Policy 2.2.6 – Fair Value Revaluation

1. Policy Purpose

The purpose of this policy is to specify the Shire's approach to valuations of non-current physical assets, subsequent to initial recognition, in order to satisfy its obligations in accordance with relevant statutory and legislative requirements.

2. Policy Scope

The policy covers the financial valuation of non-current assets subsequent to initial recognition (initial recognition is stipulated as assets that have not previously been identified and valued in the Shire's Asset management systems), including:

- The frequency of valuation
- Only applicable to assets covered under Shire's Policy 2.2.4 – Capitalisation of Assets
- The method of valuation
- Roles and responsibilities of Shire Officers.

3. Policy

3.1. Accounting Threshold

Only assets that fall within the guidelines of Council Policy 2.2.4 – Capitalisation of Assets will be included in the Fair Value process.

3.2. Accounting Treatment

Accumulated depreciation at the date of the revaluation is treated in one of the following ways:

- Restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its re-valued amount. This method is often used when an asset is re-valued by means of applying an index to determine its depreciated replacement cost (Gross Method).

  OR

- Eliminated against the gross carrying amount of the asset (purchase cost) the net amount (WDV) restated to the re-valued amount of the asset (Net Method). The amount of the adjustment arising on the restatement or elimination of accumulated depreciation forms part of the increase or decrease in carrying amount that is accounted for in accordance with the relevant AASB's.

3.3. Methodology

In accordance with Local Government (Financial Management) Regulations 1996, regulation 17A, the value of applicable non-financial assets shown in the Shire's financial reports must be measured at fair value in accordance with Australian Accounting Standards, subject to the exclusions in that regulation.

The Shire of Harvey will revalue relevant asset classes with sufficient regularity to ensure that carrying amounts do not differ materially from fair value, generally on a three to five-year cycle unless earlier revaluation is required.

The fair valuation of Shire of Harvey Plant and Equipment will be conducted in house using corporate knowledge backed up with supporting documentation from external sources.

3.4. Fair Value Hierarchy (Inputs to Valuation Techniques)

Valuation techniques used to measure fair value shall maximise the use of relevant observable inputs and minimise the use of unobservable ones.

Level 1 Inputs – quoted prices (unadjusted) in active markets for identical assets of liabilities at the measurement date.

Level 2 Inputs – inputs other than quoted prices included within level one that are observable either directly or indirectly.

Level 3 Inputs – inputs that are unobservable or have no 'market'.

The majority of valuation techniques will be a combination of Level 1 and 2 but Level 3 will be utilised when valuing assets such as roads or specialised buildings e.g.: town halls.

4. Strategic Objective

The policy aligns with the following strategic objective**:**

	Performance A representative leadership that is future thinking, transparent and accountable.

5. Definitions

AASB means Australian Accounting Standards Board.

FVA means Fair Value Accounting.

Observable Inputs means inputs that are developed using market data such as publicly available information about actual events or transactions and reflect assumptions market participants would use when pricing the asset.

Unobservable Inputs means inputs for which market data is not available and developed using the best information available about assumptions market participants would use when pricing the asset.

WDV means Written Down Value.

6. Legislation

- *Local Government Act 1995*
- Local Government (Financial Management) Regulations 1996 – r16 – Land under Local Government's Control, accounting for
- Local Government (Financial Management) Regulations 1996 – r17A – Valuation of certain assets for financial reports
- AASB 13 – Fair Value Measurement
- AASB 116 – Property, Plant and Equipment
- AASB 138 – Intangible Assets

7. Related Documents

- Australian Accounting Standards
- Council Policy 2.2.4 – Capitalisation of Assets

Responsible Officer	Director Corporate Services		
Responsible team	Finance		
Responsible area	Corporate Services		
Version control	Date	Resolution	Number
Version 1	15.09.2015	Resolution	15/264
Version 2	22.01.2019	Resolution	19/020
Version 3	23.05.2023	Resolution	23/068
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