CCSP4 Finance General Policy

November 2017

This policy was adopted by Council to set governing principles in place that align the strategic direction of the organisation with community values and aspirations.

The Revenue Policy relates to the following Strategic Outcome of the Community Strategic Plan 2036

5.2 Effective and integrated strategy, planning, financial and asset management.

Objectives

The purpose of this policy is to detail the accounting policies that form the basis of the Statement of Significant Accounting Policies published in the notes to the Annual Financial Report and the annual Budget.

Policy

The CEO must ensure that the accounting policies have been adopted by Council and are in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board, the *Local Government Act 1995* and accompanying regulations.

The Director of Corporate and Community Services will ensure that the Accounting Policies are regularly reviewed to reflect changes in the law and changes in applicable Australian Accounting Standards.

Purchasing

The CEO under delegation from Council has authority to approve staff to sign purchase orders within the limits contained within the "Authorisation to Sign Documents" Register.

Basis of Accounting

The Annual Financial Report, Budget and monthly financial report will be prepared in accordance with the accounting concepts, standards and disclosure requirements of the Australian Accounting Standards, the *Local Government Act 1995* and accompanying Regulations. All financial statements, with the exception of cash flow and rate setting information will be prepared on the accrual basis and based on historical costs with the exception of measurement at fair value for selected non-current assets, financial assets and liabilities.

Classification of Assets and Liabilities

Assets and liabilities are to be classified as current and non-current. Current assets are cash or other assets that would in the ordinary course of business be consumed or converted into cash within twelve months. Current liabilities are liabilities that would in the ordinary course of business be due and payable within twelve months.

Currency

All financial reporting will be made in Australian Dollars.

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Local Government Reporting Entity

All Funds through which the Council controls resources to carry out its functions will be included in the Financial Statements forming part of the financial reports (annual, monthly and budget).

In the process of reporting on the local government as a single unit, all transactions and balances between Funds (for example, loans and transfers between Funds) have been eliminated.

The Shire acts as Trustee for various bodies. These funds will be excluded from the financial reports of the Shire, however a separate statement of these monies will be included as a note in the financial reports. Amounts received, as tender deposits and withheld as contract retention amounts will be disclosed as Creditors within current liabilities.

Revenue

Revenue shall be recognised at the time an invoice has been issued for rates, services or for any other purpose.

Rates

The rating and reporting periods coincide. All rates levied for the year are recognised as revenues. All outstanding rates will be collected and therefore no provision is made for doubtful debts.

Grants, Donations and Other Contributions

All grants, donations and other contributions will be recognised as revenues during the reporting period and the expenditure of this money will be made in the manner specified under the conditions upon which Council received this money.

Investments

Investment revenues will be recognised as they accrue.

Interest Earned on Reserve Investments

Interest earned from investing moneys held in reserves will be classified as operating revenue and then transferred to the relevant Reserve Account.

Land Held for Resale

Land purchased for development and/or resale is valued at cost or net realisable value. An independent market valuation is obtained to revise the value of the land disclosed in the financial statements. Cost includes the cost of acquisition, development and interest incurred on the financing of that land during its development. Interest and holding charges incurred after development is complete are recognised as expenses.

Revenue arising from the sale of property is recognised in the operating statement as at the time of signing a binding contract of sale.

Taxation

The Shire will comply with Australian Taxation Office (ATO) applicable taxation laws, including Fringe Benefits Tax (FBT), Goods and Services Tax (GST), Pay as You Go Tax, and Withholding Tax.

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO. Receivables and payables are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the statement of financial position. Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows.

Contingent Liabilities
Contingent liabilities are disclosed as a note to the financial statements where the expected contingent liability is material.

Borrowings
The borrowing of money will be in accordance with Sections 6.20 and 6.21 of the *Local Government Act 1995* and Regulations 20 and 21 of the *Local Government (Financial Management) Regulations 1996*. Council will only consider borrowing funds for terms of one to twenty years.

Events Occurring After Balance Date
Events occurring after balance date are disclosed as a note to the financial statements where the amount is material.

Reconciliation of Accounts
All account balances disclosed in the financial statements are reconciled to verify their balance and ensure the integrity of the accounts. External evidence or a calculation showing the derived balance support the reconciliation of an account.

The reconciliation must be signed and dated by the employee performing the reconciliation and reviewed by their supervisor. Procedures will ensure major accounts are reconciled at least monthly.

Accounts and Records
The Director of Corporate and Community Services must keep and retain comprehensive and accurate records and accounts for the Shire. The Manager Corporate Services will ensure that the financial accounts and records are properly maintained and archived to ensure the Shire complies with applicable laws.

Payments
Payments made must be in accordance with Regulation 11 of the *Local Government (Financial Management) Regulations 1996*.

A listing of payments made is to be prepared in accordance with Regulations 12 and 13 of the *Local Government (Financial Management) Regulations 1996*.

