COUNCIL
EXECUTIVE SERVICES
FINANCE
18 SEPTEMBER 2018

7.2.2 DEBATE AGENDA – FINANCE

7.2.2.4
2017/2018 DRAFT ANNUAL FINANCIAL STATEMENTS – ADOPTION OF ACCOUNTING TREATMENTS UNDER NEW ACCOUNTING STANDARDS
B1096
Author: Manager Financial Services

PURPOSE

Council is asked to consider and makes an accounting treatment decision not to recognise Volunteer Services in its financial statements, as described in this report.

RECOMMENDATION

That Council having considered the matter related to new Australian Accounting Standards AASB15 and AASB1058 adopt these standards for the 2017/18 financial year and pursuant to AASB1058 elects not to recognise Volunteer Services in its financial statements.

REPORT

Background
Council needs to comply with the Australian Accounting Standards (standard/s).

AASB1004 previously provided the appropriate accounting treatment to match grant income to expenditure.

In Dec 2016 application of AAASB1004 was clarified by the Accounting Standards Board which then required Councils to recognise income within the year received and not match it to the period of expenditure. Whilst technical this could have material impact on the financial statements and result in more complicated interpretation of the accounts.

Two new AASBs’ replacing AASB1004 apply from 1 January 2019:

- AASB15 Revenue from Contracts with customers; and
- AASB1058 Income of Not-for-Profit Entities

Discussion
AASB15 is linked with AASB1058 and are to be applied concurrently, and they spell out the timing, recognition, treatment of revenue and income.

Officers have considered the effect of grant treatment under this standard on our books as at 30 June 2018.
These new standards require further consideration than the previous standard including the review of the enforceability of contracts or agreements, agreed milestones, other requirements including the return of unspent funds and other general matters that are particular to grants received.

For Council to continue the income and expenditure matching practice we need to early adopt standard AASB15 and AASB1058 and include a disclosure in Note 1 of our Model Financial Statements stating Councils position of early adoption.

Another significant part of AASB1058 is to consider a Council position to recognise “Volunteer Services” in the Councils financial statements.

Note Chart 2 – Volunteer Services as copied from AASB1058, page 13:
Consideration of questions from that chart:

**Can the fair value of volunteer services be measured reliably?**

Although Council and its community highly value the work being done by our volunteers, we do not capture all of the time our volunteers spend throughout the various services and areas across the district in an accounting sense.

I would suggest the fair value is going to be an unreliable measurement as how can you place an accurate value of the extensive and varied contributions from each and every volunteer.

**Would the services have been purchased if they had not been donated?**

Council has over 300 volunteers, if we equate that to our employee numbers and for this exercise the volunteers are working half the employee time that would be around 150 full time employees! That would effectively double our employee cost which is fundamentally not affordable. It is therefore reasonable to assume in a hypothetical accounting sense if volunteers were “paid” and this was recognised in the accounts the services would need to be cut.

The recognition in an accounting sense would add little or no value to the financial statements and could serve to distort the comparability of the financial results over time.

Further volunteer support for our community is not based on financial reward it is about contribution to our community.

The logically conclusion therefore is that accounting recognition for volunteers provides little in the way of value in the financial statements and would only service to distort the accounts and service provision decisions that arise from the accounts.

**Summary and Conclusion**

Council is now asked to consider and makes an accounting treatment decision not to recognise Volunteer Services in its financial statements.

**ATTACHMENTS OR OTHER SUPPORTING REFERENCES**

Nil

**COMMUNITY PLAN / CORPORATE PLAN / LEGISLATIVE REQUIREMENTS**

- How We Work – Good Governance

**Corporate Plan**

6.2 Ensure that Council’s policy and process frameworks are based on principles of sound governance and meet legislative requirements.

6.16 Provide contemporary internal administrative and business support services in accordance with mandated legislative standards and good practice principles.
Legislative Requirements
Local Government Act 1999

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<tr>
<th>FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS</th>
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<td>To continue the income and expenditure matching practice we need to early adopt AASB15 and AASB1058 and include a disclosure in Note 1 of our MFS stating that early adoption.</td>
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<td>The suggested approach regarding Volunteer services is that:</td>
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<td>1) the services would not have been purchased had they not been provided voluntary – as we couldn’t afford it and;</td>
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<td>2) the fair value is going to be an unreliable measurement.</td>
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<th>COMMUNITY CONSULTATION</th>
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<td>No community consultation is required for this Policy as the content is mandated by legislation and facilitated according to internal processes.</td>
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