

## 1.0 STATEMENT

The Resource Recovery Group is committed to effective financial practices and achieves this through adherence to the current *Local Government Act 1995*, the *Local Government (Financial Management) Amendment Regulations* and the appropriate Australian Accounting Standards.

## 2.0 SCOPE

This Policy applies to all employees involved in accounting or financial functions.

## 3.0 OBJECTIVE

To provide a framework for the financial management and significant accounting policies of the Southern Metropolitan Regional Council.

To comply with Australian Accounting Standards, the Local Government Act 1995 and the Local Government (Financial Management) Amendment Regulations.

## 4.0 ROLES & RESPONSIBILITIES

### Chief Executive Officer

The Chief Executive Officer is responsible for ensuring that structures and processes are in place for employees to comply with the relevant Regulations and Accounting Standards in the course of their work.

## 5.0 CONTENT

### 5.1 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been adopted in the preparation of this financial report are:

#### 5.1.1 BASIS OF PREPARATION

The financial report comprises general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and Interpretations of the Australian Accounting Standards Board, and the *Local Government Act 1995* and accompanying regulations.

The *Local Government Act 1995* and accompanying Regulations take precedence over Australian Accounting Standards where they are inconsistent. The *Local Government (Financial Management) Regulations 1996* specify that vested land is a right-of-use asset to be measured at cost. All right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost rather than at fair value. The exception is 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 Council to measure any vested improvements at zero cost.

Accounting policies which have been adopted in the preparation of this financial report have been consistently applied unless stated otherwise. Except for cash flow and rate setting information, the report has been prepared on the accrual basis and is 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 a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

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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 which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

### **The Local Government Reporting Entity**

All funds which the Council controls resources to carry on its functions have been included in the financial statements forming part of this financial report.

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) have been eliminated.

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note to the financial statements.

## **5.1.2 REVENUE**

### **Revenue Recognition**

Recognition of revenue is dependent on the source of revenue and the associated terms and conditions associated with each source of revenue and recognised as per appendix 1.

### **Grants, subsidies and contributions**

Operating grants, subsidies and contributions are grants, subsidies or contributions that are not non-operating in nature.

Non-operating grants, subsidies and contributions are amounts received for the acquisition or construction of recognisable non-financial assets to be controlled by the local government.

### **Interest earnings**

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

### **Fees and Charges**

Revenue (other than service charges) from the use of facilities and charges made for local government services, fee for service, sale of goods and administration fees.

## **5.1.3 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 with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are reported as short-term borrowings in current liabilities in the statement of financial position.

### **Restricted financial assets**

Restricted asset balances are not available for general use by the local government due to externally imposed restrictions. Externally imposed restrictions are specified in an agreement, contract or legislation. This applies to reserves, unspent grants, subsidies and contributions and unspent loans that have not been fully expended in the manner specified by the contributor, legislation or loan agreement and for which no liability has been recognised.

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### 5.1.4 RESERVES

All reserves are supported by cash and cash equivalents and are restricted within equity as Reserves - cash backed.

- a) RRRC Contingency & Development Reserve  
to be used to fund shortfalls in operating expenditure, asset renewals and disposals, employment termination provisions and insurance claims below the excess for the Canning Vale RRRC Project.
- b) Travel and Conference Reserve  
to be used to fund the requirements for staff and Councillors' travel and Conference attendance.
- c) Office Accommodation Reserve  
to be used for funding capital renewal expenditure and non-recurrent maintenance expenditure for the RRG property located at 9 Aldous Place Booragoon.
- d) RRRC Restoration Reserve  
to be used to meet lease obligations resulting from an early termination of the Ground Lease or at the expiry of the Ground Lease.

### 5.1.5 OTHER FINANCIAL ASSETS

#### Other financial assets at amortised cost

The Council classifies financial assets at amortised cost if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cashflows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

### 5.1.6 TRADE AND OTHER RECEIVABLES

Trade and other receivables include amounts due from gate fees and other amounts due from third parties for goods sold and services performed in the ordinary course of business.

