


Asset Accounting Policy: Revaluation

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Resolution number:	155/2022	
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Reference number:	ECM 1014333	
Strategic Pillar	Organisation Capability	
Responsible Branch	Finance	14/04/2022

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1 OUTCOMES

- 1.1 The objective of this policy is to provide accurate financial reporting by ensuring that assets are valued accurately and revaluations are managed efficiently in accordance with Australian Accounting Standards and the Code of Accounting Practice.
- 1.2 As a result of having a consistent asset accounting policy, Council provides materially accurate information on its financial position and financial performance.
- 1.3 A consistent approach to asset valuation supports the provision of relevant and comparable information for decision-making about resource allocation.

2 POLICY

- 2.1 Council will undertake periodic revaluation of all classes of IPPE in accordance with Australian Accounting Standards and the Local Government Code of Accounting Practice.
- 2.2 Comprehensive revaluations of all classes of assets are undertaken at least every 5 years as follows:

Financial Year	Asset Class
2022-23	Community land
	Crown land
	Land under roads
2023-24	Operational land
	Non-depreciable land improvements
	Buildings
	Other structures
	Open space / recreational assets
	Swimming pools
2024-25	Roads
	Bulk earthworks
	Bridges
	Footpaths
	Other road assets
2025-26	Plant and equipment
	Office equipment
	Furniture and fittings
	Library books
	Stormwater drainage
	Water supply network
	Sewerage network

- 2.3 Independent, internal or external, professionally qualified valuers are used to conduct fixed asset valuations.
- 2.4 The valuation technique for each asset class is specified in Table 1 of the appendix.
- 2.5 Valuation assumptions, inputs and relevant price indices for each class of assets are specified in Table 1.
- 2.6 Annual fair value reviews are conducted at each reporting date to confirm assets are not materially different from their current value.

3 SCOPE OF THE POLICY

- 3.1 This policy applies to the accounting treatment for infrastructure, property, plant and equipment (IPPE). Other assets such as receivables, inventory, intangibles and cash are excluded.

4 DEFINITIONS

- 4.1 Fair value —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.
- 4.2 The Cost Approach —The cost approach reflects the amount that would be required currently to replace the service capacity of an asset.
- 4.3 The Market Approach —The market approach uses price and other relevant information generated by market transactions involving identical or similar assets.

5 LEGISLATIVE OBLIGATIONS AND/OR RELEVANT STANDARDS

- 5.1 AASB 13 Fair Value Measurement
- 5.2 AASB 136 Impairment of Assets
- 5.3 AASB 116 Property, Plant and Equipment
- 5.4 AASB 140 Investment Properties
- 5.5 AASB 5 Assets Held for Sale
- 5.6 OLG Code of Accounting Practice and Financial Reporting
- 5.7 NSW Treasury TPP14-01 Accounting Policy: Valuation of Physical Non-Current Assets at Fair Value
- 5.8 IPWEA Australian Infrastructure Financial Management Guidelines

6 CONTENT

- 6.1 Valuation inputs are ranked into three priority levels, called the valuation hierarchy.
- a) level 1 inputs are based upon quoted prices,
 - b) level 2 inputs are based on other observable inputs, and
 - c) level 3 inputs are based on unobservable inputs.
- 6.2 Council uses valuation techniques that are appropriate in the circumstances, for which sufficient data is available and that maximise the use of valuation assumptions that use quoted prices in active markets and minimises the use of assumptions that are based on unobservable inputs.
- 6.3 Valuation techniques used by Council include are market approach and cost approach.
- 6.4 In determining the need to use internal or external valuation experts for the revaluation of each asset class, Council considers:
- a) the availability of in-house knowledge and expertise,
 - b) the costs and benefits,
 - c) the risk of material errors based on the nature, complexity and materiality of the asset class, and
 - d) availability of accurate and reliable data and information.
- 6.5 Council undertakes asset data verification and asset condition assessments (for infrastructure assets) to confirm the currency and accuracy of its asset register data and ensure that assets are recorded at component level where appropriate.
- 6.6 Comprehensive condition assessments and data verification processes are programmed in the financial year prior to the revaluation, as specified in Table 1 of the appendix.

