

ATTACHMENT TO AGENDA ITEM

Ordinary Meeting

17 October 2017

**Agenda Item 9.4 Update to Asset Valuation and Revaluation Policy
03.POL4**

Attachment 1 Asset Valuation and Revaluation Policy 3.POL4 339

GREATER SHEPPARTON CITY COUNCIL

Policy Number 03.POL4

ASSET VALUATION AND REVALUATION POLICY

Version 2.0

Adopted 21 March 2017
Last Reviewed 17 October 2017

Business Unit:	Finance and Rates
Responsible Officer:	Manager of Finance and Rates
Approved By:	Chief Executive Officer
Next Review:	1 January 2020

1. Purpose and Scope of the Policy

This Policy specifies City of Greater Shepparton Council's approach, in accordance with relevant Australian Accounting Standards and other State Government requirements, to undertaking financial valuations of non-current assets.

The Policy also assists Council's commitment to sustainable financial planning.

The Policy covers financial valuation of Property, Infrastructure, Plant & Equipment 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.

2. Policy Commitment

Council will undertake periodic revaluation of all Property, Infrastructure, Plant & Equipment assets owned or managed by Council in accordance with relevant Australian Accounting Standards and State Government Guidelines.

This Policy directs Council officers who are charged with accounting for Council's Assets and related purposes.

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 be conducted, ensuring that each Asset Class is re-valued in a consistent manner and with appropriate frequency.
- Apply the valuation method for each Asset Class as specified in the Appendix.
- Require that the frequencies of condition assessments, for each Asset Class, are conducted in accordance with table in Appendix.
- Any reviews or revaluations are presented to Audit and Risk Management Committee before the end of March.

3. Related Legislation/Policies/Guidelines

This Policy fully complies with relevant State Government Legislation and Guidelines and with Australian Accounting Standards, including:

- *Local Government Act 1989*, Section 131, which provides that Council must prepare Financial Statements in accordance with the Act.
- Australian Accounting Standards Board (AASB) Standards:
 - AASB 116 Property, Plant and Equipment;
 - AASB 13 Fair Value Measurement;
 - AASB 1041 Revaluation of Non-Current Assets;
 - AASB 136 Impairment of Assets;
 - AASB 1051 Land Under Roads;
 - AASB 138, Intangible Assets
 - AASB 5, Non-current Assets Held for Sale and Discontinued Operations
 - AASB 1049 Whole of Government and General Government Sector Financial Reporting.

- State Government Financial Guidelines.
- Department of Treasury and Finance - Financial Reporting Directions and Guidance Notes:
 - FRD 19, Private Provision of Public Infrastructure - 2003
 - FRD 100, Financial Reporting Directions – Framework – 2005
 - FRD 103D, Non-Current Physical Assets - 2009
 - FRD 106, Impairment of Assets - 2005
 - FRD 109, Intangible Assets - 2005
 - FRD 118B, Land Under Declared Roads – 2010
- Department of Planning and Community Development Guidelines:
 - 2004, Guidelines for Developing an Asset Management Policy, Strategy and Plan
 - 2005, Guidance Note – Fair Value Asset Valuation Methodologies for Victorian Local Governments
 - 2006, Guidelines for Reporting and Measuring the condition of Road Assets
 - 2006, Accounting for non-current physical assets under AASB 116
 - 2010, Model Financial Report
- Victorian Auditor-General's Office Reports:
 - 2004, Beyond the Triple Bottom Line – Measuring and Reporting on Sustainability;
 - 2014, Asset Management and Maintenance by Councils;
 - Local Government: Results of previous Audits

4. Frequency and Method of Valuation

In implementing this policy Council will:

- Review financial valuation of Council owned or controlled non-current asset classes, as at 30 June each year, including assessment of impairment, and maintain supporting documentation for audit purposes;
- Conduct Asset Revaluations in accordance with Appendix A -Condition and Valuation Table, in this Policy;
- Adopt Asset Standard Lives in accordance with Asset Depreciation Policy;
- Apply the adopted valuation method and frequency for each Asset Class, as per Appendix A - Condition and Valuation Table, in this Policy;
- Ensure that condition assessments for each Asset Class are conducted in accordance with Appendix A -Condition and Valuation Table, in this Policy;
- Ensure that corporate systems record current asset values for reporting in audited financial statements within the Annual Report.

