

REVALUATION

Presented by: Natalie Caon
Tuesday, 7th December 2021
City of Playford

WHY VALUE ASSETS?

- Compliance with Accounting Standards and Audit requirements
- True and fair representation of financial position for users of financial statements
- Sufficient funding for asset renewal/financially sustainable
- Progressive, rather than sudden, adjustment of rates

VALUATION HISTORY

1 July 2004

Deemed cost on transition to AIFRS

1 January 2009

Valuer – Martin Oldfield and Maloney Field Services

Current Written Down Replacement Cost Method across all assets

1 July 2012

Valuer – Opteon (SA) Pty Ltd

Fair Value
Consumption Based Cost Method
Useful lives extended on buildings and pavement

1 July 2016

Valuer – APV
Fair Value
Consumption Based Cost Method
Blended unit rates on buildings
Useful lives extended on stormwater assets

CGC DECEMBER 2020

- Continue Consumption Based Valuation and re-tender on this basis
- Apply valuation to Infrastructure Assets - 30 June 2021
- Apply valuation to Land, Building and Park Assets - 1 July 2021
- Analyse/apply most appropriate valuation methodology moving forward

FAIR VALUE

“The price that would be received to sell an asset... in an orderly transaction between market participants at the measurement date.”

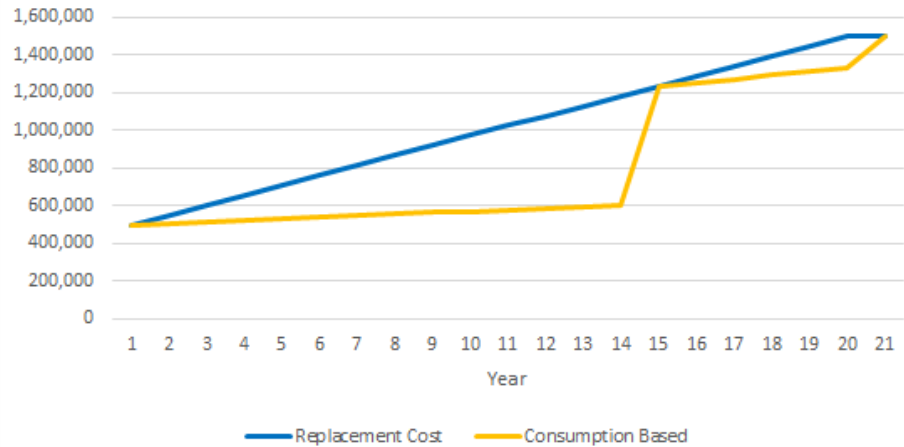
Approach	Value Based On
Market Approach	Sales of similar or substitute properties
Income Approach	Converts future income and expenses to a single current (i.e. discounted) amount
Cost Approach	Amount required to replace the service capacity of an asset (commonly current replacement cost method)

COST APPROACH - COST METHODS

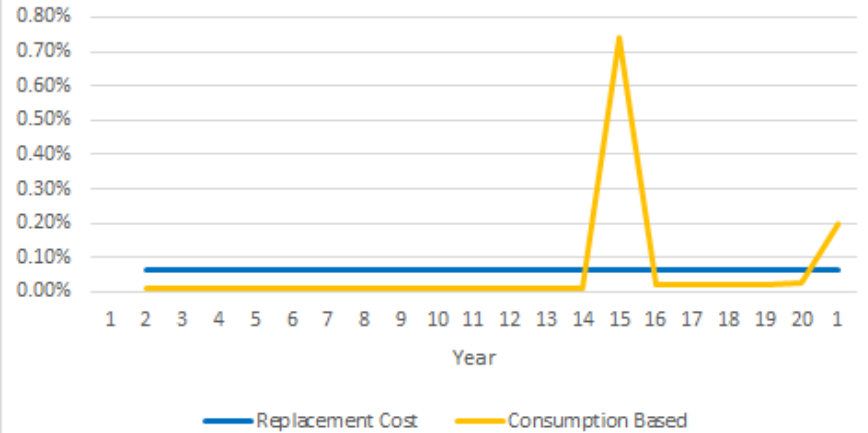
Cost Method	Detail
Current Replacement Cost	<ul style="list-style-type: none">• Current replacement cost regardless of asset condition• Unit rates inclusive of project costs
Consumption Method	<ul style="list-style-type: none">• Current replacement cost adjusted for asset condition• Unit rates exclude project costs

ILLUSTRATIVE EXAMPLE OF COST METHODS

Depreciation Lifecycle



Rate Rise Movement



RECOMMENDED COST METHOD

Current Written Down Replacement Cost:

- Consistent with valuation industry best practice
- Consistent with local government sector
- Consistent with AASB116
- Improves asset renewal funding and financial sustainability
- Smooths rating impacts over time

