

Asset Revaluation Policy



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| Record number | D22/1217 |
| Responsible Manager | Manager Finance & Rating Operations |
| Other key internal stakeholders | Director Organisational Services & Excellence |
| Last reviewed | 22/02/2022 |
| Adoption reference | Council |
| Resolution number | 1140 |
| Previous review dates | 12/02/19, 11/08/15, 09/10/12, 10/02/09 |
| Legal requirement | NA |
| Due date next review | 2025 |

1. PURPOSE

The purpose of this policy is to provide a framework for the revaluation of Council's non-current assets. This framework is to ensure that revaluations are made with sufficient regularity to ensure that the carrying amount of an asset does not differ materially from that which would be determined using fair value of that value as at Council's financial reporting date.

2. POLICY

2.1 General

Asset classes are to be revalued on a regular basis to ensure that the carrying values are not materially different from fair value. For infrastructure and other asset classes where no active market exists, fair value is determined to be the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset.

To maintain the value of assets in current terms, comprehensive revaluations of non-current physical assets will be carried out at least every three years and will be arranged by the Manager Finance and Rating Operations. In addition, annual interim revaluations of these asset classes may be carried out, based on relevant indices to reflect the increase in the capital value. Where possible, indices will take into account technological change in addition to the effects of specific or general price levels but will need to ensure that the current replacement cost doesn't exceed the fair value, otherwise an impairment adjustment will be required.

Revaluation increments arising upon revaluation are credited directly to the asset revaluation reserve. Non-current physical assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to depreciated replacement cost.

2.2 Impairment

Assets that have an indefinite useful life are not subject to depreciation and are reviewed annually for impairment. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss.

For assets whose future economic benefits are not dependant on the ability to generate cash flows, and where the future economic benefits would be replaced if Council were deprived thereof, the value in use is the depreciated replacement cost.

3. DEFINITIONS

For the purposes of this policy the following definitions apply:

CEO

Refers to the Chief Executive Officer (including their delegate) of the City of Tea Tree Gully.

Carrying amount

Is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.

Cost

Is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of AASB 116.

Depreciable amount

Is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation

Is the systematic allocation of the depreciable amount of an asset over its useful life.

Entity-specific value

Is the present value of the cash flows an entity expects to arise from the continuing use of an asset and from its disposal at the end of its useful life or expects to incur when settling a liability.

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 loss

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

Property, plant and equipment

Are tangible items that are:

- a. Held for use in the production or supply of goods or services, for rental to others, or for administrative purposes
- b. Expected to be used during more than one period.

Recoverable amount

Is the higher of an asset's fair value less costs to sell and its value in use.

The residual value

Of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Useful life

Is the:

- a. Period over which an asset is expected to be available for use by an entity
- b. Number of production or similar units expected to be obtained from the asset by an entity.

4. LEGISLATIVE FRAMEWORK

There is no legislative requirement for Council to have a policy relating to this area.

The following legislation applies to this policy:

Local Government Act 1999

Section 127 of this Act provides that Council must prepare Financial Statements in accordance with the Act, the *Local Government (Financial Management) Regulations 2011* and the *Local Government (Financial Management) Variation Regulations 2013*. The carrying amount of assets in these financial statements must not differ materially from the carrying amount of the assets, which would be determined using fair value at the reporting date.

Section 125 of this Act provides that council must ensure that appropriate policies, practices and procedures of internal control are implemented and maintained in order to assist the council to carry out its activities in an efficient and orderly manner to achieve its objectives, to ensure adherence to management policies, to safeguard the council's assets, and to secure (as far as possible) the accuracy and reliability of council records.

4.1 Other references

Council's document including:

- a. Council's Fees and Charges Register

Australian Accounting Standards Board Standards

- a. AASB 13 - Fair Value Measurement
- b. AASB116 - Property, Plant and Equipment
- c. AASB 136 - Impairment of Assets
- d. AASB 1051 – Land Under Roads
- e. AASB2 - Share-based Payment

5. STRATEGIC PLAN/POLICY

5.1 Strategic Plan

The following strategic objectives in Council's Strategic Plan 2025 are the most relevant to this report:

| Objective | Comments |
|---|---|
| <i>Decision making is informed, based on evidence and is consistent</i> | The Asset Revaluation Policy gives Council the ability to make informed decisions on the value of the Council's assets. |

5.2 Organisation Plan

Our Strategic Plan is supported by an Organisation Plan which focuses on five key themes of customer care, learning & growth, future capability and sustainable operations. The key theme most relevant to this policy is sustainable operations, in ensuring that we make consistent, informed decisions which are evidence based.

6. POLICY IMPLEMENTATION

This Policy will be implemented by the Chief Executive Officer or relevant portfolio director and managed in accordance with Council's scheme of delegations.