Council Policy

ACCOUNTING POLICY

Responsible Directorate:	Corporate Strategy & Performance
Responsible Service Unit:	Finance
Contact Person:	Manager Finance
Date of Approval:	12 June 2023
Council Resolution No:	CS04-06/23

1. POLICY STATEMENT

This policy will apply to the development and presentation of the City's;

- Management Accounts;
- Annual Financial Statements;
- Annual Budget; and
- Long Term Financial Plan.

Summary of Significant Accounting Policies

(a) Basis of Preparation

The City's financial information is prepared in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and interpretations of the Australian Accounting Standards Board (AASB) where no inconsistencies exist.

All right-of-use asset is measured at cost and is considered a zero cost concessionary lease. All right-of-use assets under zero cost concessionary leases are measured at zero cost rather than at fair value, except for vested improvements on concessionary land leases such as roads, buildings or other infrastructure which continue to be reported at fair value, as opposed to the vested land which is measured at zero cost. The measurement of vested improvements at fair value is a departure from AASB 16 which would have required the City to measure any vested improvements at zero costs.

Except for Cash Flow and Rate Setting information, all financial information is prepared on an accrual basis and based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

Critical Accounting Estimates

The preparation of the City's financial information in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of Assets and Liabilities, Income and Expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of this experience and other factors combine to form the basis of making judgements about carrying values of Assets and Liabilities not readily apparent from other sources. Actual results may differ from these estimates.

(b) The Local Government Reporting Entity

All Funds, through which the City controls resources to carry on its functions, are included in the relevant financial information. In the process of reporting on the local government as a single unit, all transactions and balances between those Funds (for example, loans and transfers between Funds) will be eliminated.

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears as a Note to the Annual Financial Statements.

(c) Goods and Services Tax ("GST")

In accordance with recommended practice, revenues, expenses and assets capitalised are stated net of any GST. Receivables and payables in the Statement of Financial Position are stated inclusive of applicable GST.

(d) Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and on hand and short-term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These exclude outstanding bank overdrafts which are included as short-term borrowings in current liabilities on the Statement of Financial Position.

(e) Trade and Other Receivables

Trade and other receivables include amounts due from ratepayers for unpaid rates and service charges and other amounts due from third parties for goods sold and services performed in the ordinary course of business.

Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. A loss allowance is recognised by applying the expected credit loss model.

(f) Inventories

(i) Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the established selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(ii) Land held for resale/capitalisation of borrowing costs

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, development and borrowing costs during development. When development is completed, borrowing costs and other holding charges are expensed as incurred. Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

Revenue arising from the sale of property is recognised in the operating statement as at the time when the conditions of a binding contract of sale are met. Land held for resale is classified as current except where it is held as non-current based on the City's intentions to release for sale.

(iii) Library Books

All library books are expensed at the point of acquisition either through purchase or inheritance.

(g) Non-Current Assets

Each class of fixed assets within either property, plant and equipment or infrastructure, is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Assets for which the fair value as at the date of acquisition is under $5,000 are not recognised as an asset in accordance with *Financial Management Regulations 17A (5). These assets are expensed immediately and are placed on an an* "Attractive & Portable Device Register" list for reference and maintenance.

Where multiple individual low value assets are purchased together as part of a larger asset or collectively forming a larger asset exceeding the threshold, the individual assets are recognised as one asset and capitalised.

Initial recognition and measurement between mandatory revaluation dates

In relation to initial measurement, cost is determined as fair value of the assets given as consideration plus costs incidental to acquisition. For assets acquired at zero cost or otherwise significantly less than fair value cost is determined as fair value at the date of acquisition.

The cost of non-current assets constructed by the City includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

Individual assets that are land, buildings, infrastructure and investment properties (including vested improvements) acquired between initial recognition and the next revaluation of the asset class in accordance with the mandatory measurement framework, are recognised at cost and disclosed at fair value as management believes cost approximates fair value. They are subject to subsequent revaluation at the next anniversary date in accordance with the mandatory measurement framework.

Revaluation

The fair value of land, buildings, infrastructure and investment properties is determined three years in accordance with the regulatory framework. This includes buildings and infrastructure items which were pre-existing improvements (i.e. vested improvements) on vested land.