Trade receivables are recognised at original invoice amount less any allowances for uncollectible amounts (i.e. impairment). The carrying amount of net trade receivables is equivalent to fair value as it is due for settlement within 30 days.

#### Impairment and risk exposure

Expected credit losses expense is recognised as the movement in the allowance for impairment of receivables. The allowance for impairment of receivables is measured at the lifetime expected credit losses at each reporting date. The Council has established provision matrix that is based on its historic credit loss experience, adjusted for forward looking factors specific to the debtors and economic environment.

#### Classification and subsequent measurement

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.

Trade receivables are held with the objective to collect the contractual cashflows and therefore measures them subsequently at amortised cost using the effective interest rate method.

Due to the short-term nature of current receivables, their carrying amount is considered to be the same as their fair value. Non-current receivables are indexed to inflation, any difference between the face value and fair value is considered immaterial.

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## 5.1.7 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 of completion and the estimated costs necessary to make the sale.

## 5.1.8 OTHER CURRENT ASSETS

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

## 5.1.10 FINANCIAL ASSETS AT AMORTISED COST

The Council classifies financial assets at amortised cost if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cashflows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

### Financial assets at fair value through profit and loss

The Council classifies the following financial assets at fair value through profit and loss:

- debt investments which do not qualify for measurement at either amortised cost or fair value through other comprehensive income.
- equity investments which the Council has not elected to recognise fair value gains and losses through other comprehensive income.

## 5.1.11 FIXED ASSETS

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

### Initial recognition and measurement between mandatory revaluation dates

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 Regulation 17A (5)*. These assets are expensed immediately.

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.

In relation to this initial measurement, cost is determined as the fair value of the assets given as consideration plus costs incidental to the 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 Council 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 and infrastructure 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 as being 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 and infrastructure is determined at least every five 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 acquired by the Council.

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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 *Local Government (Financial Management) Regulation 17A (2)* which requires land, buildings and infrastructure to be shown at fair value.

Increases in the carrying amount arising on revaluation of assets are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same class of asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss.

### Vested improvements from 1 July 2019

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

### Depreciation

The depreciable amount of all fixed assets including buildings but excluding freehold land, are depreciated on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

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

An 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.

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 in the period in which they arise.

### Depreciation rates

Typical estimated useful lives for the different asset classes for the current and prior years are included in the table below:

Asset Class	Useful life
Computer equipment	1 to 3 years
Furniture and equipment	1 to 3 years
Standby equipment	1 to 10 years
Plant and equipment	3 to 6 years
Leasehold improvements	10 years
Freehold buildings	40 years
Right of use (buildings)	Based on the remaining lease
Right of use (plant and equipment)	Based on the remaining lease

### Depreciation on revaluation

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is treated in one of the following ways:

(a) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or

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(b) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

**Amortisation**

All intangible assets with a finite useful life, are amortised on a straight-line basis over the individual asset’s useful life from the time the asset is held for use.

The residual value of intangible assets is considered to be zero and the useful life and amortisation method are reviewed at the end of each financial year.

Amortisation is included within Depreciation on non-current assets in the Statement of Comprehensive Income and in the note of the financial report.

**5.1.12 LEASES (RIGHT-OF-USE ASSETS)**

At inception of a contract, the Council 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 Council 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.

**Right-of-use assets - measurement**

Right-of-use assets are measured at cost. This means that all right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not included in the statement of financial position). The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which are reported at fair value.

**Right-of-use assets - depreciation**

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest. Where a lease transfers ownership of the underlying asset, or the cost of the right-of-use asset reflects that the Council anticipates to exercise a purchase option, the specific asset is amortised over the useful life of the underlying asset.

**5.1.13 TRADE AND OTHER PAYABLES**

Trade and other payables represent liabilities for goods and services provided to the Council prior to the end of the financial year that are unpaid and arise when the Council becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are normally paid within 30 days of recognition.

