



Statutory Financial Reporting Policy

Reference Number:	3.15
Type:	Council
Category:	Corporate Services
Relevant Community Vision Outcome:	<u>Responsible Governance</u> We will manage our city in a sustainable and affordable way with responsible governance. <u>Excellence in Customer Experience and Service Provision</u> We will foster an organisational culture focused on continuous improvement and delivering excellence in customer experience and service provision.
Responsible Officer(s):	Manager Financial Services
First Issued/Approved:	August 2008
Minutes Reference:	CoS 3/08/26, Item 4.2
Last Reviewed:	August 2026
Next Review Due:	August 2028
Applicable Legislation:	Local Government Act 1999 Local Government (Financial Management) Regulations 2011 Australian equivalents to International Accounting Standards (AIFRS)
Related Policies:	Asset Accounting Policy
Related Procedures:	

1. Purpose

This Policy sets out Council's position on the significant accounting policies applied in preparing its annual financial statements, to support consistent, transparent and compliant financial reporting in accordance with applicable Australian Accounting Standards, the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011.

2. Scope

This Policy applies to the preparation of Council's annual financial statements and provides guidance to relevant officers and stakeholders on the significant accounting policies to be applied in supporting consistent, transparent and compliant financial reporting.

3. Policy Statement

Annual financial statements must be prepared as general purpose financial statements. The Local Government Act 1999 Council's accounting records must be maintained to support accurate, complete and compliant financial reporting. in accordance with legislative requirements.

Audited financial statements must be presented to Council for adoption no later than 31 October each year and submitted to the relevant Minister and other prescribed bodies by 30 November each year.

By no later than 31 December each year, Council must prepare a report comparing the audited financial results for the previous financial year with the estimated financial results set out in the budget for that year, including explanations for any material variances. The report must be prepared in a manner consistent with the Model Financial Statements.

Council applies the following significant accounting policies when preparing its annual financial statements. These policies are reviewed as part of the annual financial statement preparation process and updated where required.

Summary of Significant Accounting Policies

A. Basis of preparation and reporting judgements

1. Basis of Accounting

Council's annual financial statements are prepared as general purpose financial statements for a not-for-profit local government entity. The financial statements (and therefore accompanying policies, as described below) are presented in accordance with applicable Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011.

2. Historical Cost Convention

The financial statements have been prepared on the accrual basis under the convention of historical cost accounting.

3. Comparative Information

Comparative amounts are reclassified, restated or otherwise adjusted only where required to ensure consistency with the current year presentation, to correct a material prior period error, or to reflect a change in accounting policy. Any such change or update will be disclosed within the financial statements in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, where required.

4. Critical Accounting Estimates

The preparation of financial statements requires the use of accounting estimates and the exercise of judgement in applying Council's accounting policies. Areas involving a higher degree of judgement, complexity or estimation uncertainty are disclosed in the relevant notes to the financial statements.

B. Assets and valuation

5. Infrastructure, Property, Plant and Equipment

Items of infrastructure, property, plant and equipment are initially recognised at cost when it is probable that future economic benefits or service potential will flow to Council and the cost can be measured reliably. Cost includes the purchase price or fair value of consideration given, together with directly attributable costs necessary to bring the asset to the location and condition required for its intended use.

Directly attributable costs may include site preparation, delivery and installation, testing, professional fees such as architectural, engineering, design and project management fees, directly attributable employee costs, materials, direct labour and allocated construction overheads.

Assets acquired for no cost or nominal consideration are initially recognised at fair value at the date Council obtains control of the asset.

Capital works in progress are recognised as work in progress until the asset is complete and available for use, at which point the balance is transferred to the relevant infrastructure, property, plant and equipment asset class.

Council has elected not to recognise land under roads acquired before 1 July 2008, as permitted by AASB 1051 Land Under Roads. Land under roads acquired on or after 1 July 2008 is not recognised as an asset where Council cannot reliably measure its fair value or otherwise satisfy the asset recognition criteria under AASB 116 Property, Plant and Equipment.

6. Revaluations of Non-Current Assets

Certain classes of non-current assets are revalued with sufficient regularity to ensure their carrying amounts do not differ materially from fair value at the reporting date. Fair value is determined in accordance with AASB 13 Fair Value Measurement, having regard to the nature of the asset, available market evidence and the relevant valuation inputs.