At the end of each period the valuation is reviewed and where appropriate the fair value is updated to reflect current market conditions. This process is considered to be in accordance with the *Local Government (Financial Management) Regulation 17A (2) (a),* which requires land, buildings, infrastructure, investment properties and invested improvements to be shown at fair value.

Individual assets that are plant and equipment type assets and right-of-use assets are measured using the cost model in accordance with *Local Government (Financial Management) Regulation 17A (2)(b)* and *17A (2)(c).*

Increases in the carrying amount arising on revaluation of assets are credited to a revaluation reserve. Decreases in the carrying amount that offset previous increases of the same asset classes are recognised against revaluation reserve directly in equity. All other decreases are recognised in the Statement of Comprehensive Income.

Land under Control and Land under Roads

As a result of amendments to the Local Government (Financial Management) Regulations 1996, effective from 1 July 2019, vested land, including land under roads, is treated as right-of-use assets measured at zero cost. Therefore, the previous inconsistency with AASB 1051 in respect of non-recognition of land under roads acquired on or after 1 July 2008 has been removed, even though measurement at zero cost means that land under roads is still not included in the statement of financial position.

The City has accounted for the removal of the vested land values associated with vested land previously recognised by removing the land value and associated revaluation reserve as at 1 July 2019.

Vested improvements

The measurement of vested improvements at fair value in accordance with *Local Government (Financial Management) Regulations 1996 17A (2)(a)(iv)* is a departure from AASB 16 which would have required the City to measure the vested improvements as part of the related right-of-use asset at zero cost.

Gains and losses on disposal of noncurrent assets

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Comprehensive Income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(h) Depreciation of Non-Current Assets

All non-current assets that have a limited useful life are separately and systematically depreciated over their useful lives in a manner that reflects the consumption of the future economic benefits embodied in those assets. Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time the assets is completed and held ready for use.

Depreciation is recognised on a straight-line basis over the useful life, using rates which are reviewed at each reporting period.

The major categories of assets and the useful lives recorded on recognition are:

Buildings	40 years
Bus Shelters*	30 - 50 years
Computer Hardware	3 years
Computer Software	2 years
Pathways*	25 - 70 years
Furniture & Equipment (excluding Artwork & Artefacts **)	10 years
Heavy Vehicles - 1,201 kg to 4,000 kg	6 years/100,000 km's (45% residual)
Heavy Vehicles - 4,001 kg to 9,000 kg	6 years/200,000 km's (40% residual)
Heavy Vehicles - 9,001 kg to 12,000 kg	8 years/500,000 km's (48% residual)
Heavy Vehicles – Refuse	5 years (20% residual)
Irrigation Piping	30 years
Land**	Not Applicable
Light Vehicles	3 years (60% residual)
Other Infrastructure*	10 – 80 years
Other Plant and Equipment	10 years
Parks & Reserves*	12 - 85 years
Plant	10 years (50% residual)
Reserves/Playground Equipment*	10 - 15 years

Sealed Car Parks – Pavement*	40 - 80 years
Road – Kerb	40 years
Road – Seal*	15 - 40 years
Road Pavement *	40 years
Underpasses	40 years
Water Supply Piping & Drainage Systems*	40 -80 years

*Due to useful lives of the individual assets within each asset type varying, despite being of a similar nature, the asset types denoted have a range of depreciation periods.

**Land, Artwork and Artefacts are not considered depreciable asset classes.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. As asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(i) Financial Instruments

Recognition and Derecognition

Financial Instruments, financial assets and financial liabilities are recognised when the City becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost;
- fair value through profit or loss (FVTPL); and
- fair value through other comprehensive income (FVOCI).

The classification is determined by both:

- the City's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This category includes non-derivative financial assets like loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The City's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model than 'hold to collect' or 'hold to collect and sell', and financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Financial assets at fair value through other comprehensive income (FVOCI)

Financial assets are accounted for at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is hold to collect the associated cash flows and sell: and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in Other Comprehensive Income will be realised upon derecognition of the asset. This category includes listed securities and debentures.

Classification and measurement of financial liabilities

Financial liabilities are initially measured at fair value and where applicable, adjusted for transaction costs unless the City designated a financial liability at FVTPL.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and if applicable changes in an instrument's fair value that are reported in profit or loss, are included within finance costs or finance income.