5. Responsibilities and Delegations

The following key roles, positions and groups have defined functions as follows:

Council:

Responsible for:

- Policy approval;
- Responsible for stewardship of community services and associated sustainment of infrastructure assets; and
- Responsible for providing resources for Policy implementation.

Chief Executive and Executive Team:

Responsible for:

- Policy Implementation.

Directors responsible for Asset Groups:

Responsible for:

- Coordination of corporate financial valuation process.

Manager Finance & Rates:

Responsible for:

- Coordination of corporate financial valuation process;
- Managing and keeping the corporate Finance System up to date;
- Reporting Fair Value in the financial statements, including impairment;
- Coordination of Valuation of Building and land assets; and
- Managing and keeping the corporate Asset Management System up to date;

Manager Strategic Assets:

Responsible for:

- Coordinating collection of asset inventory and condition data;
- Valuation of all Council assets except for building and land assets; and
- Assessment of asset impairment.

6. Audit and Review

This policy will be monitored continuously to ensure its relevance in terms of community needs and expectations, Council goals and targets and statutory requirements. The Chief Executive / Executive Team shall review compliance with this policy on an ongoing basis and amend the policy if it is no longer deemed relevant.

The Asset Valuation and Revaluation Policy shall be reviewed every four (4) years, in line with Council elections and review of the Council Plan, and within six months of the adoption of the Council Plan.

7. References

Internal:

This Policy is to be read in conjunction with the following Council documents:

- Council Plan
- Asset Management Policy
- Asset Capitalisation Policy (M16/30306)
- Asset Management Plans

External:

This Policy is to be read in conjunction with the following External documents:

- *Local Government Act 1989*
- Australian Accounting Standards Board, Accounting Standards, 2004
- Department of Treasury and Finance: Financial Reports and Guidance Notes
- Department of Planning and Community Development Guidelines
- State Government Financial Guidelines
- Victorian Auditor General's Reports

APPENDIX A - CONDITION AND VALUATION TABLE

Asset Group ¹	Asset Category ²	Asset Component ³	Asset Class ⁴	Recognised (Y/N) ⁵	Valuation Method		Condition Assessment		Revaluation Frequency (Years)	Adopted Asset Life	Depreciation Method	
					Fair Value Method ⁶	If DRC Age-based or Cond-Based	Condition Assessment Frequency (Years)	What % Condition Inspection Annually				
ROADS - SEALED	Sealed Roads <small>(incl. aerodrome runways, taxiways & aprons, and roads at livestock)</small>	Wearing Course - Asphalt	Roads	Y	DRC	Condition	3	33	3	33	Straight-Line	
		Wearing Course – Spray Seals	Roads	Y	DRC	Condition	3	33	3	15	Straight-Line	
		Substructure	Roads	Y	DRC	Condition	3	33	3	60	Straight-Line	
	Sealed Carparks <small>(incl. carparks at aerodrome & livestock exchange)</small>	Wearing Course - Asphalt	Car Parks	Y	DRC	Condition	3	33	3	33	Straight-Line	
		Wearing Course – Spray Seals	Car Parks	Y	DRC	Condition	3	33	3	15	Straight-Line	
		Substructure	Car Parks	Y	DRC	Condition	3	33	3	60	Straight-Line	
	Kerb and Channel	Roads	Y	DRC	Condition	3	33	3	60	Straight-Line		
	ROADS - UNSEALED	Unsealed Roads	Wearing Course	Roads	Y	DRC	Condition	3	33	3	12	Straight-Line
			Substructure	Roads	Y	DRC	Condition	3	33	3	53	Straight-Line
Earthworks & Formation			Roads	Y	DRC		N/A	N/A	3	Indefinite	Not Depreciated	
Unsealed Carparks		Wearing Course	Car Parks	Y	DRC	Condition	3	33	3	30	Straight-Line	
		Earthworks & Formation	Car Parks	Y	DRC		N/A	N/A	3	Indefinite	Not Depreciated	
FOOTPATH & CYCLEWAYS	Footpath	Concrete	Footpath & Cycleways	Y	DRC	Condition	3	33	3	70	Straight-Line	
		Asphalt	Footpath & Cycleways	Y	DRC	Condition	3	33	3	50	Straight-Line	
		Brick Paving	Footpath & Cycleways	Y	DRC	Condition	3	33	3	50	Straight-Line	
		Gravel	Footpath & Cycleways	Y	DRC	Condition	3	33	3	10	Straight-Line	
	Shared Paths	Asphalt	Footpath & Cycleways	Y	DRC	Condition	3	33	3	50	Straight-Line	
		Concrete	Footpath & Cycleways	Y	DRC	Condition	3	33	3	65	Straight-Line	
		Spray Seals	Footpath & Cycleways	Y	DRC	Condition	3	33	3	25	Straight-Line	
		Gravel	Footpath & Cycleways	Y	DRC	Condition	3	33	3	10	Straight-Line	

