



**DATE ADOPTED: 23 JULY 2024**

**VERSION: 1.0**

**POLICY OBJECTIVES**

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 Local Government Code of Accounting Practice.

As a result of having a consistent accounting policy, Council provides materially accurate information on its financial position and financial performance.

A consistent approach to asset valuation supports the provision of relevant and comparable information for decision making about resource allocation.

**POLICY SCOPE**

This policy applies to the accounting treatment for infrastructure, property, plant and equipment (IPPE).

**POLICY**

Council will undertake periodic revaluation of classes of IPPE in accordance with Australian Accounting Standards and the Local Government Code of Accounting Practice.

Comprehensive revaluations of material classes of assets are undertaken at least every 5 years as follows:

Financial Year	Asset Class
2023-24 & 2028-29	Open space/recreational assets
2026-27	Roads
	Footpaths
	Kerb & Gutter / Roadside Infrastructure
2027-28	Operational Land
	Community Land
	Crown Land
	Land under Roads
	Buildings
	Bridges
	Drainage

Independent, internal or external, professionally qualified valuers are used to conduct fixed asset valuations. The valuation technique for each asset class is specified in Appendix A. Valuation assumptions, inputs and relevant price indices for each class of assets are specified in Appendix A.

Annual fair value reviews are conducted at each reporting date to confirm assets are not materially different from their current value.

## **DEFINITIONS**

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.

The Cost Approach – the cost approach reflects the amount that would be required currently to replace the service capacity of an asset.

The Market Approach – the market approach uses price and other relevant information generated by market transactions involving identical or similar assets.

## **LEGISLATIVE OBLIGATIONS AN/OR RELEVANT STANDARDS**

- AASB 13 Fair Value Measurement
- AASB 136 Impairment of Assets
- AASB 116 Property, Plant and Equipment
- AASB 140 Investment Properties
- AASB 5 Assets Held for Sale
- OLG Code of Accounting Practice and Financial Reporting

## **CONTENT**

1. Valuation inputs are ranked into three priority levels, called 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.
2. Council uses valuation techniques that are appropriate in the circumstances, for which sufficient data is available and that maximises the use of valuation assumptions that are based on unobservable inputs.
3. Valuation techniques used by council include market approach and cost approach.
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.
5. Council undertakes asset data verification and asset condition assessments to confirm the currency and accuracy of its asset register data and to ensure that assets are recorded at component level where appropriate.
6. Comprehensive condition assessments and data verification processes are programmed in the year



leading up to the year of valuation.

7. Council provides complete and accurate information to valuers, including all asset characteristics relevant to the valuation.
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 an indexation exists, the asset class is revalued with reference to the relevant construction index.
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.
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.
11. Where an asset class is valued using the market approach and is required to be revalued as a result of the fair value review, Council will use the appropriate external experts to provide relevant information to apply the indexation factor to the carrying amount.
12. Revaluations and the annual fair value reviews will be endorsed by the Director of City Services and Chief Financial Officer. The endorsed report will then be provided to the Executive Manager Finance and ARIC for noting.
13. Collaboration between the finance team and City Services team is critical to achieve compliance with this policy. Importantly timelines will be established for the provision of information for review and finalisation of the revaluation process. Revaluations are expected to be completed at the earliest opportunity in the revaluation year but no later than 30 June.



## POLICY ADMINISTRATION

Business Group	Finance
Responsible Officer	Chief Financial Officer
Council reference	Ordinary Council Meeting – 23 July 2024 – Item XX
Policy Review Date	Every four (4) years
File Number	2/8/26
Relevant Legislation	AASB 13 Fair Value Measurement AASB 136 Impairment of Assets AASB 116 Property, Plant and Equipment AASB 140 Investment Properties AASB 5 Assets Held for Sale OLG Code of Accounting Practice and Financial Reporting
Related Policies/Procedures/Protocols	

