



**CORANGAMITE
SHIRE**

Asset Valuation and Revaluation Policy

Corangamite Shire
April 2017

Council Policy



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Asset Valuation and Revaluation Policy

Introduction

This policy contains administrative provisions for the process of revaluation of Council's assets in accordance with Australian Accounting Standards. It is a legislative requirement that Council completes financial valuations of its non-current assets. A primary outcome of this requirement is that Council's Balance Sheet will reflect the Fair Value of Council's portfolio of non-current assets. Knowledge of current asset values is essential for the efficient and effective management of assets. Current asset valuation information can assist in making decisions regarding the allocation of resources to those assets.

Purpose

The purpose of this policy is to provide a framework for the efficient and effective administration of Council's assets with regard to fair value and to ensure asset values are reviewed in accordance with applicable Australian Accounting Standards.

Scope

This policy applies to all of Council's asset classes. The Policy covers financial valuation of non-current physical assets subsequent to initial recognition, including:

- Frequency and method of valuation and revaluation; and
- Roles and responsibilities.

This Policy excludes:

- Insurance valuations; and
- 'held for sale' valuations.

It is considered that this Policy does not impact negatively on any rights identified in the *Charter of Human Rights and Responsibilities Act (2006)*.

Definitions

Accounting Standard AASB 116, Property, Plant & Equipment - prescribes the accounting treatment for property, plant and equipment and provides for assets initially recognised at cost to be subsequently measured at either Fair Value or Cost. Whichever valuation basis is selected, Council shall apply that approach to an entire Asset Class.

Accounting Standard AASB 1041, Revaluation of Non-Current Assets - outlines the application of the Fair Value approach to valuation, prescribes the method of accounting for revaluation increments and decrements and specifies rules relating to the frequency of revaluation.

Assets – infrastructure such as buildings, roads, stormwater drainage and non-infrastructure such as land, plant and equipment.

Asset Class – a group of assets having a similar nature or function e.g. road, footpath, building. The Asset Class is the material level at which Council will prepare the annual balance sheet for reporting in the Annual Report; for example, the Roads Asset Class might include Asset Categories such as sealed roads, unsealed roads etc.

Asset Condition Assessment - The process of continuous or periodic inspection, assessment, measurement and interpretation of resultant data to indicate the condition of a specific asset so as to determine the need for some preventative or remedial action.

Depreciation Expense - the systematic allocation of the depreciable amount of an asset over its useful life. A systematic charge against revenue made for the purpose of allocating the depreciable amount of a depreciable asset over its useful life. Also known as Annual Depreciation or Depreciation Charge.

Fair Value - the amount for which an asset could be exchanged, or liability settled between knowledgeable, willing parties in an arm's length transaction.

Market Value - The estimated amount at which an asset would be exchanged on the date of valuation between knowledgeable, willing parties in an arm's length transaction.

Non-Current Asset - A non-current asset is an asset that is not likely to turn to unrestricted cash within one financial year.

Revaluation - the act of recognising a reassessment of values of non-current assets at a particular date.

Useful Life (UL) - The period over which an asset is expected to be available for use by an entity. Also known as Service Life or Functional Life.

- *Remaining Useful Life (RUL)* - the time remaining until an asset ceases to provide the required service level or economic usefulness. Age plus remaining useful life is useful life. Also known as Remaining Life or Remaining Economic Life.

Valuation - the process of determining the worth of an asset or liability. Different valuation methods may be appropriate in different circumstances

Written Down Value (WDV) - The amount at which an asset is recognised after deducting any accumulated depreciation and any accumulated impairment losses. Also known as Carrying Amount, Written Down Replacement Cost or Book Value.

Policy Detail

Council will undertake periodic revaluation of all non-current physical assets owned or managed by Council in accordance with relevant Australian Accounting Standards and State Government Guidelines

In implementing this Policy, Council will:

- Review annually the need for revaluation of Council owned or controlled non-current asset classes, based on the materiality of valuation movement;
- Require valuations in accordance with the Asset Valuation and Revaluation Policy, ensuring that each Asset Class is revalued in a consistent manner and with appropriate frequency.
- Require that the frequencies of condition assessments, for each Asset Class, are conducted in accordance with Appendix A: Condition and Revaluation schedule.

Responsibilities

Chief Executive Officer

The Chief Executive Officer is responsible for:

- Implementation of the Policy.

Directors responsible for Asset Classes

The Directors of each Asset Class are responsible for:

- Ensuring condition assessments are completed according to the policy.

Finance Department

The Finance Manager (or their delegate) is responsible for:

- Coordination of corporate financial valuation process
- Managing and keeping the corporate finance system up to date
- Reporting of fair value in the financial statements, including impairment.

Audit Committee

The Audit Committee is responsible for:

- Review of the Asset Valuation & Revaluation Policy as required
- Overseeing compliance with the policy.

Review Date

July 2019

APPENDIX A: CONDITION & REVALUATION SCHEDULE

Asset Class	Depreciation Method	Valuation Source	Condition Assessment Frequency (Years)	Fair Value Assessment (Years) ¹
Bridges & Major Culverts	Condition Based	Unit Rates	5	1
Buildings	Condition Based	Unit Rates	3	1
Car Parks	Condition Based	Unit Rates	5	1
Culverts	Condition Based	Unit Rates	5	1
Drainage	Staight Line	Unit Rates	N/A ²	1
Footpaths	Condition Based	Unit Rates	5	1
Kerb & Channel	Condition Based	Unit Rates	5	1
Land	N/A	External Valuer	N/A	N/A
Roads	Condition Based	Unit Rates	3	1
Bus Shelters	Straight Line	Historic Cost	N/A	N/A
Light Fleet	Straight Line	Historic Cost	N/A	N/A
Heavy Fleet	Straight Line	Historic Cost	N/A	N/A
Play Grounds	Straight Line	Historic Cost	N/A	N/A
Street Furniture	Straight Line	Historic Cost	N/A	N/A
Computer, IT and audit visual equipment	Straight Line	Historic Cost	N/A	N/A

¹Fair Value assessments will only be processed through the accounts if the amounts are material

²The cost to provide conidtion assessments for drainage assets is prohibitive