Asset Group ¹	Asset Category ²	Asset Component ³	Asset Class ⁴	Recognised (Y/N) ⁵	Valuation Method		Condition Assessment		Revaluation Frequency (Years)	Adopted Asset Life	Depreciation Method
					Fair Value Method ⁶	If DRC Age-based or Cond-Based	Condition Assessment Frequency (Years)	What % Condition Inspection Annually			
BRIDGES & MAJOR CULVERTS	Bridges (Incl. footbridges & boardwalks)	Timber	Bridges	Y	DRC	Condition	3	33	3	50	Straight-Line
		Concrete	Bridges	Y	DRC	Condition	3	33	3	80	Straight-Line
		Steel	Bridges	Y	DRC	Condition	3	33	3	80	Straight-Line
	Major Culverts	Major Culverts	Bridges	Y	DRC	Condition	3	33	3	80	Straight-Line
BUILDINGS & STRUCTURES	Buildings (Incl. buildings at aerodrome, livestock exchange & landfill)	Structure – Long Life (Heritage)	Heritage Buildings	Y	DRC	Condition	3	N/A	3	100	Straight-Line
		Structure – Long Life (Other)	Buildings	Y	DRC	Condition	3	N/A	3	100	Straight-Line
		Structure – Short Life	Buildings	Y	DRC	Condition	3	N/A	3	50	Straight-Line
		- Shade Sails	Buildings	Y	DRC	Condition	3	N/A	3	20	Straight-Line
		Roof	Buildings	Y	DRC	Condition	3	N/A	3	50	Straight-Line
		Building Services (Mechanical)	Buildings	Y	DRC	Condition	3	N/A	3	25	Straight-Line
		Fit Out	Buildings	Y	DRC	Condition	3	N/A	3	25	Straight-Line
	Swimming Pools	Pool Structures (Shells)	Buildings	Y	DRC	Condition	3	N/A	3	80	Straight-Line
		Pool Pumps & Water Treatment Systems	Buildings	Y	DRC	Condition	3	N/A	3	30	Straight-Line
	DRAINAGE	Drainage	Pipes	Drainage	Y	DRC	Age	N/A	N/A	3	90
Pits & Endwalls			Drainage	Y	DRC	Age	N/A	N/A	3	90	Straight-Line
Minor Culverts			Drainage	Y	DRC	Age	N/A	N/A	3	90	Straight-Line
Rural B.C Culverts			Drainage	Y	DRC	Age	N/A	N/A	3	90	Straight-Line
Table Drains			Drainage	Y	DRC	Age	N/A	N/A	3	80	Straight-Line
Gross Pollutant Traps			Drainage	Y	DRC	Age	N/A	N/A	3	100	Straight-Line
Drainage Pumps & Housings			Drainage	Y	DRC	Age	N/A	N/A	3	30	Straight-Line
Drainage Pump Wells			Drainage	Y	DRC	Age	N/A	N/A	3	90	Straight-Line
Drainage Penstocks			Drainage	Y	DRC	Age	N/A	N/A	3	50	Straight-Line
Flood Control		Dam/Retardation Basin Walls & Levies	Drainage	Y	DRC	Age	N/A	N/A	3	100	Straight-Line

