

5.7. REVALUATION OF NON-CURRENT ASSETS GENERAL POLICY

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DEPARTMENT Finance and Corporate Services

RECOMMENDATION

That Council adopts the Revaluation of Non-Current Assets General Policy.

EXECUTIVE SUMMARY

The Revaluation of Non-Current Assets General Policy determines the treatment of revaluation of non-current assets in accordance with relevant Australian Accounting Standards AASB 13 Fair Value Measurement and AASB 116 Property Plant and Equipment.

The application of cost and revaluation models have remained unchanged and there have only been minor administrative changes to the policy such as date changes. The Revaluation of Non-Current Assets General Policy was workshopped with Councillors on 14 March 2023.

PROPOSAL

That Council adopts the Revaluation of Non-Current Assets General Policy.

FINANCIAL/RESOURCE IMPLICATIONS

The application of cost and revaluation models have remained unchanged and there is no financial implication of the Revaluation of Non-Current Assets General Policy review.

RISK MANAGEMENT IMPLICATIONS

Complying with legislative requirements ensures Council mitigates any regulatory or reputational risk. Not adopting the Revaluation of Non-Current Assets General Policy would not be in keeping with best practice of regular reviews and would not be in line with the review date in the current adopted policy schedule.

SUSTAINABILITY IMPLICATIONS

Economic: The application of cost and revaluation models have remained unchanged and there is no sustainability implication of the Revaluation of Non-Current Assets General Policy review.

Environmental: Nil

Social: Nil

CORPORATE/OPERATIONAL PLAN, POLICY REFERENCE

This report has been prepared in accordance with the following:

Corporate Plan 2019-2024 Initiatives:

Theme 5 - Robust Governance and Efficient Service Delivery

Strong governance and financial management are the foundations of the way in which Council will conduct its business and implement the initiatives of the Corporate Plan.

Goal 1 - *We will conduct Council business in an open and transparent manner with strong oversight and open reporting.*

Goal 3 - *We will make sound financial decisions by ensuring robust strategic planning, financial management and reporting.*

Operational Plan 2022-2023 Actions:

Legislative requirement.

COUNCIL'S ROLE

Council can play a number of different roles in certain circumstances and it is important to be clear about which role is appropriate for a specific purpose or circumstance. The implementation of actions will be a collective effort and Council's involvement will vary from information only through to full responsibility for delivery.

The following areas outline where Council has a clear responsibility to act:

Regulator Council has a number of statutory obligations detailed in numerous regulations and legislative Acts. Council also makes local laws to ensure that the Shire is well governed. In fulfilling its role as regulator, Council will utilise an outcomes based approach that balances the needs of the community with social and natural justice.

CONSULTATION

Internal: Finance and Corporate Services Asset Management Team, workshopped with Councillors on 14 March 2023.

External: Nil

COMMUNITY ENGAGEMENT

Nil

ATTACHMENTS

1. Revaluation of Non Current Assets General Policy (1) [5.7.1 - 3 pages]

29. REVALUATION OF NON-CURRENT ASSETS GENERAL POLICY

Purpose

To define Douglas Shire Council's policy in relation to the revaluation of non-current assets.

Scope

This policy applies to tangible non-current assets held by Douglas Shire Council.

Provisions

The following outlines Council's application of Australian Accounting Standards AASB 13 Fair Value Measurement and AASB 116 Property Plant and Equipment in relation to the revaluation of its non-current assets.

Principles

AASB 116 Property Plant and Equipment requires the application of either the cost model or revaluation model to each class of asset held. Council measures plant and equipment, office furniture and fittings, other assets and work in progress at cost and all other asset classes at revaluation. Further detail is provided in Appendix 1.

The revaluation model requires assets to be revalued with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Comprehensive revaluations are conducted at least every five years on a rolling basis in accordance with Council's asset revaluation schedule.

In the intervening periods consideration will be given to the application of indices for individual asset classes based on a desktop assessment of the likely material movement in fair values. Indexation will be applied if the cumulative change in the indexation rate is 5% or greater (either positive or negative). Any non-material changes (i.e. less than a 5% cumulative change) will not be accounted for each year.

In accordance with the requirements of AASB 13 Fair Value Measurement, movements between the levels of the fair value hierarchy will be recognised on the last day of the relevant year.

The annual revaluation results are included as part of the approval process for the annual financial statements.

Related Documents

This policy is to be used in conjunction with Council's:

- Asset Capitalisation General Policy
- Asset Revaluation Schedule

Other Documents

Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB)

Policy Review

This policy is to be reviewed annual/whenever legislation changes, or every 4 years if no changes have been required to be enacted, at the direction of the Chief Executive Officer.

Policy Details

Policy Name	Revaluation of Non-Current Assets General Policy
Policy Number	29
Policy Version	5
Document Number	815031
Endorsed by	Chief Executive Officer
Policy Type	Council
Approval Authority	Council
Date Adopted	28/03/2023
Time Period	4 Years
Review Date	01/03/2027
Policy Department	Finance and Corporate Services
Link to Corporate Plan	Robust Governance and Efficient Service Delivery
Revoked/Superseded	

This policy is to remain in force until otherwise determined by Council.

Appendix 1 – Application of Cost and Revaluation Models

Asset class	Revaluation method	Valuation method
Land and land improvements	Revaluation model	Freehold land – market value Crown land – not valued Land improvements – Replacement cost
Buildings and other structures	Revaluation Model	Replacement cost
Plant and equipment	Cost model	Historical cost
Office furniture and fittings	Cost model	Historical cost
Transport assets	Revaluation Model	Replacement cost
Water, Sewerage and Solid waste disposal	Revaluation Model	Replacement cost
Drainage	Revaluation Model	Replacement cost
Other assets	Cost Model	Historical cost
Work in Progress	Cost model	Historical cost