For infrastructure and other specialised assets for which there is no active market, such as roads, footpaths, kerbs, gutters and drains, fair value is generally determined using the current replacement cost of the asset, adjusted for accumulated depreciation and other relevant factors to reflect the asset's remaining service potential.

Revaluations of infrastructure, land and buildings are undertaken on a regular cycle, generally every three to five years, and may be performed by suitably qualified Council officers or independent valuation experts.

7. Depreciation of Non-Current Assets

Non-current assets with finite useful lives are depreciated systematically over their estimated useful lives to reflect the pattern in which their service potential is consumed. Land is not depreciated.

Depreciation is generally recognised on a straight-line basis over each asset's estimated useful life. Useful lives, residual values and depreciation methods are reviewed at each reporting date and adjusted where required.

8. Maintenance and Repairs

Maintenance, repair costs and minor renewals (as defined within the Asset Accounting Policy) are expensed as incurred.

9. Inventories

Inventories held as stores are measured using the weighted average cost method and adjusted where necessary for any loss of service potential. Inventories held for business undertakings are measured at the lower of cost and net realisable value and recognised when goods are received.

Loose tools are expensed when purchased.

10. Real Estate Asset Developments

Real estate asset developments, being land held for development and/or resale, are classified as inventories and measured at the lower of cost and net realisable value.

Cost includes acquisition, development and other directly attributable costs incurred in bringing the land to its condition and location for sale. Where applicable, directly attributable costs may include site preparation and demolition costs, planning and approval costs, professional fees, construction costs and borrowing costs that are eligible for capitalisation.

Any excess of cost over net realisable value is recognised as an expense in the period in which the write-down occurs.

Revenue from the sale of land is recognised when settlement is complete and Council has transferred control of the land to the purchaser.

11. Impairment of Assets

Assets with indefinite useful lives are not depreciated and are reviewed annually for impairment. Depreciable assets are reviewed for impairment where events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised where an asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value less costs of disposal and value in use.

For non-cash generating assets held primarily for their service potential, such as infrastructure, community facilities and public open space assets, value in use is determined by reference to the depreciated replacement cost where Council would replace the asset's remaining service potential if deprived of the asset. In assessing these assets for impairment, Council considers whether there are indicators that the asset's services potential has been reduced

C. Cash, financial assets and restricted monies**12. Cash, Cash Equivalents and Other Financial Instruments**

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value. Investments are generally classified as cash equivalents where they are held for short-term cash commitments and have a maturity of three months or less from the date of acquisition.

13. Receivables

Receivables are recognised when Council has a contractual or statutory right to receive cash or another financial asset.

Rates and annual charge receivables are secured over the relevant land and may accrue fines and interest in accordance with the Local Government Act 1999. Other receivables are generally unsecured and do not bear interest. Receivables are assessed at each reporting date for impairment or expected credit losses where required.

Receivables are assessed at each reporting date for impairment. A loss allowance for expected credit losses, commonly referred to as a provision for doubtful debts, is recognised where collection is no longer considered probable or where required under applicable financial reporting requirements.

14. Other Financial Assets and Financial Instruments

Financial assets and financial liabilities are recognised when Council becomes a party to the contractual provisions of the instrument. Financial assets are classified and measured having regard to the nature of the asset, its contractual cash flow characteristics and Council's purpose for holding the asset. Financial assets may be measured at amortised cost or fair value, as required by applicable Australian Accounting Standards. Financial liabilities are generally measured at amortised cost unless another measurement basis is required.

Council assesses financial assets at each reporting date for impairment, including expected credit losses where required. Equity accounted investments in Council businesses are accounted for separately in accordance with the relevant accounting policy.

15. Trust Funds

Where Council receives money or property in trust, it must be accounted for separately and applied only for the purposes of, or in accordance with, the relevant trust. Trust monies and property are managed and reported in accordance with the Local Government Act 1999 and applicable financial reporting requirements.

16. Restricted Assets

Restricted assets are cash, cash equivalents or other financial assets that Council is required to apply for a specific purpose because their use is limited by legislation, contractual agreement, grant conditions, trust arrangements or other externally imposed requirements.

Restricted amounts may include developer contributions for specified works, trust monies, unspent grants or contributions, and proceeds from asset disposals that Council is required or has formally resolved to apply to a specific purpose. Amounts internally allocated or reserved by Council are not treated as restricted assets unless an external restriction applies.

Restricted balances are reviewed at each reporting date and disclosed in the annual financial statements as where required or material.