- 6.7 Council provides complete and accurate information to valuers, including all asset characteristics relevant to the valuation.
- 6.8 At each year end reporting date, Council makes an assessment as to whether there is any indication that an asset's carrying amount differs materially from fair value. Where any indication exists, the asset class is revalued.
- 6.9 The annual fair value review requires consideration of external and internal sources of information, including relevant price indices, a review of asset useful lives and residual values.
- 6.10 Where an asset class is required to be revalued as a result of the annual fair value review, Council will conduct an interim revaluation using internal expertise by applying the relevant indexation factors to the carrying amount.
- 6.11 Where there is movement in indicators greater than 20%, Council will give consideration to increasing the frequency of comprehensive revaluations for the asset class.

7 REVIEW

- 7.1 This policy will be reviewed every year or earlier as necessary if:
 - a) legislation requires it, or
 - b) Council's functions, structure or activities change

ASSET ACCOUNTING POLICY: REVALUATION

APPENDIX A: ASSET CLASS DEFINITIONS

Asset class	Fair value hierarchy	Fair value indices	Last revaluation date	Next revaluation date	Frequency after next revaluation (years)	Valuer (internal / external)	Next condition assessment & data verification (year)	Revaluation method	Valuation inputs
Plant and equipment Office equipment Furniture and fittings	3	Consumer price index, ABS cat number 6401.0	30 Jun 21	30 Jun 26	2	Internal	30 Jun 26	Cost approach	Depreciated historical cost equates with fair value Remaining useful life Residual value
Operational land	2	Residential property price index (Canberra), ABS cat number 6416.0	30 Jun 21	30 Jun 24	5	External	30 Jun 23	Market approach	Sales data (comparable property sales) & reserves based on market assumptions (\$ <i>per square metre</i>)
Community land	3	Residential property price index (Canberra), ABS cat number 6416.0	1 July 20	1 July 23	3	Internal	30 Jun 23	Market approach	Land values obtained from the NSW Valuer General (\$ <i>per square metre</i>)

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Crown land	3	Residential property price index (Canberra), ABS cat number 6416.0	1 July 20	1 July 23	3	Internal	30 Jun 23	Market approach	Land values obtained from the NSW Valuer General (<i>\$ per square metre</i>)
Land under roads	3	Residential property price index (Canberra), ABS cat number 6416.0	1 July 20	1 July 23	3	Internal	30 Jun 23	Market approach	Median operational land value (<i>\$ per square metre</i>), discounted by 90%
Non-depreciable land improvements	3	Building cost index, Canberra Rawlinsons Australian Construction Handbook	30 Jun 21	30 Jun 24	5	External	30 Jun 23	Cost approach	Industry construction costs sourced from Rawlinsons most recent published cost guide (<i>unit rate</i>) IPWEA Practice Note 12: Useful life of infrastructure Asset condition Remaining useful life

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Buildings	3	Building cost index, Canberra Rawlinsons Australian Construction Handbook	30 Jun 21	30 Jun 24	5	External	30 Jun 23	Cost approach, (specialised) Market approach (non-specialised)	Industry building construction costs sourced from Rawlinsons most recent published cost guide (\$ <i>per square metre</i>) IPWEA Practice Note 12: Useful life of infrastructure Asset condition Remaining useful life
Other structures	3	Building cost index, Canberra Rawlinsons Australian Construction Handbook	30 Jun 21	30 Jun 24	5	External	30 Jun 23	Cost approach	Industry construction costs sourced from Rawlinsons most recent published cost guide (<i>unit rate</i>) IPWEA Practice Note 12: Useful life of infrastructure Asset condition Remaining useful life

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Roads Other roads assets	3	Producers cost index for roads and bridges, ABS cat number 6427.0, table 17, 3101 Road and bridge construction NSW	30 Jun 21	30 Jun 25	5	External	30 Jun 24	Cost approach	<p>Council road construction costs sourced from contract rates (<i>\$ per square metre</i>)</p> <p>Industry road construction costs sourced from Rawlinsons most recent published cost guide (<i>\$ per square metre</i>)</p> <p>Carpark construction costs sourced from ACT Cost of Building Work Determination 2020 (<i>\$ per car space</i>)</p> <p>IPWEA Practice Note 12: Useful life of infrastructure</p> <p>Asset condition</p> <p>Remaining useful life</p>