2021-22 REVALUATION

- All assets will be at Fair Value as of 1 July 2021
 - Buildings, Land & Bridges - Market, Income and Cost approaches
 - Infrastructure - Cost approach (written down replacement cost method)
- Unit rates inclusive of project management costs
- Brownfield unit rates
- Revised Useful Lives & Componentisation



DRAFT REVALUATION IMPACTS

	Current WDV \$000's	Proposed WDV \$'000s	Variance \$'000s	% uplift
Land	455,387	501,441	46,054	10.1%
Buildings	126,793	82,734	(44,059)	(34.7%)
Infrastructure - Stormwater	150,222	252,101	101,879	67.8%
Infrastructure - Streetscape	466,041	541,873	75,832	16.3%
Infrastructure – Parks & Reserves	58,567	57,435	(1,132)	(1.9%)
TOTAL	1,257,010	1,435,584	178,574	14.2%

Indicative data – for discussion purposes only



DRAFT DEPRECIATION IMPACTS

	Current \$000's	Proposed \$'000s	Variance \$'000s	Variance Of Total %
Land	0	0	0	0%
Buildings	2,914	3,889	975	20.3%
Infrastructure - Stormwater	2,283	4,137	1,854	38.6%
Infrastructure - Streetscape	11,819	13,554	1,735	36.1%
Infrastructure – Parks & Reserves	2,404	2,644	240	5.0%
TOTAL	19,420	24,224	4,804	

Indicative data – for discussion purposes only



2021-22 ESTIMATED IMPACTS

Forecast	Structural Position \$'000's	Operating Position \$'000's
October Year End Forecast	(4,094)	2,039
FAGs prepayment June <i>(assume we receive)</i>	6,000	6,000
FAGs Adjusted October Forecast	1,906	8,039
Draft Revaluation Depreciation Impact	(4,804)	(4,804)
Depreciation Budget Adjustment	(362)	(362)
Salary Savings still to be identified	430	430
Estimated forecast underspend in operating budgets (short term)	873	873
Identified CI Savings	610	610
Estimated Year End Position	(1,347)	4,786

ANNUAL BUSINESS PLAN IMPACT

	Structural Position \$000's	Operating Position \$000's
2021-22 Budget	1,313	6,812
Revaluation Depreciation Impact	(4,804)	(4,804)
ABP Depreciation Adjustments	(420)	(420)
Wellbeing Hub & Waste Services Costs	(918)	(918)
Budget Increases (Wages, Insurance, ESL, GRFMA, etc.)	(1,334)	(1,334)
Interest	(388)	(388)
Movement in Once Off Grant Funding		(130)
Sub-Total	(6,551)	(1,182)
CBD Investment Decision	764	
Identified/Ongoing CI Savings	1,060	1,060
Depreciation Growth Funded	292	292
Draft Position for 2022-23	(4,435)	170



1% Rate Rise = \$847,240

LONG TERM IMPACTS

LTFP Forecast Operating Result 2021/22	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Result - Surplus (Deficit)	6,812	170	(3,227)	(4,249)	(4,151)	(4,194)	(3,573)	(3,126)	(2,923)	(2,656)
Structural Items	5,498	4,605	1,526	231	296	299	271	296	117	-
Structural Operating Surplus/(Deficit)	1,314	(4,435)	(4,753)	(4,480)	(4,447)	(4,492)	(3,844)	(3,422)	(3,040)	(2,656)

Long Term Financial Plan 2021	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
	\$mill	\$mill	\$mill	\$mill	\$mill	\$mill	\$mill	\$mill	\$mill	\$mill
Total Debt	149.4	154.5	147.3	140.4	129.6	123.4	115.6	107.5	95.9	83.6

Assumes no Rate Rise 2022/23



COVID UNCERTAINTY

“Though markets have fluctuated, real estate asset values are holding at, or exceeding pre-COVID levels, suggesting no impairment is warranted for the portfolio. Nonetheless, it is our opinion there remains a risk that values for the types of assets held by Council are exposed to systematic volatility as a result of COVID-19 and recommend an impairment of 10% across this portfolio.”

Source: Page 7 City of Playford Valuation of Council Assets Valuation Report



DRAFT RESOLUTION

The Corporate Governance Committee having considered the Presentation titled “Revaluation of Assets” supports Administration’s view that it is appropriate to apply the 10% impairment recommended by Council’s Valuer (Liquid Pacific) across Council’s infrastructure assets.

NEXT STEPS

- Council funding pathways/ABP impacts (projects and rate rise)
- Follow up actions arising from CGC including Covid impacts
- QA/data integrity checking and upload of revaluation
- More frequent external revaluation (cyclical, contract-based indices, etc.)

QUESTIONS?