## POLICY HISTORY

		DESCRIPTION OF CHANGES
1.0	Date 23 July 2024	New policy adopted

## APPENDIX A: ASSET CLASS DEFINITIONS

Asset Class	Fair value hierarchy	Fair value indices	Last revaluation date	Next revaluation date	Valuer (internal/external)	Next condition assessment & data verification (year)	Revaluation method	Valuation inputs
Plant and equipment Office equipment Furniture and fittings	3	N/A	N/A	N/A	N/A	N/A	Cost approach	Depreciated historical cost equates with fair value  Remaining useful life  Residual value
Operational Land	2	N/A	30 June 2023	30 June 2028	External	N/A	Market approach	Sales data and reserves based on market assumptions (\$ per square metre)
Community Land	3	N/A	30 June 2023	30 June 2028	Internal	N/A	Market approach	Land values obtained from the NSW Valuer General (\$ per square metre)
Crown Land	3	N/A	30 June 2023	30 June 2028	Internal	N/A	Market approach	Land values obtained from the NSW Valuer General (\$ per square metre)
Land under roads	3	N/A	30 June 2023	30 June 2028	Internal	N/A	Market approach	Land values obtained from NSW Valuer General discounted for Englobo
Buildings	3	3020 Australian Bureau of Statistics Producer Price Index (PPI) Output of the construction industry non-residential construction NSW March to March	30 June 2023	30 June 2028	External	N/A	Cost approach (specialised)  Market approach (non-specialised)	Industry building construction costs sourced from Rawlinsons most recent published cost guide (\$ per square metre)  Asset condition Remaining useful life



Asset Class	Fair value hierarchy	Fair value indices	Last revaluation date	Next revaluation date	Valuer (internal/external)	Next condition assessment & data verification (year)	Revaluation method	Valuation inputs
Drainage	3	3020 Australian Bureau of Statistics Producer Price Index (PPI) Output of the construction industry non-residential construction NSW March to March	30 June 2023	30 June 2028	External	2024-2028	Cost Approach	Project capital expenditure Industry building construction costs sourced from Rawlinsons most recent published cost guide Asset condition Remaining useful life
Open space/ Recreational Assets	3	3020 Australian Bureau of Statistics Producer Price Index (PPI) Output of the construction industry non-residential construction NSW March to March	30 June 2024	30 June 2029	Internal	2023-2024	Cost Approach	Project capital expenditure Industry building construction costs sourced from Rawlinsons most recent published cost guide  Asset condition Remaining useful life
Roads	3	3101 Australian Bureau of Statistics Producer Price Index (PPI) Output of the construction industry Road and Bridge Construction NSW March to March	30 June 2022	30 June 2027	Internal	2022-2027	Cost Approach	Project capital expenditure Industry building construction costs sourced from Rawlinsons most recent published cost guide  Asset condition Remaining useful life



Bridges	3	3101 Australian Bureau of Statistics Producer Price Index (PPI) Output of the construction industry Road and Bridge Construction NSW March to March	30 June 2023	30 June 2028	Internal	2024-2028	Cost Approach	Consultant advised costs Project capital expenditure Industry building construction costs sourced from Rawlinsons most recent published cost guide  Asset condition Remaining useful life
Footpaths	3	3101 Australian Bureau of Statistics Producer Price Index (PPI) Output of the construction industry Road and Bridge Construction NSW March to March	30 June 2022	30 June 2027	Internal	2022-2027	Cost Approach	Project capital expenditure Industry building construction costs sourced from Rawlinsons most recent published cost guide (\$ per square metre)  Asset condition Remaining useful life
Kerb & Gutter/ Roadside Infrastructure	3	3101 Australian Bureau of Statistics Producer Price Index (PPI) Output of the construction industry Road and Bridge Construction NSW March to March	30 June 2022	30 June 2027	Internal	2022-2027	Cost Approach	Project capital expenditure Industry building construction costs sourced from Rawlinsons most recent published cost guide (\$ per metre)  Asset condition Remaining useful life



