special mention, while paragraphs #14 and #15 appear to be attempting to limit future recognition to only lands acquired for value, or lands acquired for road widening. Limiting recognition of land under roads in this manner is ***not permissible***.

Paragraph #16, while an accurate report of the situation as we understand it, is not a statement of accounting policy.

## Future Developments

Many Councils made mention of the lack of an industry standard for the valuation of land under roads in a manner which, in our view, can be interpreted as conflicting with other policy statements made previously:

| #  | WORDING   | COUNCILS (paragraph #)   |
|----|---|--|
| 17 | Council will recognise all land under roads when the valuation methodology has been determined by the industry and is, in the meantime, collecting the necessary physical data to undertake the valuation.  | N0070 (#5); N0155 (#4); N0170 (#5); N0180 (#3); N0300 (#4); N0320 (#4); N0340 (#4); N0440 (#5); N0510 (#4); N0630 (#4); N0830 (#5); N0840 (#5); N1210 (#5); N1230 (#4); N1250 (#4); N1360 (#4); N1390 (#5); N1400 (#5); N1650 (#5); N1740 (#4); N1750 (#4); N1760 (#4) |
| 18 | Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips. Council will recognise all land under roads when the valuation methodology has been determined by the industry and is, in the meantime, collecting the necessary physical data to undertake the valuation. | N0090 (#3); N0410 (#3); N0450 (#3); N0690 (#2); N0720 (#3); N0760 (#3); N0800 (#3); N0820 (#3); N1020 (#3); N1090 (#3)   |

It is not clear whether paragraphs 17 and 187 are proposing that ALL land under roads - including land acquired before 1 July 2008 subject to the AASB 1051 election - or merely land under roads acquired after 1 July 2008 - are to be recognised. Either interpretation is permitted by the wording, and there thus may be a direct conflict in the policies expressed. Accordingly, we regard the wording as seriously inadequate.

Paragraph 19 following at least is very clear on that point.

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| #  | WORDING   | COUNCILS (paragraph #) |
|----|---|------------------------|
| 19 | Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips. Council will recognise all land under roads acquired after 2008 when the valuation methodology has been determined by the industry and is, in the meantime, collecting the necessary physical data to undertake the valuation. | N0200 (#2)             |
| 20 | Council will assess whether it will be necessary to recognise all land under roads when the valuation methodology has been determined by the industry.  | N1530 (#5)             |
| 21 | Council will reassess its position on land under roads when the valuation methodology has been determined by the industry and is, in the meantime, collecting the necessary physical data to undertake the valuation.   | N1560 (#4)             |
| 22 | If mandated by the Department of Local Government, Council will recognise all land under roads when the valuation methodology has been determined by the industry and is, in the meantime, collecting the necessary physical data to undertake the valuation.   | N0050 (#4)             |
| 23 | Council continues to collect the necessary physical data to undertake the valuations upon adoption of an industry standard for LUR's.   | N0420 (#4)             |
| 24 | Council has xxx km of urban and rural roads and xxx km of footpaths. Data is currently being collected for road reserves, nature strips and median strips.  | N0420 (#5)             |

Paragraphs #20, #21, #22 and #23 may be read to suggest that the Councils involved are reluctant to recognise *any amounts* for land under roads.

Although paragraph #24 could alternatively be located in the note relating to assets not recognised, it is a very valuable disclosure.

## LAND UNDER ROADS BEFORE 1 July 2008 RECOGNISED

In our sample, 7 Councils have recognised land under roads acquired before 1 July 2008. These Councils were:

City of Canada Bay; Strathfield Municipal Council; Penrith City Council; Eurobodalla Shire Council; Oberon Council; Lake Macquarie City Council; Coffs Harbour City Council.

Other than that no small rural Councils made a similar election, we doubt that any conclusions can be drawn from this.

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## Definition of Land under Roads

Not surprisingly, those Councils that chose to provide a definition of land under roads used similar paragraphs - #1 - N0155 (#1); N0180 (#1); N0380 (#3); N0490 (#1); N0630 (#1); N0810 (#1); N0860 (#1) - paragraph #17 - N0710 (#3).

## Land under Roads before 1 July 2008 Recognised

Again, most Councils adopted a common phrasing, with one or two differences:

| #  | WORDING   | COUNCILS (paragraph #)  |
|----|---|---|
| 25 | Council has elected to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051.   | N0155 (#2); N180 (#2); N0490 (#2); N0630 (#2); N0710 (#1); N0810 (#2) |
| 26 | Council has elected to recognise LUR acquired before 1 July 2008 in accordance with AASB 116 - property, Plant and Equipment, and AASB 1051 - Land Under Roads. Circular 09-25 issued by the Division of Local Government (DLG) allows councils to elect to recognise land under roads acquired before 1 July 2008 but defer that recognition until an industry-wide valuation methodology is determined. In accordance with that circular, Council has elected to recognise LUR acquired before 1 July 2008 but defer that recognition until 30 June 2010, in accordance with AASB 1051 - Land Under Roads | N0380 (#2)  |
| 27 | Council has elected not to recognise land under roads and will recognise all land under roads when the valuation methodology has been determined by the industry and is, in the meantime, collecting the necessary physical data to undertake the valuation.  | N0860 (#2)  |

Paragraph #26 is a self-determined extension to the transitional arrangements that were terminated by AASB 101, whether or not authorised by Departmental circular 09-25. One of the possible interpretations of paragraphs #17 and #18, as discussed above, is to the identical effect of this paragraph, in which case, this is a much clearer statement. However, we are not convinced that this is permitted under the accounting standards, providing an example of legislative over-ride of the standards as in WA.

We experienced considerable difficulty in interpreting paragraph #27, at various times including it as a non-recognising Council. On balance, however, we have come to the conclusion that its effect is the same as paragraph #26. The wording must be considered to be seriously inadequate.