**5.1.14 FINANCIAL LIABILITIES**

Financial liabilities are recognised at fair value when the Council becomes a party to the contractual provisions to the instrument.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss.

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Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of the consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

### 5.1.15 BORROWING COSTS

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 until such time as the asset is substantially ready for its intended use or sale.

### 5.1.16 EMPLOYEE BENEFITS

The Council's obligations for employees' annual leave, long service leave entitlements and other employee leave entitlements are recognised as provisions in the statement of financial position.

#### Short-term employee benefits

Provision is made for the Council's obligations for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave.

Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Council's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position.

#### Other long-term employee benefits

Long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Council's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Council does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

### 5.1.17 PROVISIONS

Provisions are recognised when the Council 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 measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

Specifically, the Council has identified the need for a provision in relation to the decommissioning and restoration (make good) provisions of the lease for the land upon which its operations are based.

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Provisions of this nature are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

The discount rate used to determine the present value is a pre-tax rate reflective of current market assessments of the time value of money and risks specific to the liability.

This estimated expenditure required to restore the land to its original condition has been capitalised in accordance with AASB 116. These costs are amortised over the shorter of the term of the lease or the remaining useful life of the assets.

Any increase in the provision due to the passage of time, is recognised in profit or loss as a finance (interest) cost.

#### **5.1.18 LEASES**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to the Council are classified as finance leases.

Finance leases are capitalised recording an asset and a liability at the lower of the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight line basis over the shorter of their estimated useful lives or the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

#### **5.1.19 RELATED PARTY**

##### ***Short-term employee benefits***

These amounts include all salary, fringe benefits and cash bonuses awarded to KMP except for details in respect to fees and benefits paid to elected members which may be found above.

##### ***Post-employment benefits***

These amounts are the current-year's estimated cost of providing for the Council's superannuation contributions made during the year.

##### ***Other long-term benefits***

These amounts represent long service benefits accruing during the year.

##### ***Termination benefits***

These amounts represent termination benefits paid to KMP (Note: may or may not be applicable in any given year).

##### ***i. Key management personnel***

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any elected member, are considered key management personnel.

##### ***ii. Other Related Parties***

An associate person of KMP was employed by the Council under normal employment terms and conditions.

Any entity that is controlled by or over which KMP, or close family members of KMP, have authority and responsibility for planning, directing and controlling the activity

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of the entity, directly or indirectly, are considered related parties in relation to the Council.

**iii. Entities subject to significant influence by the Council**

An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement.

The RRG is an Associate of the five local governments (member Councils) formed under the Local Government Act 1995 and an Establishment Agreement. Member Councils pay contributions towards services it receives from the RRG and contributes towards loan repayments for the assets purchased for these services.

**5.1.20 FINANCIAL RISK MANAGEMENT**

The Council does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by the finance area under policies approved by the Council. The finance area identifies, evaluates and manages financial risks in close co-operation with the operating divisions. Council have approved the overall risk management policy and provide policies on specific areas such as investment policy.

**a) Interest rate risk**

**Cash and cash equivalents**

The Council's main interest rate risk arises from cash and cash equivalents with variable interest rates, which exposes the Council to cash flow interest rate risk. The Council does not have any Short term overdraft facilities.

Excess cash and cash equivalents are invested in fixed interest rate term deposits which do not expose the Council to cash flow interest rate risk. Cash and cash equivalents required for working capital are held in variable interest rate accounts and non-interest bearing accounts. Carrying amounts of cash and cash equivalents at the 30 June and the weighted average interest rate across all cash and cash equivalents and term deposits held disclosed as financial assets at amortised cost are reflected in the financial report.

**Sensitivity**

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates.

**Borrowings**

Borrowings are subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs. The Council manages this risk by borrowing long term and fixing the interest rate to the situation considered the most advantageous at the time of negotiation. The Council does not consider there to be any interest rate risk in relation to borrowings. Details of interest rates applicable to each borrowing may be found in the financial report.

