



2.8 ASSET REVALUATION POLICY

Distribution	Elected Members, Chief Executive Officer, Finance Manager
Responsible Officer	Chief Executive Officer
Date adopted	20 May 2020
File Reference	3-1/132

Purpose

The purpose of this policy is to articulate parameters for the revaluation of Council's non-current assets. This guideline is to ensure that revaluations are made with sufficient regularity to ensure that the carrying amount of an asset does not differ materially from that which would be determined using fair value of that value as at Council's financial reporting date.

Objective

To comply with regulation 17A (4) which states:

- (4) A local government must revalue an asset of the local government –
- a) whenever the local government is of the opinions that the fair value of the asset is likely to be materially different from its carrying amount; and
 - b) in any event, within a period of a least 3 years but no more than 5 years after the day on which the asset was last value or revalued.

Scope

Elected members, Chief Executive Officer, Finance Manager

Standard

Asset classes are to be revalued on a regular basis to ensure that the carrying values are not materially different from fair value. For infrastructure and other asset classes where no active market exists, fair value is determined to be the current replacement cost of an asset less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset.

To maintain the value of assets in current terms, comprehensive revaluations of non-current physical assets will be carried out **at least once in any five-year period** and will be arranged by the Finance Manager.

In addition, annual interim revaluations of these asset classes may be carried out, based on relevant indices to reflect the increase in the capital value. Where possible, indices will take into account technological change in addition to the effects of specific or general price levels but will need to ensure that the current replacement cost doesn't exceed the fair value,

otherwise an impairment adjustment will be required. Revaluation increments arising upon revaluation are credited directly to the asset revaluation reserve. Non-current physical assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to depreciated replacement cost.

Impairment

Assets that have an indefinite useful life are not subject to depreciation and are reviewed annually for impairment. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount.

That reduction is an impairment loss. For assets whose future economic benefits are not dependent on the ability to generate cash flows, and where the future economic benefits would be replaced if Council were deprived thereof, the value in use is the depreciated replacement cost.

Definitions

Carrying amount	Is the amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.
Cost	Is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of AASB 116.
Depreciable amount	Is the cost of an asset, or other amount substituted for cost, less its residual value.
Depreciation	Is the systematic allocation of the depreciable amount of an asset over its useful life.
Entity-specific value	Is the present value of the cash flows an entity expects to arise from the continuing use of an asset and from its disposal at the end of its useful life or expects to incur when settling a liability.
Fair value	Is 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.
Impairment loss	Is the amount by which the carrying amount of an asset exceeds its recoverable amount.
Property, plant & equipment	Are tangible items that are: <ul style="list-style-type: none">• Held for use in the production or supply of goods or services, for rental to others, or for administrative purposes• Expected to be used during more than one period.
Recoverable amount	Is the higher of an asset's fair value less costs to sell and its value in use.
The residual value	Of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the

Useful life

estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. Is the:

- Period over which an asset is expected to be available for use by an entity
- Number of production or similar units expected to be obtained from the asset by an entity.

Roles & Responsibilities

Elected Members

- Monitor and review policy

Chief Executive Officer

- Ensure compliance with this policy

Manager of Finance

- Ensure compliance with this policy
- Administer revaluation of non-current assets
- Review assets for impairment

Legislation

[Local Government \(Financial Management\) Regulations 1996 Reg 17A \(4\)](#)

Document Links

Strategic Community Plan

C1.5 Develop a policy framework to guide Council's decision making

C2.7 Provide reporting processes in a transparent, accountable and timely manner

Policy

Nil

Procedures Manual

Nil

Local Law

Nil

Delegation

Not Applicable

Review History

Version	Review date	Minute no.	Notes
1	May 2020	196. OM_200520	Formerly Revaluation of assets for Financial Reports