

## 8.1 REVALUATION OF ASSETS

**Contact Person:** Luke Culhane

### Why is this matter before the Council or Committee?

Matters delegated to the Committee

### Purpose

For Council to make a determination on whether to deal with this matter in confidence.

### A. COMMITTEE TO MOVE MOTION TO GO INTO CONFIDENCE

#### STAFF RECOMMENDATION

Pursuant to Section 90 (2) of the Local Government Act 1999 an order is made that the public be excluded from attendance at the meeting, with the exception of:

- Chief Executive Officer;
- General Manager Corporate Services;
- General Manager City Services;
- General Manager City Assets;
- Executive Strategic Advisor;
- Senior Manager Assets and Delivery;
- Senior Manager City and Corporate Plans;
- Senior Manager Financial Services;
- Senior Manager Information, Technology and Governance;
- Manager Finance;
- Strategic Finance Analyst;
- Minute Taker;

in order to consider in confidence agenda item 8.1 under Section 90 (3) (b) of the Local Government Act 1999 on the basis that:

- (b) information the disclosure of which -
- i) could reasonably be expected to confer a commercial advantage on a person with whom the council is conducting, or proposing to conduct, business, or to prejudice the commercial position of the council; and
  - ii) would, on balance, be contrary to the public interest.

This matter is Confidential because the report relates to investment of council money in the 2023/24 Annual Business Plan.

On the basis of this information, the principle that meetings should be conducted in a place open to the public has been outweighed in this instance; Committee consider it necessary to consider this matter in confidence.

## 8.1 REVALUATION OF ASSETS

Contact Person: Luke Culhane

### Why is this matter confidential?

Subject to an order pursuant to Section 90 (3) (b) of the Local Government Act 1999, this matter is confidential because the report relates to investment of council money in the 2023/24 Annual Business Plan.

### A. COMMITTEE TO MOVE MOTION TO GO INTO CONFIDENCE

No action – this motion passed in the open section.

### B. THE BUSINESS MATTER

#### 8.1 REVALUATION OF ASSETS

**Responsible Executive Manager :** Luke Culhane

**Report Author :** Trisca Price

**Delegated Authority :** Matters delegated to the Committee

### Purpose

The purpose of this report is to:

- Summarise the combined financial impacts of the external and internal asset revaluation.
- Seek Corporate Governance Committee feedback.

### STAFF RECOMMENDATION

The Committee:

- 1) Note the City of Playford Valuation of Council Building Assets.
- 2) CGC provided the following feedback to staff:
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### Relevance to Strategic Plan

Periodic external revaluation of Council assets and useful lives:

- Ensures compliance with S127 (2b) of the *Local Government Act 1999* and Australian Accounting Standard *AASB116 Property, Plant and Equipment*.
- Provides transparent financial reporting to the community to demonstrate long term financial sustainability.
- Enables progressive, rather than a sudden, adjustment to rates.

## Relevance to Community Engagement Policy

There is no requirement to consult with the community.

## Background

Australian Accounting Standards require assets to be periodically independently revalued. Generally accepted accounting practice is for this to occur at least once every five years. Council Buildings and Other Structures assets were last independently valued in 2021/22 and as per councils 5 year rolling revaluation cycle Buildings and Other Structures asset class was identified for external revaluation in 2023/24.

In October 2023, the Committee noted that staff were undertaking a procurement process to appoint an external valuer and that at the February meeting staff would provide an update of the impacts of the revaluation.

## Revaluation

### 2023-24 Valuation

Sprutt were appointed to undertake the 2023/24 external revaluation for all assets under the Buildings and Other Structures asset class. The scope included a valuation for financial statements, insurance, replacement cost and an independent assessment of condition to be used as an input into Council's annual assessment of economic useful lives.

Sprutt submitted the City of Playford Valuation of Council Buildings and Other Structures Assets on 17 January 2024. Staff are still reviewing the valuation and methods used which may result in some minor changes as they are finalised. It is not expected to have a material impact on the values presented in this paper. Sprutt's final report will be provided to Council on the completion of the review.

The 2023/24 external valuation is based on Fair Value consistent with AASB116. Fair Value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The valuation approach to estimating Fair Value depends on the extent to which a market exists resulting in the following hierarchy of valuation approaches to estimate Fair Value:

- Sales Comparison/Market Approach (considers sales of similar properties)
- Income Approach (considers income and expense data relating to the property)
- Cost Approach (current replacement cost regardless of asset condition).