**b) Credit risk**

**Trade and Other Receivables**

The Council's major receivables comprise gate fees, sale of materials and charges. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. The Council manages this risk by monitoring outstanding debt and employing debt recovery policies.

Credit risk on some fees and charges is minimised by the Council by obtaining bank guarantees as a security. The Council is also able to charge interest on overdue debts at higher than market rates, which further encourages payments of charges and gate fees.

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The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

The Council applies the AASB 9 simplified approach to measuring expected credit losses using a lifetime expected loss allowance for all trade receivables.

The expected loss rates are based on the payment profiles of fees and charges over a period of 36 months before 1 July 2020 or 1 July 2021 respectively and the corresponding historical losses experienced within this period. Historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors

Based on the above, the loss allowance as at 30 June 2021 and 30 June 2020 was determined as nil for trade receivables and Financial assets at amortised cost - Loans receivable - Project Participants.

### c) Liquidity risk

#### Payables and borrowings

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. The Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and if required.

The contractual undiscounted cash flows of the Council's payables and borrowings are set out in the liquidity table in the financial report. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

## 5.2.1 OTHER SIGNIFICANT ACCOUNTING POLICIES

### a) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (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.

### b) Current and non-current classification

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle. In the case of liabilities where the Council 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 or non-current based on the Council's intentions to release for sale.

### c) Rounding off figures

All figures shown in this annual financial report, other than a rate in the dollar, are rounded to the nearest dollar. Amounts are presented in Australian Dollars.

### d) Comparative figures

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

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When the Council applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements that has 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.

### e) Budget comparative figures

Unless otherwise stated, the budget comparative figures shown in this annual financial report relate to the original budget estimate for the relevant item of disclosure.

### f) Superannuation

The Council contributes to a number of Superannuation Funds on behalf of employees. All funds to which the Council contributes are defined contribution plans.

### g) Fair value of assets and liabilities

Fair value is the price that the Council would receive to sell the asset or would have to pay to transfer a liability, in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

### h) Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurement into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

#### Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

#### Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

#### Level 3

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

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### Valuation techniques

The Council selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Council are consistent with one or more of the following valuation approaches:

#### Market approach

Valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

#### Income approach

Valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

#### Cost approach

Valuation techniques that reflect the current replacement cost of the service capacity of an asset.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Council gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

#### i) Impairment of assets

In accordance with Australian Accounting Standards the Council's cash generating non-specialised assets, other than inventories, are assessed at each reporting date to determine whether there is any indication they may be impaired.

Where such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. AASB 116) whereby any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

For non-cash generating specialised assets that are measured under the revaluation model, such as roads, drains, public buildings and the like, no annual assessment of impairment is required. Rather AASB 116.31 applies and revaluations need only be made with sufficient regularity to ensure the carrying value does not differ materially from that which would be determined using fair value at the end of the reporting period.

#### j) Rates

The Council does not levy rates. Accordingly, the rating statement and information as required by the Local Government Act (Financial Management Regulations) has not been presented in these financial reports.

#### k) Participants Contribution

The Participants contributions towards the Regional Resource Recovery Centre (RRRC) is treated as an equity contribution. The Participant's Equity is also credited when loans are taken which are guaranteed by RRG or RRRC participants. The corresponding liability of participants is shown as a receivable.

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However, when loans are repaid by the Council without seeking funds from the project participants, the receivables and equity are reduced by the amount of loans repaid.