Cash and Cash Equivalents
Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments that are readily convertible to cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Procedures are required to be in place to ensure all cash is properly controlled, secure and can be accounted for at all times. Periodically, and at least once each year, holders of cash advances (petty cash and till floats) will be required to certify the balance of these advances.

Fixed Assets
Asset Classes
The Shire will categorise assets in accordance with the following asset classes:

- Freehold Land
- Land Vested In and Under the Control of Council is land recognised in accordance with legislation and currently comprises the golf courses in Augusta and Margaret River.
- Buildings – specialised such as sheds, toilets, halls, libraries, offices and clubrooms.
- Plant and Equipment represents items with a motor or wheels.
- Furniture and Equipment represents individual items such as computer servers, compactus units and bulk waste (hook lift) bins.
- Infrastructure – Roads maybe sealed, gravel or unsealed.

- Infrastructure – Paths
- Infrastructure – Drainage
- Infrastructure – Bridges
- Infrastructure – Parks and Reserves represents the surface area including reticulation and fixed infrastructure such as playgrounds, goal posts, fencing and seating.
- Infrastructure – Aerodromes includes the airstrip and fixed infrastructure such as lighting but not buildings.
- Infrastructure – Boat Ramp and Jetties
- Infrastructure – Car Parks includes the surface area and fixed infrastructure such as lighting.
- Infrastructure – Public Utilities represents Shire owned and maintained public infrastructure such as recycled water distribution systems and wastewater treatment plants.
- Infrastructure – Waste Management is infrastructure located at waste sites and includes access roads, waste disposal cells, concrete transfer station ramps but does not include office buildings, sheds or waste bins.
- Infrastructure – Caravan and Camping, represents bays, landscaping and infrastructure for these facilities.

Asset Valuation
In accordance with legislation fixed assets will be revalued every three years at their fair value. The cycle for revaluation requires plant and equipment to be valued every 3 years from 2012-13, land and buildings every 3 years from 2013-14 and infrastructure every 3 years from 2014-15. Fair value is the price Council would receive to sell the asset in an unforced transaction between independent, knowledgeable and willing market participants.

When undertaking a revaluation, a mix of both independent and management valuation methods will be used. The valuation technique or approach selected depends upon circumstances, the specific characteristics of the asset and whether there is sufficient data available to measure fair value. These techniques include the market approach, income approach and cost approach.

Asset Classification
In order to calculate asset sustainability ratios and identify the gap between actual and required capital expenditure, assets being developed will be categorised as:

- New - facilities the Shire did not have previously;
- Renewal - expenditure that restores the original service capacity of an asset; and
- Upgrade or expansion - expenditure that increases the service capacity of an asset.

Asset Capitalisation Process
Assets are to be recognised in the Asset Register as an individual asset for the purpose of depreciation if their acquisition or construction has been completed. For most asset classes acquisition or construction are generally completed in the year the items were budgeted and they may be capitalised and depreciated from their purchase or completion date.

For the infrastructure and building asset classes, construction for some projects may extend over financial years. In these cases, expenditure for these projects is recognised as “work in progress” and included in the Asset Register at the end of the financial year but not depreciated. Infrastructure asset class projects which are completed during the financial year are valued and recorded in the Asset Register at the end of the financial year and depreciated.

Asset Capitalisation Thresholds
All purchases of a capital nature will be considered for recognition as an asset if their value exceeds the threshold value guides or their expected benefit to the organisation in terms of value and useful life justifies their inclusion as an asset.

The threshold values to be used as a guide are:

- $5,000 (excluding GST) for Land, Buildings, Plant & Equipment and Furniture & Equipment; and
- $10,000 (excluding GST) for Infrastructure.

Items below the above thresholds may be expensed as operating costs in the year of acquisition and in the case of items which are readily portable, at risk of being stolen and valued between $2,500 (excluding GST) and $5,000 (excluding GST) they will be included in a Minor Equipment Register.

Asset Disposals

When an asset is to be disposed of due to either being, stolen, sold, replaced or surplus to requirements, the Manager Corporate Services will ensure all transactions are properly recorded in the Asset Register and the financial system.

Depreciation

Depreciation will commence from the date of acquisition or, in respect of internally constructed assets, when the asset is first brought into use or held ready for use.

Depreciation is calculated on a straight-line basis over the remaining useful life of that asset. Residual values for assets will be considered in the calculation of depreciation where these values can be reliably determined and the calculation methodology allows their inclusion.

An addition or extension, which becomes an integral part of an existing asset, should be depreciated over the remaining useful life of that asset. An addition or extension, which retains a separate identity and will be capable of being used after the existing asset is disposed of, should be capitalised and depreciated independently.