For the 2023/24 valuation the following valuation approaches have been applied:

Asset Class	Valuation Approach
Land	Indexation
Building & Other Structures	External - Market, Income, Current Replacement Cost
Infrastructure	Indexation
Parks & Reserves	Indexation
Plant & Equipment	At Cost
Office Furniture & Equipment	At Cost

Indexation applied have been based on the following inputs:

Asset Class	Inputs	Rate
Land	Average of Average increase in VG site value, Land Tax increase in threshold	25.95%
Infrastructure	Actual CPI as at Mar 2023 (used in major contracts aligned to CPI for 2023/24 pricing)	6.9%
Parks & Reserves	Annual 2022/23 Local Government Price Index Capital	11.1%

### Economic Useful Lives

Consistent with the requirement to review economic useful lives on an annual basis, Management has revisited the reasonableness of economic useful lives.

As part of the review, consideration has been given to industry practices, publicly available ranges for other local councils, condition assessments provided in the 2023/24 external valuation and the useful life ranges provided in the Local Government Association of SA's Infrastructure Assets Useful Lives SA Councils' Current Practices Report as drafted by Tonkin Consultants in 2014 (the LGA Report). The review also took account of the Asset Management team's professional judgement, knowledge and experience of asset condition, asset replacement profiles and engineering standards and the community impact of changes to economic useful lives.

Taking the above into account, no revised economic useful lives have been applied for the 2023/24 valuation.

The current useful life ranges for each asset class are summarised in the table below.

Asset Class	Policy
Building & Other Structures	10-100
Infrastructure - Stormwater	10-120
Infrastructure - Streetscape	10-100
Infrastructure – Parks & Reserves	10-100
Plant and Equipment	2-15
Office Furniture & Equipment	2-15
Land	infinite
Infrastructure - Formation	infinite

### Financial Impacts

The table below compares the written down value of assets at 01 December 2023 before any revaluation to those to be adopted after revaluation.

Written Down Value	01 Dec 2023 \$000	01 Dec 2023* \$000	Movement \$000
Building & Other Structures	80,892	168,959	88,067
Infrastructure	965,312	1,032,196	66,884
Parks & Sportsfields	33,614	37,521	3,907
Land	540,497	680,756	140,259
<b>Total</b>	<b>1,620,315</b>	<b>1,919,432</b>	<b>299,117</b>

\*Indicative subject to system processing

Overall, this represents an increase in gross asset values of \$299.1 million (18%). Whilst this shows a significant uplift in Buildings & Other Structures asset classes, the valuations applied are considered reasonable when compared to the contract renewals and market prices.

The table below outlines the indicative depreciation impact of the external revaluation, indexation:

Depreciation Impact		2024-25* \$000
Building & Other Structures		1,715
Infrastructure		1,343
Parks & Reserves		261
Land		-
<b>Total</b>		<b>3,319</b>

*\*Indicative subject to system processing*

### Future Action

Management will keep the Committee updated on impacts on the Annual Business Plan and Long-Term Financial Plan arising from future asset revaluation.

Management will continue to revalue asset classes on a cyclical 5 year rolling basis. Under this approach:

- Each asset class will be externally revalued at least once every five years by an external valuer.
- Annual indexing (using appropriate rates relevant to contracts or market conditions) or a desktop revaluation (using unit rates from current contracts) will be applied internally every other year.
- Useful lives will continue to be reviewed annually.

**C. COMMITTEE TO DECIDE HOW LONG ITEM 8.1 IS TO BE KEPT IN CONFIDENCE****Purpose**

To resolve how long agenda item 8.1 is to be kept confidential.

**STAFF RECOMMENDATION**

Pursuant to Section 91(7) of the Local Government Act 1999, the Committee orders that the following aspects of Item 8.1 be kept confidential in accordance with Committee's reasons to deal with this item in confidence pursuant to Section 90 (3) (b) of the Local Government Act 1999:

- Report for Item 8.1
- Minutes for Item 8.1

This order shall operate until the next scheduled annual review of confidential items by Council at which time this order will be reviewed and determined in accordance with Section 91(9)(a) of the Local Government Act 1999.