## 5.2.2 OTHER ACCOUNTING POLICIES

### Reporting Revenue and Expenditure by Nature and Type

For the purposes of reporting all revenue and expenses on “nature or type” as required by the Australian Accounting Standard 27, and the Local Government (Financial Management) Regulations 1996, the following categories have been adopted as the reporting policy of this regional Council:

#### Operating Revenue

- Grants and Subsidies – operating
- Grants and Subsidies – non-operating
- Contributions Reimbursements & Donations
- Profit on Asset Disposals
- Fees and Charges
- Interest Earnings
- Other Revenue

#### Operating Expenses

- Employee Costs
- Materials and Contracts
- Utilities (gas, electricity, water, etc)
- Depreciation on non-current assets
- Loss on Asset Disposals
- Interest
- Insurance
- Other

#### Capitalisation of Assets

Expenditure of a capital nature is recognised as an asset if the threshold value exceeds:

Furniture and Equipment	\$5,000
Computer & Electronic Equipment	\$5,000
Motor Vehicles, Mobile Plant and Equipment	\$5,000
Standby Equipment	\$10,000
Fixed Plant and Equipment	\$10,000
Buildings and improvements	\$10,000
Infrastructure	\$10,000

Note: where assets with an individual cost of less than the amounts specified above are not capitalised, control of them is exercised by recording them in the asset register with a zero value.

#### Asset Classifications

- Furniture and Equipment
- Computer and Electronic Equipment
- Motor Vehicles
- Light Plant & Equipment
- Heavy Plant
- Standby Equipment
- Buildings
- Leasehold Improvements

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## Depreciation

Depreciation of assets be charged direct to the appropriate general ledger account for each sub-programme.

That it be a policy of Council to use the straight-line method for the depreciation of assets.

## Provision for Leave

Liability for annual leave and long service leave entitlements is expensed to provision accounts. When an employee takes long service leave, the expense is charged directly to the provision account.

## Provision for Leave

Liability for annual leave and long service leave entitlements is expensed to provision accounts. When an employee takes long service leave, the expense is charged directly to the provision account.

Provisions include calculations for on-costs (workers comp & super).

	Entitlement	Probability Factor
0 < 1 year	1.3 weeks	10%
1 < 2 years	2.6 weeks	15%
2 < 3 years	3.9 weeks	25%
3 < 4 years	5.2 weeks	40%
4 < 5 years	6.5 weeks	60%
5 < 6 years	7.8 weeks	80%
6 < 7 years	9.1 weeks	90%
7 < 8 years	10.4 weeks	100%
9 < 10 years	11.7 weeks	100%
10 + years	13 weeks	100%

## Provision for Make Good

At the end of the lease term, RRG is required to restore the land upon which the RRRC is situated to its original condition. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements.

Estimated costs have been capitalised as part of the carrying value of leasehold improvements and are amortised over the shorter of the term of the lease or the remaining useful life of the assets.

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### 5.3 INITIAL APPLICATION OF AUSTRALIAN ACCOUNTING STANDARDS

During the current year, the Council adopted all of the new and revised Australian Accounting standards and Interpretations which were compiled, became mandatory and which were applicable to its operations.

These were:

- • AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments
- 
- AASB 2020-6 Amendments to Australian Accounting Standards –Classification of Liabilities as Current or Non-current –Deferral of Effective Date
- AASB 2021-7a Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections [general editorials]
- AASB 2022-3 Amendments to Australian Accounting Standards - Illustrative Examples for Not-for-Profit Entities accompanying AASB 15

The adoption of these standards had no material impact on the financial report.

### 5.4 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS FOR APPLICATION IN FUTURE YEARS

The following new accounting standards will have application to local government in future years:

- AASB 2014-10 Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current
- 
- AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies or Definition of Accounting Estimates. This standard will result in a terminology change for significant accounting policies.
- AASB 2021-7c Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections [deferred AASB 10 and AASB 128 amendments in AASB 2014-10 apply]
- AASB 2022-5 Amendments to Australian Accounting Standards - Lease Liability in a Sale and Leaseback
- AASB 2022-6 Amendments to Australian Accounting Standards - Non-current Liabilities with Covenants
- AASB 2022-7 Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards
- AASB 2022-10 Amendments to Australian Accounting Standards - Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities

The amendment may result in changes to the fair value of non-financial assets. The impact is yet to be quantified.