We come now to consider the amounts recognised, and the disclosure in the relevant detailed note (Note 9):

| COUNCIL | \$ | MEASUREMENT BASIS |
|---------|----|-------------------|
| N0155   | 0  | N/A               |
| N0180   | 0  | N/A               |
| N0380   | 0  | N/A               |

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|                    |         |  |
|--------------------|---------|--|
| N0490 <sup>a</sup> | 8,758   | 1/7/08 - AT COST<br>30/6/09 - AT COST    |
| N0630              | 13, 948 | 1/7/08 - AT COST<br>30/6/09 - AT COST    |
| N0710              | 6,289   | 1/7/08 - AT COST<br>30/6/09 - FAIR VALUE |
| N0810              | 0       | N/A                                      |
| N0860              | 0       | N/A                                      |

a. Described as "purchased pre 1/7/2008".

It can be seen that 5 Councils have implemented the policy expressed in paragraph #26, even though only one of them clearly stated that. Council N0490 appear to have limited their recognition of land under roads acquired prior to 1 July 2008 to those purchased prior to that date, thus applying the policy in paragraph #26 for all other roads. We did not find their policy statements to be clear on this issue.

Council N0630 reported exactly the same value for land under roads at 1 July 2008 as it did at 30 June 2008. This amounts to a claim that all land under roads had previously been recognised (at deemed cost in the main transition periods permitted under AAS 27, plus additions at cost), and that no recognition adjustment direct to equity as permitted by AASB 1051 was required.

We have not been able to check the amount disclosed for Council N0710 from the 2008 accounts (as we did for Council N0630), but again this Council did not find it necessary to make a recognition adjustment direct to equity, effectively making the same claim.

**We regard it as quite remarkable that all Councils that have disclosed any values for land under roads acquired prior to 1 July 2008 should have previously recognised exactly the correct amounts**, but have not been able to identify any additional elucidation in their accounts. It was certainly not the expectation of AASB 1051 that this would be the case.

Even more remarkably, Council N0710 revalued their land under roads holdings during the year (i.e. the change in basis of measurement from cost basis to fair value basis), with precisely no revaluation increment or decrement required. They also found it unnecessary to make the disclosures required by AASB 116 paragraph 77.

## Recognition Policy after 1 July 2008

There was only one non-standard wording used by these Councils:

| #  | WORDING   | COUNCILS (paragraph #) |
|----|---|------------------------|
| 28 | Land Under Roads (LUR) acquired after 1 July 2008 is recognised in accordance with AASB 116 - Property, Plant and Equipment, and AASB 1051 - Land Under Roads. Council has used a municipal rate to determine this value. | N0380 (#1)             |

Standard wordings used were paragraph #10 (N0155 (#3); N0490 (#3); N0630 (#3); N0710 (#2); N0810 (3).

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Valuation uncertainties were addressed by paragraph #17 - (N0155 (#3); N0180 (#3); N0490 (#4); N0630 (#4)) and #18 (N0710 (#3)).

## ACQUISITIONS DURING 2008/09

A total of 14 Councils in our sample reported acquisitions of land under roads during the 2008/09 reporting period, only 4 of which recognised land under roads acquired prior to 1 July 2008.

In other words, the remaining 45 Councils all claimed not to have received any land dedicated for road purposes in any subdivision registered at the Lands Titles Office during this period. While the claim is believable for small rural Councils, it means that 3 of the Councils named in "LAND UNDER ROADS BEFORE 1 July 2008 RECOGNISED" on page 8 above - and it does not matter which three - are making the same claim<sup>4</sup>. We find that this tests the bounds of credibility.

Amounts recognised, and the disclosure in the relevant detailed note (Note 9) was as follows:

| COUNCIL | \$    | MEASUREMENT BASIS |
|---------|-------|-------------------|
| N0110   | 16    | AT COST           |
| N0360   | 377   | FAIR VALUE        |
| N0380   | 1,346 | FAIR VALUE        |
| N0390   | 8,201 | FAIR VALUE        |
| N0400   | 7,231 | FAIR VALUE        |
| N0490   | 75    | AT COST           |
| N0630   | 34    | AT COST           |
| N0690   | 63    | AT COST           |
| N0700   | 2,071 | AT COST           |
| N0710   | 13    | FAIR VALUE        |
| N0720   | 496   | AT COST           |
| N0810   | 162   | FAIR VALUE        |
| N0820   | 60    | AT COST           |
| N1220   | 275   | AT COST           |

With the exception of one Council who disclosed that additions were recognised at *municipal value* (paragraph #27), none of the Councils who measured these assets on the fair value basis provided **any** of the information required by AASB 116 paragraph 77, nor were any revaluation increments / decrements disclosed. We therefore suspect that these Councils have misinterpreted AASB 116.Aus15.1 (see footnote 3 above).

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4. The remainder of the sample also includes a number of metropolitan and large regional centres, for which the claim is equally difficult to believe.

The comments in this paper are deliberately intended to be *hyper-critical*, and must not be taken at face value.



# LAND UNDER ROADS - DISCLOSURES *a hyper-critical review*

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## CONCLUSIONS

We suggest that the above analysis results accurately reflect the lack of guidance provided to Councils. We also conclude from the lack of information on valuation methodology provided both by Councils that have recognised, and those that intend in future to recognise, land under roads, that there is no industry-wide valuation methodology that has yet been determined. In recent months we have not become aware of any information from any State that suggests that this situation has changed.

We are also tempted to suggest that - at least until an industry-wide method of valuing land under roads is generally accepted - the approach adopted by Northern Territory and South Australia would be appropriate. This approach should be reviewed if or when an acceptable valuation methodology is developed.

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