Depreciation rates are guides and are reviewed periodically. Major depreciation timeframes are:

• Land	Not depreciated
• Buildings	up to 50 years
• Furniture & Equipment	up to 10 years
• Plant & Equipment	up to 20 years
• Bridges	up to 50 years
• Carparks (sealed)	up to 40 years
• Culverts	up to 50 years
• Drainage systems	up to 80 years
• Paths (concrete)	up to 40 years
• Paths (asphalt)	up to 20 years
• Road Formation	Not depreciated
• Road pavement	up to 50 years
• Bituminous road seal	up to 20 years
• Asphalt road seal	up to 20 years
• Unsealed Roads	up to 50 years
• Gravel Roads	up to 50 years
• Jetties and boat ramps	up to 30 years
• Waste management	up to 40 years
• Public utilities	up to 40 years
• Parks and ovals (infrastructure)	up to 50 years
• Playground Equipment	up to 10 years

The asset's residual values and useful lives are reviewed, and if appropriate adjusted, at the end of each reporting period.

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Leases

Leases are classified as either:

- “Operating Lease” is where the lessor effectively retains substantially all the risks and benefits incidental to ownership of the leased property. Lease payments are charged as expenses in the periods they are incurred.
- “Finance Lease” is any lease which is not an operating lease and which effectively transfers substantially all risks and benefits incidental to ownership of the leased property without transferring the legal ownership. Finance leases are capitalised to record an asset and a liability.

Inventory

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Appropriate controls are in place to ensure the security and recognition of inventory. These controls include the monthly conduct of a physical stock take of inventory.

Bad Debts

When a debt, other than a rates debt appears to be irrecoverable it is to be written off in accordance with the provisions of Section 6.12 (1) (c) of the *Local Government Act* 1995. The cost is to be expensed against the appropriate Section.
If a rates debt appears to be irrecoverable it is to be reported to Council and written off in accordance with the provisions of Section 6.12 (2) of the *Local Government Act 1995*.

Employee Entitlements

Provision is made for obligations for employee benefits that are expected to be settled in the short-term (within 12 months) such as annual leave. These short-term employee benefits are measured at the undiscounted amounts expected to be paid when the obligation is settled.

Provision is made for employees’ long service leave and annual leave that are not expected to be settled within 12 months of the end of the financial year and are measured at the present value of the expected future payments to be made to employees. Long-term employee benefits are presented as non-current provisions.

Superannuation

Superannuation Guarantee Charge contributions will as a minimum be in accordance with the percentage set by Federal Parliament. Contributions are recognised as an expense.

Creditors and Accruals

All creditors are to be accounted for and the appropriate accruals made at balance date. Major creditors will be reconciled on a monthly basis.

Aged listing reports are prepared to ensure outstanding accounts are maintained and paid when required.

Monthly Financial Reports

Monthly financial reports are to be prepared in such form as the Local Government considers to be appropriate in accordance with section 6.4 of the *Local Government Act 1995* and Regulation 34 of the *Local Government (Financial Management) Regulations 1996*.

Budget Review

A detailed mid-year budget review is to be conducted and reported to Council during the financial year. This is to be reported to Council by the end of March of that financial year.

Annual Financial Reports

In accordance with section 6.4 of the Local Government Act 1995 and Regulation 36 of the *Local Government (Financial Management) Regulations 1996*, the CEO must provide an annual financial report for each financial year. This report must be submitted to the auditor by 30 September after the end of that financial year.

Annual Report
In accordance with sections 5.53 and 5.54 of the *Local Government Act 1995*, the CEO must provide an annual report for each financial year. This report must be accepted by Council no later than 31 December after the end of that financial year.

Annual Budget
The CEO must provide to Council by the 31 August in each financial year an operating and capital budget in accordance with Division 2 of the *Local Government Act 1995*.

Budget Variations
The relevant Director on the recommendation of the appropriate Manager or Managers, may approve variations up to an amount of $5,000 to operational budgets within business units.

The CEO, on recommendation of the appropriate Director, may approve variations up to an amount of $10,000 to operational budgets within business units.

Variations to capital expenditure and operational budgets over $10,000, require approval from council.

Auditors
The appointment of auditors and the conduct of audits are to be in accordance with in Part 7 of the Local Government Act 1995.

The accounts and annual financial report of the Local Government will be audited by an approved auditor(s). This will occur each financial year.

The auditor is required to prepare a report by 31 December each year. This report is to be forwarded to the Shire President with copies to the CEO and the relevant Minister.

Application

Responsibility for the implementation of this policy rests with the Chief Executive Officer, Director Corporate and Community Services and Manager Corporate Services. The Policy is to be reviewed every three years.

Document and version control table	
Strategic outcome	5.2 Effective and integrated strategy, planning, financial and asset management.
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1.1	22/10/2014	Reviewed - adopted by Council OM2014/232
1.2	22/11/2017	Corporate Style Guide new template applied Reviewed and adopted by Council OM2017/296

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