D. Liabilities and employee obligations

17. Employee Entitlements

Employee benefit liabilities are recognised for services provided by employees up to the reporting date, including salaries, wages, annual leave, long service leave and other compensated absences.

Benefits expected to be settled wholly within 12 months after the reporting date are measured at undiscounted amounts expected to be paid, including related on-costs. Benefits not expected to be settled wholly within 12 months are measured at the present value of expected future payments, including related on-costs, using market yields on government bonds with terms that match, as closely as practicable, the estimated timing of settlement.

Sick leave is not recognised as a liability where Council's experience indicates that sick leave taken is expected to be less than the entitlement accruing and Council has no obligation to pay untaken sick leave.

Superannuation contributions are recognised as an expense when employees have rendered the related service and Council's obligation to contribute to the relevant superannuation fund arises.

18. Payables

Creditors represent amounts payable to external parties for goods and services received by Council. They are recognised as liabilities when the goods or services are received and are generally settled in accordance with supplier terms and conditions or other agreed contractual arrangements. Interest is recognised only where it is payable under the relevant terms or agreement.

19. Borrowings

Borrowings are initially recognised at fair value, net of directly attributable transaction costs where applicable, and are subsequently measured at amortised cost. Interest expense is recognised over the period to which it relates and accrued where unpaid at reporting date. Interest-free or below-market borrowings are assessed to determine whether any concessionary benefit is required to be recognised in accordance with applicable financial reporting requirements.

20. Non-Interest-Bearing Liabilities

Refundable accommodation balances, including accommodation bonds where applicable, are recognised as liabilities in accordance with the relevant aged care legislation and resident agreements. As these amounts are refundable when the resident permanently leaves care, or otherwise becomes entitled to repayment, they are presented as current liabilities unless Council has an unconditional right to defer settlement for at least 12 months after the reporting date.

E. Revenue, tax and other arrangements

21. Revenue, Grants, Contributions and Volunteer Services

Revenue is and recognised when Council satisfies a performance obligation, obtains control of an asset, or the amount becomes an enforceable debt, as applicable to the nature of the transaction.

Grants, contributions and donations are assessed to determine whether they contain enforceable and sufficiently specific obligations. Where such obligations exist, revenue is recognised as the obligations are satisfied. Where funds are refundable if obligations are not met, a liability is recognised until the relevant obligations are satisfied.

Where grants, contributions or donations recognised as income are subject to conditions that remain undischarged at reporting date, and the amounts are not refundable, the nature and amount of those undischarged conditions are disclosed in the notes where required or material.

Amounts recognised in a previous reporting period that relate to Council operations for the current reporting period are disclosed in the annual financial statements where required.

Volunteer services are recognised only where their fair value can be measured reliably and the services would have been purchased if they had not been donated. Council does not recognise volunteer services where, in the absence of volunteer support, the service would be reduced, discontinued or delivered in a different way rather than purchased from another provider. Volunteer services are disclosed where recognised, or where disclosure is otherwise required or material.

22. Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which are recoverable from, or payable to the ATO are classified as operating cash flows.

23. Leases

Lease arrangements are assessed to determine whether they contain a lease under AASB 16 *Leases*. Where Council has the right to control the use of an identified asset for a period of time in exchange for consideration, a right-of-use asset and corresponding lease liability are recognised, unless the lease is short-term or the underlying asset is of low value.

Right-of-use assets are measured to reflect Council's right to use the underlying asset and lease liabilities are measured at the present value of future lease payments over the lease term. Judgement is applied in identifying leases, including embedded leases within broader contractual arrangements, and in determining the lease term, discount rate and applicable recognition exemptions.

24. Equity-accounted Council Businesses and Regional Subsidiaries

Council may participate in cooperative arrangements with other councils for the delivery of services and facilities.

Council's interests in these arrangements, where material, are accounted for as assessed having regard to the nature of council's rights and obligations, and is accounted for in the annual financial statements as an equity-accounted Council business.

Regional Subsidiaries established under Section 43 of the Local Government Act 1999 are not consolidated into Council's financial statements unless Council controls the entity for financial reporting purposes.

25. Construction Contracts

Construction works undertaken by Council for third parties are generally accounted for on an agency basis where Council is reimbursed for costs incurred and does not retain a profit margin. Reimbursements not received at reporting date are recognised as receivables, and amounts received in advance are recognised as contract liabilities or other payables until the related works are performed or the reimbursement obligation is satisfied.

4. Definitions

N/A