Impairment of Financial assets

The City considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

(j) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is determined using various valuation techniques. The City uses valuation methods and makes assumptions that are based on market conditions existing at each Statement of Financial Position date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting future contractual cash flows at the current market interest rate that is available to the City for similar financial instruments.

(k) Provisions

Provisions are recognised when the City has a present legal or constructive obligation as a result of past events for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow, with respect to any one item included in the same class of obligations, may be small.

(l) Leases

On adoption of AASB 16, The City recognised lease liabilities in relation to leases which had previously been classified as operating leases.

At the commencement date, the City assesses if the contract contains or is a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the commencement date, a right of use asset is recognised at cost and lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the City uses its incremental borrowing rate.

All contracts that are classified as short-term leases (i.e. a lease with a remaining term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Leases for right-of-use assets are secured over the asset being leased.

(m) Investments in Associates

An associate is an entity over which the City has significant influence. Significant influence is the power to participate in the financial operating policy decisions of that entity but is not control or joint control of those policies. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the City's share of net assets of the associates. In addition, the City's share of the profit or loss of the associate is included in the City's profit or loss.

The carrying amount of the investment includes, where applicable, goodwill relating to the associate. Any discount on acquisition, whereby the City's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between the City and the associate are eliminated to the extent of the City's interest in the associate.

When the City's share of losses in an associate equals or exceeds its interest in the associate, the City discontinues recognising its share of further losses. This occurs unless the City has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently generates a profit, the City will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

(n) Impairment

In accordance with Australian Accounting Standards the City's assets, other than inventories, are tested annually for impairment. Where impairment exists, an estimate of the recoverable amount of the asset is made in accordance with AASB 136

Impairment of Assets and appropriate adjustments made. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Impairment losses are recognised in the Statement of Comprehensive Income.

For non-cash generating assets such as roads, drains and public buildings and the like, value in use is represented by the asset's written down replacement cost.

(o) Trade and Other Payables

Trade and other payables reflect obligations to make future payments in respect of the purchase of goods and services and are carried at amortised cost. The amounts are unsecured and are usually paid within 30 days from the date of receipt of the invoice unless otherwise agreed.

(p) Interest-bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid for the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the City has an unconditional right to defer settlement of the liability for at least 12 months after the Statement of Financial Position date. Borrowing costs are recognised as an expense when incurred, except where they are directly attributable to the acquisition, construction or production of a qualifying asset. Where this is the case, they are capitalised as part of the cost of the particular asset.

(q) Employee Benefits

Provisions for employee benefits relates to amounts expected to be paid for long service leave, annual leave, wages and salaries and are to be calculated as follows:

Wages, Salaries, Annual Leave and Long Service Leave (Short-term Benefits)

The provisions for employees' benefits wages, salaries, sick leave, annual leave and long service leave expected to be settled within 12 months represents the amount the City has a present obligation to pay resulting from employees' services provided to Statement of Financial Position date. The provision is calculated at nominal amounts based on remuneration rates the City expects to pay and includes related on-costs.

Long Service Leave (Long-term Benefits)

The liability for long service leave is recognised in the provision for employee benefits. It is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date, using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity, and currency, that match as closely as possible, the estimated future cash outflows.

Where the City does not have the unconditional right to defer settlement beyond 12 months, the liability is recognised as a current liability.

(r) Superannuation

The City makes statutory contributions to a number of Superannuation Funds on behalf of its employees. It additionally co-contributes maximum 15% for employees who choose to make personal contributions by salary sacrifice. All contributions are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(s) Interests in Joint Arrangements

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a joint venture and accounted for using the equity method.

Joint operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The City's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements

(t) Rates, Grants, Donations and Other Contributions

Revenue recognition is determined based on what the customer expects to be entitled to (rights and obligations), while measurement encompasses estimation by the entity of the amount expected to be entitled for performing under the contract or in the case of Rates, when the relevant rateable year commences.

AASB 1058 Income of Not-for-Profit Entities is considered where AASB 15 does not apply to a transaction. The timing of income recognition depends on whether a transaction gives rise to a performance obligation, liability or contribution by owners.

