

## **Useful life of infrastructure assets – understanding and evidence in practice**

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At any stage of the life cycle, infrastructure asset managers need to know what the current condition is, the current value and what is the expected useful life. Useful life and remaining useful life estimates are some of the most critical inputs for renewal planning and asset valuation. Estimating the timing when renewal is required (remaining useful life) is the most critical element of infrastructure renewal planning and is an important input into valuation calculations.

For infrastructure assets, useful life is defined in terms of the asset's expected utility to the entity. It is normally the point at which some form of intervention is required. This intervention may range from complete replacement through to erecting a sign which says "Closed". The estimation of the useful life of the asset is a matter of judgement based on the experience of the entity with similar assets.

Industry guidelines such as IPWEA practice notes provide no standard template answers for useful lives and include only examples of typical useful life estimates as a reference guide. Managers are advised to determine the useful lives of infrastructure assets to fit local circumstances. Accounting standard AASB116 specifies that "The estimation of the useful life of the asset is a matter of judgement based on the experience of the entity with similar assets".

The objective of this paper is to provide practitioners information on available guiding principles, procedures and practical examples to understand how useful life is estimated and used in asset management and financial management and the reporting of infrastructure assets.