Asset Group ¹	Asset Category ²	Asset Component ³	Asset Class ⁴	Recognised (Y/N) ⁵	Valuation Method		Condition Assessment		Revaluation Frequency (Years)	Adopted Asset Life	Depreciation Method	
					Fair Value Method ⁶	If DRC Age-based or Cond-Based	Condition Assessment Frequency (Years)	What % Condition Inspection Annually				
PUBLIC FURNITURE & FIXTURES	Open Space Amenities	Litter Bins	Other Infrastructure	Y	DRC	Condition	3	33	3	20	Straight-Line	
		Picnic Table	Other Infrastructure	Y	DRC	Age	3	N/A	3	15	Straight-Line	
		Seals	Other Infrastructure	Y	DRC	Condition	3	33	3	10	Straight-Line	
		Barbeques	Other Infrastructure	Y	DRC	Age	3	N/A	3	20	Straight-Line	
		Bus Shelters	Other Infrastructure	Y	DRC	Condition	3	N/A	3	30	Straight-Line	
		Township & Boundary Signs	Land Improvement	Y	DRC	Age	3	N/A	3	25	Straight-Line	
		Bollards	Other Infrastructure	Y	DRC	Age	N/A	N/A	3	20	Straight-Line	
		Bicycle Racks	Other Infrastructure	Y	DRC	Condition	3	N/A	3	10	Straight-Line	
	Traffic Control	Traffic Calming Devices	Public Furniture & Fixtures	N	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
		Traffic Lights	Other Infrastructure	Y	DRC	Age	N/A	N/A	3	35	Straight-Line	
		Guardrails	Other Infrastructure	Y	DRC	Age	N/A	N/A	3	50	Straight-Line	
		Traffic Islands / Roundabouts	Public Furniture & Fixtures	N	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Street Lighting	Street Lighting	Other Infrastructure	Y	DRC	Age	N/A	N/A	3	25	Straight-Line	
	Public Lighting	Sports & Flood Lighting	Recreational, Leisure & Community	Y	DRC	Age	N/A	N/A	3	40	Straight-Line	

Asset Group ¹	Asset Category ²	Asset Component ³	Asset Class ⁴	Recognised (Y/N) ⁵	Valuation Method		Condition Assessment		Revaluation Frequency (Years)	Adopted Asset Life	Depreciation Method	
					Fair Value Method ⁶	If DRC Age-based or Cond-Based	Condition Assessment Frequency (Years)	What % Condition Inspection Annually				
	Other Public Furniture & Fixtures	Miscellaneous	Other Infrastructure	Y	DRC	Age	N/A	N/A	3	20	Straight-Line	
LAND IMPROVEMENTS	Land	Land - Freehold	Land	Y	MV	N/A	N/A	N/A	2	Indefinite	Not Depreciated	
		Land - Controlled	Land	Y	MV	N/A	N/A	N/A	2	Indefinite	Not Depreciated	
		Land Under Roads - Roads pre 1/7/2008	Land	N	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
		Land Under Roads - Roads post 1/7/2008	Land	Y	MV	N/A	N/A	N/A	N/A	1	Indefinite	Not Depreciated
		Easements	Land	N	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Irrigation	Irrigation Pumps & Housings	Land Improvements	Y	DRC	Age	N/A	N/A	3	30	Straight-Line	
		Irrigation	Land Improvements	Y	DRC	Age	N/A	N/A	3	25	Straight-Line	
		Stand Pipes	Public Furniture & Fixtures	Y	DRC	Age	N/A	N/A	3	20	Straight-Line	
	Sports Fields and Courts	Playing surface (Grassed)	Recreational, Leisure & Community	Y	DRC	Condition	3	N/A	3	35	Straight-Line	
		Playing surface (Synthetic)	Recreational, Leisure & Community	Y	DRC	Condition	3	N/A	3	25	Straight-Line	
		Playing surface (Asphalted)	Recreational, Leisure & Community	Y	DRC	Condition	3	N/A	3	25	Straight-Line	
	Spectator Areas	Spectator Areas – Concrete & Sealed	Recreational, Leisure & Community	Y	DRC	Condition	3	N/A	3	25	Straight-Line	
	Landscaping (Incl. garden beds, trees, nature reserves and non-sporting surfaces)	Landscaping	Land Improvements	N	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
	Walls	Retaining Walls	Land Improvements	Y	DRC	Condition	3	N/A	3	30	Straight-Line	