Where the amounts billed to customers are based on the achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer.

Contract and Other Liabilities

On 1 July 2019 the City adopted “AASB 15 Revenue from Contracts with Customers” and “AASB 1058 income For Not-For-Profit Entities”. The contract liabilities have arisen on adoption of AASB 15.

When an amount of consideration is received from a customer / fund provider prior to the City transferring a good or service to the customer, the City presents the funds which exceed revenue recognised as a contract liability. The contract liability remains until the City’s obligations have been met.

(u) Current and Non-Current Classification

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the City's operation cycle. In the case of liabilities where the City does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months. An exception exists for land held for resale, where it is held as non-current based on the City's intentions to release for sale.

(v) Rounding of Figures

All figures in the annual financial statement, other than a rate in the dollar, are rounded to the nearest dollar.

(w) Comparative Figures

Where required, comparative figures are adjusted to conform to changes in presentation for the current financial year.

When the City applies an accounting policy retrospectively or corrects prior period errors, the City makes a retrospective restatement or reclassifies items in its financial statements that have a material effect on the Statement of Financial Position. an additional (third) Statement of Financial Position as at the beginning of the preceding period in addition to the minimum comparative Financial Statements is presented.

(x) Budget Comparative Figures

Unless otherwise stated the budget comparative figures shown in the annual financial statement is the original budget for the relevant item of disclosure.

(y) Investment Property

Investment property, principally comprising freehold buildings, is held for long-term rental yields. Investment property is carried at fair value, representing open-market value determined annually by external users.

(z) Non-Current Assets (or Disposal Groups) "Held for Sale" & Discontinued Operations

Non-current assets (or disposal groups) that are "held for sale" are classified as held for sale and stated at the lower of either:

(i) their carrying amount or
(ii) fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use

The exception to this is plant and motor vehicles, which are sold on a regular basis. Plant and motor vehicles are retained in Non-Current Assets under the classification of Property, Plant and Equipment unless the assets are to be traded in after balance date and the replacement assets were already purchased and accounted for as at balance date.

For any assets or disposal groups classified as Non-Current Assets "held for sale", an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

Non-current assets "held for sale" are not depreciated or amortised while they are classified as "held for sale".

Non-current assets classified as "held for sale" are presented separately from the other assets in the Statement of Financial Position.

A Discontinued Operation is a component of the City's operations that has been disposed of or is classified as "held for sale". A discontinued operation represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are shown separately on the face of the Statement of Comprehensive Income.

(aa) Intangible Assets

The City is not expected to classify any assets as Intangible.

(ab) Money Paid in Lieu of Public Open Space

Section 154 of the *Planning and Development Act 2005* was amended on 20 July 2020. Prior to 20 July 2020 all money received by a local government under section 153 of the *Planning and Development Act 2005* was to be paid into a separate account of the "trust fund" of the local government established under the section 6.9 of the Act.

In Accordance with the amended Section 154 of the *Planning and Development Act 2005*, unexpended funds received in lieu of public open space prior to 10 April 2006 and 12 September 2020 will be transferred to a separate reserve account. Funds received from 10 April 2006 until 11 September 2020 will remain in trust funds.

(ac) Service Concession Arrangements: Grantors

AASB 1059 applies to arrangements that involve a third-party operator providing public services related to a service concession asset on behalf of a public sector grantor (in this case, local government) for a specified period of time and managing those services. The City has assessed the impact of AASB 1059, and concluded that there will be no impact.

(ad) AASB 2018-7 Definition of Materiality

The City has adopted the amendment to AASB 2018-7. The change includes additional explanation to expand the definition of what information may be considered material in nature and how presentation may also be an influence. Information is material if omitting, misstating or "obscuring" it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

(ae) Council Members Remuneration

Section 44 of the Regulations was amended to include the remuneration for "each person" instead of the total amount paid to council members.

(af) New Accounting Standards and Interpretations for Application in Future Periods

Australian Accounting Standards and Interpretations that have been issued or amended but are not yet mandatory, will not be early adopted by the City. The City will adopt new Accounting Standards and Interpretations for the accounting periods on or after the effective date of the respective standard.