Except as described above these amendments are not expected to have any material impact on the financial report on initial application.

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## APPENDIX 1 – REVENUE RECOGNITION

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Determination of transaction price	Allocating transaction price	Measuring obligations for returns	Timing of revenue recognition
Grants, subsidies or contributions for the construction of non-financial assets	Construction or acquisition of recognisable non-financial assets to be controlled by the local government	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Set by mutual agreement within the funding body	Based on the progress of works to match performance obligations	Returns limited to repayment of transaction price of terms	Output method based on project milestones and/or completion date matched to performance obligations
Fees and Charges - waste management entry fees	Waste treatment, recycling and disposal service at disposal sites	Single point in time	Payment in advance at gate or on normal trading terms if credit provided	None	Adopted by council annually	Based on timing of entry to facility	Not applicable	On entry to facility
Fees and Charges - memberships	Project Participants Annual Contributions	Over time	Payment in advance (annual/quarterly)	Refund for unused portion on application	Adopted by council annually	Apportioned equally across the access period	Returns limited to repayment of transaction price of terms	Output method over 12 months
Fees and Charges - sale of stock	Recovered Recyclable Products	Single point in time	On normal trading terms - credit provided as agreed	Refund for faulty goods/quality/contamination percentages	Set by mutual agreement	Applied fully based on timing of provision/dispatch of the goods (as customer as this is when customer obtains control of goods)	Returns limited to repayment of transaction price of terms	On dispatch of the goods (as customer as this is when customer obtains control of goods)
Fees and Charges - sale of carbon credit units	Reduction in Greenhouse gases emissions.	Single point in time	On normal trading terms - credit provided as agreed	None	Set by mutual agreement	Applied fully based on timing of units transfer being completed	Not applicable	On completion of transfer (when the customer obtains control)
Other Revenue - Container deposit scheme	Recovered Recyclable Products	Single point in time	Fixed terms transfer of funds based on agreed reporting	None	Set by mutual agreement within the funding body	Based on material type and apportioned over the period	Not applicable	Output method based on project reporting matched to performance obligations

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## 6.0 REFERENCES & REVIEW

<b>Statutory Compliance</b>	<ul style="list-style-type: none"> <li>▪ Local Government Act 1995</li> </ul>	
<b>Organisational Compliance</b>	<ul style="list-style-type: none"> <li>▪ Local Government Regulations</li> <li>▪ International &amp; Australian Accounting Standards</li> <li>▪ Audited Financial Statements</li> </ul>	
<b>Approved by</b>	Regional Council	
<b>Next Revision Date</b>	December 2025	
<b>Related Documents</b>	Annual Financial Report	
<b>Policy Administration</b>	<b>Responsible Officer</b>	<b>Review Cycle</b>
Corporate (Finance)	Manager Finance	Biennial
<b>Risk Rating</b>	Organisational Risk Register – Risk	
<b>Location of document</b>	RRG Website – Members Area Staff Intranet	

## 7.0 DOCUMENT CONTROL REGISTER

Date	Review	No.	Author	Resp Officer	Council
2000	Original	1	MAF	MAF	27/07/00
2001	Review	2	MAF	MAF	26/07/01
2002	Review	3	MAF	MAF	25/07/02
2003	Review	4	MAF	MAF	20/11/03
2004	Review	5	MAF	MAF	25/11/04
2005	Review	6	MAF	MAF	
2007	Review	7	MAF	MAF	22/11/07
2008	Review	8	ACCTNT	MAF	27/11/08
2010	Review	9	ACCTNT	MAF	25/11/10
2014	Review	10	EMCS	EMCS	28/08/2014
2016	Review	11	FM	EMCS	30/06/2016
2018	Review	12	FM	EMCS	16/08/2018
2019	Review	13	CSM	EMCS	17/10/2019
2020	Review	14	CSM	EMCS	04/12/2020
2021	Review	15	CSM	EMCS	13/12/2021
2023	Review	16	MF	MF	23/11/2023

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