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Bulk earthworks	3	Consumer price index, ABS cat number 6401.0	30 Jun 21	30 Jun 25	5	External	30 Jun 24	Cost approach	<p>Council earthwork construction costs sourced from contract rates (<i>\$ per cubic metre</i>)</p> <p>Industry earthwork construction costs sourced from Rawlinsons most recent published cost guide (<i>\$ per cubic metre</i>)</p>
Bridges	3	Producers cost index for roads and bridges, ABS cat number 6427.0, table 17, 3101 Road and bridge construction NSW	30 Jun 21	30 Jun 25	5	External	30 Jun 24	Cost approach	<p>Industry bridge construction costs sourced from Rawlinsons most recent published cost guide (<i>\$ per square metre bridge deck area</i>)</p> <p>IPWEA Practice Note 12: Useful life of infrastructure</p> <p>Asset condition</p> <p>Remaining useful life</p>

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Footpaths	3	Building cost index, Canberra Rawlinsons Australian Construction Handbook	30 Jun 21	30 Jun 25	5	External	30 Jun 24	Cost approach	<p>Council footpath construction costs sourced from contract rates (<i>\$ per square metre</i>)</p> <p>Industry footpath construction costs sourced from Rawlinsons most recent published cost guide (<i>\$ per square metre</i>)</p> <p>IPWEA Practice Note 12: Useful life of infrastructure</p> <p>Asset condition</p> <p>Remaining useful life</p>

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Stormwater drainage	3	Building cost index, Canberra Rawlinsons Australian Construction Handbook	30 Jun 21	30 Jun 26	5	External	30 Jun 25	Cost approach	<p>Council drainage construction costs sourced from contract rates (<i>\$ per linear metre</i>)</p> <p>Industry drainage construction costs sourced from Rawlinsons most recent published cost guide (<i>\$ per linear metre</i>)</p> <p>IPWEA Practice Note 12: Useful life of infrastructure</p> <p>Asset condition</p> <p>Remaining useful life</p>

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Water supply network	3	Water reference rate, DPI NSW Office of Water Reference Rates Manual	30 Jun 21	30 Jun 26	5	External	30 June 25	Cost approach	<p>Council water supply construction costs sourced from contract rates (<i>\$ per linear metre</i>)</p> <p>Relevant local government industry cost databases and schedule of rates for construction of assets or similar assets</p> <p>Industry water supply construction costs sourced from DPI NSW Office of Water Reference Rates Manual.</p> <p>IPWEA Practice Note 12: Useful life of infrastructure</p> <p>Asset condition</p> <p>Remaining useful life</p>

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Sewerage network (including recycled water network)	3	Water reference rate, DPI NSW Office of Water Reference Rates Manual	30 Jun 21	30 June 26	5	External	30 June 25	Cost approach	<p>Council sewerage construction costs sourced from contract rates (<i>\$ per linear metre</i>)</p> <p>Relevant local government industry cost databases and schedules of rates for construction of assets or similar assets</p> <p>Industry sewerage supply construction costs sourced from DPI NSW Office of Water Reference Rates Manual.</p> <p>IPWEA Practice Note 12: Useful life of infrastructure</p> <p>Asset condition</p> <p>Remaining useful life</p>

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Swimming pools	3	Consumer price index, ABS cat number 6401.0	30 Jun 21	30 Jun 24	5	External	30 Jun 23	Cost approach	Industry construction costs sourced from Rawlinsons most recent published cost guide (<i>unit rate</i>) IPWEA Practice Note 12: Useful life of infrastructure Asset condition Remaining useful life
Open space / recreational assets	3	Consumer price index, ABS cat number 6401.0	30 Jun 21	30 Jun 24	5	External	30 Jun 23	Cost approach	Industry construction costs sourced from Rawlinsons most recent published cost guide (<i>unit rate</i>) IPWEA Practice Note 12: Useful life of infrastructure Asset condition Remaining useful life
Library books	3	Consumer price index, ABS cat number 6401.0	30 Jun 21	30 Jun 26	2	Internal	na	Cost approach	Depreciated historical cost equates with fair value Remaining useful life