(ag) Provision of Financial Guarantees and Lending Money

In certain circumstances the City may consider pre-funding selected community projects with special approval from Council. The interest is charged at the borrowing cost to the City. The City does not offer financial guarantees to external entities.

2. Budget Variations

In order to maintain sound financial control the City maintains a Revised Budget. Budget revisions, reallocation or reporting is required in the following circumstances and actioned as follows:

Circumstances	**Action**
(a) Where expenditure is required to be incurred for a purpose for which there was no provision in the budget; or (b) Where grant or other monies are received that necessitate expenditure to be incurred and no provision was included in the budget.	In accordance with Section 6.8 of the *Local Government Act 1995*, by way of a report and recommendation to the council seeking authorisation of the expenditure and to endorse the necessary budget variation.

Circumstances	Action
(c) Where a material variance has occurred, or is likely to occur.	Variances over 10% and $100,000 will be reported to Council via the monthly Financial Activity Statement Report.

To facilitate proper accountability requirements, each Director will be presented with a report summarising all forecast changes within their Directorate for their endorsement.

2. OBJECTIVE AND PURPOSE

To provide a framework to ensure the City's financial information is reported to Council with consistent application of Australian Accounting Standards and in compliance with statutory requirements under the *Local Government Act 1995* (the "Act"), and *Local Government (Financial Management) Regulations 1996* (the "Regulations").

3. KEY DEFINITIONS

Nil

4. SCOPE

This policy will apply to the development and presentation of the City's;

- Management Accounts;
- Annual Financial Statements;
- Annual Budget; and
- Long Term Financial Plan.

5. IMPLICATIONS

The proposal aligns with the following objective within the Strategic Community Plan 2021 – 2031:

7 ~ A well governed and managed City that makes informed decisions, provides strong community leadership and valued customer focused services

7.1 - Clear direction and decision making

6. IMPLEMENTATION

Finance Service Unit is responsible for implementation of the Accounting Policy in preparing various reports listed under "Scope" section.

7. AUTHORITIES AND ACCOUNTABILITIES

No Authority delegation required from Council.

8. ROLES AND RESPONSIBILITIES

The Chief Executive Officer has a duty to ensure that accounts and records are kept in accordance with this policy. Through the directives of the Chief Executive Officer all staff are required to comply with this policy and other relevant policies, management procedures, documents or delegations to ensure the City is in compliance with the Act, Regulations and relevant Australian Accounting Standards.

9. DISPUTE RESOLUTION (if applicable)

All disputes in regard to this policy will be referred to the Director Corporate Strategy and Performance in the first instance and in the event that an agreement cannot be reached the matter will be submitted to the Chief Executive Officer for arbitration.

10. EVALUATION AND REVIEW

Where, as a result of an amendment to legislation the need arises to action contrary to the provisions of this policy, the Director Corporate Strategy and Performance may initiate such variations as deemed necessary.

11. RELATED DOCUMENTS

This policy is supported by the following policies, procedures and delegations:

- Investment Policy;
- Purchasing Policy;
- Financial (Cash Backed) Reserves Policy;
- Part 3 Financial Management of the Delegated Authority Registry;
- Strategic Budget Policy;
- Financial Hardship - Collection of Rates and Service Charges Policy;
- Fee Waivers, Concessions and Debt Write Off Policy.

12. REFERENCES

- The *Local Government Act 1995;*
- The *Local Government (Financial Management) Regulations 1996*;
- Australian Accounting Standards Board (AASB) Standards; and
- Western Australian Local Government Accounting Manual.

13. RESPONSIBILITY FOR IMPLEMENTATION

Manager Finance

REVISION HISTORY

	Next Review	Record No.
1 July 1999		
9 January 2002		
26 April 2005 - GS04-04/05		

28 August 2007 - CS05-08/07	July 2009	892532
May 2010 – CS06-05/10	October 2014	10/1334
November 2014	October 2015	14/289534[v1]
September 2015	September 2016	14/289534[v2]
March 2017	January 2018	17/34812
May 2018	May 2019	17/34812 [v2]
May 2019	May 2020	17/34812 [v3]
May 2020	May 2023	17/34812 [v4]
May 2021	May 2023	17/34812 [v5]
May 2023 - CS04-06/23	May 2025	17/34812 [v6]