Asset Group ¹	Asset Category ²	Asset Component ³	Asset Class ⁴	Recognised (Y/N) ⁵	Valuation Method		Condition Assessment		Revaluation Frequency (Years)	Adopted Asset Life	Depreciation Method
					Fair Value Method ⁶	If DRC Age-based or Cond-Based	Condition Assessment Frequency (Years)	What % Condition Inspection Annually			
	Fences and Gates	Fences & Gates	Land Improvements	N	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Saleyards	Yard Pavements (Concrete & Sealed)	Land Improvements	Y	DRC	Age	3	N/A	3	30	Straight-Line
		Fences & Structures	Land Improvements	Y	DRC	Age	3	N/A	3	50	Straight-Line
		Plumbing (Gas, Water & Sewer)	Land Improvements	Y	DRC	Age	N/A	N/A	3	10	Straight-Line
	Other Land Improvements	Miscellaneous	Land Improvements	Y	DRC	Age	N/A	N/A	3	20	Straight-Line
PLAY SPACES	Play Spaces	Play Grounds	Public Furniture & Fixtures	Y	DRC	Condition	3	N/A	3	20	Straight-Line
		Skate Parks	Public Furniture & Fixtures	Y	DRC	Condition	3	N/A	3	20	Straight-Line
		BMX Tracks	Land Improvements	Y	DRC	Condition	3	N/A	3	20	Straight-Line
ART COLLECTION	Artworks	Internal Artworks	Art Collections	Y	MV	N/A	N/A	N/A	3	N/A	Not Depreciated
		External Artworks	Art Collection	Y	MV	N/A	N/A	N/A	3	N/A	Not Depreciated
	Antique Items	Miscellaneous Antique Items	Art Collection	Y	MV	N/A	N/A	N/A	3	N/A	Not Depreciated
	Civic Regalia	Mayoral Robes	Art Collection	Y	MV	N/A	N/A	N/A	3	N/A	Straight-Line
		Mayoral Chains	Art Collection	Y	MV	N/A	N/A	N/A	3	N/A	Not Depreciated
PLANT & EQUIPMENT	Plant and Equipment	Plant - Heavy	Plant and Equipment	Y	HC	N/A	N/A	N/A	N/A	20	Straight-Line
		Plant - Light	Plant and Equipment	Y	HC	N/A	N/A	N/A	N/A	10	Straight-Line

Asset Group ¹	Asset Category ²	Asset Component ³	Asset Class ⁴	Recognised (Y/N) ⁵	Valuation Method		Condition Assessment		Revaluation Frequency (Years)	Adopted Asset Life	Depreciation Method
					Fair Value Method ⁶	If DRC Age-based or Cond-Based	Condition Assessment Frequency (Years)	What % Condition Inspection Annually			
		Light Vehicles	Plant and Equipment	Y	HC	N/A	N/A	N/A	N/A	5	Straight-Line
		Other Equipment	Plant and Equipment	Y	HC	N/A	N/A	N/A	N/A	5	Straight-Line
	Furniture and Equipment	Furniture & Office Equipment	Furniture & Equipment	Y	HC	N/A	N/A	N/A	N/A	10	Straight-Line
		Christmas Decorations	Furniture & Equipment	Y	HC	N/A	N/A	N/A	N/A	5	Straight-Line
		Software (licensed)	Furniture & Equipment	Y	HC	N/A	N/A	N/A	N/A	10	Straight-Line
TREES	Trees	Trees	Other Infrastructure	Y	DRC	Age	N/A	N/A	3	50	Straight-Line
WATER RIGHTS			Water Rights	Y	MV	N/A	N/A	N/A	3	N/A	N/A

Notes:

1. Asset Management Plans are typically developed at the Asset Group level.
2. Assets will be recognised at the Asset Category level if there is no further Asset Component breakdown in the Asset Hierarchy. A lifecycle management plan is typically developed for each Asset Category, within the relevant Asset Management Plan.
3. Assets will be recognised at the Asset Component level. Renewal modelling will typically be considered at the Asset Component level.
4. Asset Class is a term defined in Australian Accounting Standards and is used in financial valuation and capitalisation processes. Asset Class defines the level at which council's Balance Sheet will be reported. This is also defined in the Asset Group sections of the Asset Capitalisation Policy.
5. Recognition of an individual asset may be at either the Asset Category of the Asset Component level. This is further defined in the Asset Capitalisation Policy.
6. Fair Value Acronym Definitions:
 - DRC = Depreciated Replacement Cost
 - GRC = Gross Replacement Cost (i.e. Recognised but not depreciated)
 - HC = Historical Cost (Held at Cost)
 - MV = Market Value
 - NPV = Net Present Value

REVIEW

This Policy will be reviewed every three years.

Peter Harriott
Chief Executive Officer

Date