

Introduction

This policy outlines the management and accountability responsibilities related to the determination of fair value of Shire assets.

Purpose

1. To ensure the Shire's assets are valued at fair value in accordance with the legislative requirements of the Local Government Act 1995, the Australian Accounting Standards and industry best practice.
2. To provide compliance with the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).
3. To deliver a best practice approach to financial and long-term budget management.
4. To ensure consistency in asset recording and reporting for all capital expenditure activities across all operational areas.
5. To recognise and plan for the ongoing financial commitment required in asset renewal and maintenance.

Policy statement

1. The presenting of fair value accounting in local government general purpose financial statements is considered essential to provide a more accurate measure of the value of community assets and liabilities. Contemporary asset management practices and robust long term financial planning, requires the Shire to report the value of assets including maintenance, renewal and replacement costs at fair value so that the long-term sustainability of the Shire can be accurately costed.
2. The Shire uses asset management processes to sustainably manage the asset base and asset systems. This is to achieve the aims of individual Asset Management Plans and the Corporate Business Plan, which includes managing the asset performance, risks and expenditures over the asset's life cycle.
3. Through the development of a new asset, ongoing capital and maintenance costs needs to be accounted for through the asset's life cycle and documented in the individual Asset Management Plans and subsequently included in the Long-Term Financial Plan.

Asset and Technical Services undertakes certain work in order to maintain the asset at predefined service levels over a defined period. This work is undertaken to extend the life of the asset and therefore, from an accounting perspective, is capital in nature. If this work is material (of a high value) and adds service potential which will last more than 12 months, it represents capital work, and the expenditure must be capitalised and depreciated against the asset.

The Shire’s Corporate Business Plan, Long Term Financial Plan and Asset Management Strategy, including subsequent plans, are to be structured to facilitate the identification of capital expenditure as one of three types:

- Asset Renewal.
- Asset Upgrade
- New Assets

This will aid in the development and presentation of accurate financial reports and ratios analysis.

4. The Shire’s assets may be valued at fair value by either an Independent Valuer or in-house resources. To determine whether in-house employees would be used, consideration is to be given to the:
 - Expertise required to value the assets.
 - Availability of in-house expertise and whether it would be more appropriate to use existing employees.
 - Objectivity of in-house employees.

Should in-house resources be used, a final review of fair value assessments will be conducted, before applying fair value to the asset management system and financial records.

5. Land, Buildings, Infrastructure and Investment Properties should be revalued on a five-year cycle unless an annual desktop review of the fair value is materially different from the carrying amount. In these circumstances a revaluation will be necessary and reflected in accounting records.
6. Through the Audit and Risk Committee the Council is to be briefed on the valuation process, particularly on significant movements in fair value.

Application

The application of this Policy is to be considered in conjunction with Policy 7.1 Asset Management and Office of the Auditor General – Local Government Financial Management Position Paper 2.’

Procedure

Department:	Corporate Services	Next review:	October 2024
Reviewer:	Director Community & Corporate	Legislation:	Local Government Act 1995, s2.7 (2)(b) Local Government (Financial Management Regulations) 1996
Adopted:	Minute Oc0110, 23.01.2013	Delegation:	
Amended:	Minute OC0211, 19.02.14 Minute OC0115, 27.01.16 Minute OC1108, 22.11.17 Minute OC/2022/202, 26.10.22	Risk:	
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