



Case Study:

Revaluation of Roads, Off-street Carparks, and Footpaths & Cycleways

Introduction

To ensure compliance with the updated AASB13 and to clean up a range of issues with their current asset systems, Cardinia Shire Council decided to revalue their roads, off-street carparks, and Footpaths & cycleways assets as at 30 June 2024.

Part of the motivation for this was recognition that current practices were not consistent with the updated AASB13 and a desire to get ahead of the game rather than being placed under pressure at the last minute.

A number of council staff had attended the FinPro Asset Updates held across Victoria in March 2024 and based on the learnings from the workshop, decided that best way to approach the project was to use Asset Valuer Pro to assist with cleaning their asset registers and produce the valuations in full compliance with the updated requirements.

Background

In December 2022 the AASB published an update to AASB13 Fair Value Measurement. The update addressed a range of issues relating to the application of inconsistent approaches across the various jurisdictions.

These changes are to be implemented for the financial years beginning 1 Jan 2024 onwards (ie. 2024-25 for local government). However, early adoption of the changes was also permitted.

The changes have significant impacts for Victorian local governments with many commonly adopted Victorian practices being clearly identified as being inconsistent with the updated AASB13.

Some of these included –

- Use of non-compliant approaches to determining replacement cost (such as greenfield and brownfield approaches)
- Failure to bring-to-account all components of the asset (such as formation)
- Failure to determine both the fair value and depreciation expense at the 'part level' rather than 'component level' or at 'whole of asset level'.
- Adoption of a non-compliant Depreciated Replacement Cost' (DRC) approach rather than the required 'Current Replacement Cost' (CRC) approach.



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Project Methodology

Cardinia Shire Council appointed APV to assist with the project by providing technical advice and assisting council with the upload and valuation of all data into Asset Valuer Pro.

Prior to the three-day on-site onboarding training, council provide APV with preliminary asset registers.

APV then provided three days on-site training which included –

- Refinement of the asset hierarchy to ensure different unit rates and depreciation assumptions could be applied as appropriate
- Review of methodology and assumptions
- Upload of the valuation framework
- Cleaning and upload of the asset registers
- Validation of the valuation results including the use of in-built validation tools to highlight errors and warnings
- Production of all required valuation reports, methodology documents, etc
- Production of projected renewal forecasts to assist with asset management planning.

Results

In the space of three days, Cardinia Shire Council was able to complete the revaluation of its roads, off-street carparks, and footpaths & cycleways assets including the production of all required outputs.

The tools within Asset Valuer Pro also identified a range of gaps in council's data and provided council with extremely high levels of assurance that there were no errors with the valuation.

The success of the project by council undertaking their annual financial reporting valuation requirements using Asset Valuer Pro demonstrates that there really are better options to satisfy this regulatory prescribed requirement.

Many councils follow the traditional practice of appointing external valuers to undertake and deliver their valuations using Excel and providing a supporting

valuation report in PDF format. While there is nothing fundamentally wrong with this approach it is usually the most expensive option and carries with it risks. For example, what happens if there is an impairment event after the delivery of the valuation or there are large price movements. Additionally, what if the methodology is not fully compliant with the accounting standards and audit raises issues six months after delivery of the valuation?

This case study highlights how easy these risks can manifest over time and how such problems can be easily and more cost effectively overcome by adopting a more innovative and cost-effective approach.

Council comment

The collaboration of completing the comprehensive revaluations was a valuable experience.

Asset Valuer Pro assists you through the process of cleaning and organizing data for required inputs for the valuation. In particular the efficiency of updating data and being able to run reports from this data was a standout benefit.

The software enables us to have repeatable reports available and ready to pass onto auditors to support value movements. The reports Asset Valuer Pro makes available are of great quality and makes reporting an efficient process.



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