Local Government Code of Accounting Practice and Financial Reporting

The Code Working Group – 2025 Summary Paper

December 2025

The Office of Local Government (OLG) updates the Local Government Code of Accounting Practice and Financial Reporting (Code) annually. Updates are developed in consultation with the local government sector and key stakeholders

The Code and the Code Working Group

Context

- The Code of Accounting Practice and Financial Reporting (the Code) prescribes the financial statements approved by the Office of Local Government (OLG).
- The Code is revised annually to reflect changes in Australian Accounting Standards, government policies, feedback from the sector and improvements.
- OLG issued an Expression of Interest to form the Code Working Group (Code WG) which is made up of finance professionals from the local government sector, Local Government NSW, and the Local Government Professionals Association. The Audit Office of NSW also attend.
- The Code WG provide technical input and advice to inform the development of the updated Code. This ensures that updates to the annual Code align with best practice while considering the operational and financial reporting needs of the local government sector.
- The Code WG held an initial WG discussion in July 2025. Feedback from the session was collated and a draft Code circulated to the Code WG in October 2025. A subsequent Code WG meeting was held in October to discuss the draft and determine the final Code.

Key issues discussed

The Code WG were encouraged to raise issues and put forward papers or topics for discussion.

The Code WG considered the following issues as part of the development of the 2025/26 Code:

- The Government response to the Standing Committee on State Development's Inquiry into the Ability of Local Governments to Fund Infrastructure and Services (Financial Inquiry), the role of the Expert Advisory Panel (EAP) which will be formed in response to the Financial Inquiry, and the subsequent role of the Code WG.
- Simplifying reporting requirements and identifying disclosures that are not material and do not need to be included in financial reporting, including the potential removal of the Special Purpose Financial Statements (SPFS).
- Potential to amend the Income Statement to separate line items into operating and capital items.
- The ongoing financial reporting requirements for rural firefighting assets.
- The existing suite of training and guidance materials on the Council Portal and suggestions to build the library of resources.
- Appropriate revenue recognition for development fees.

As a result of the consultation process the Code WG agreed:

- Where relevant to the Government Response to the Financial Inquiry, proposed changes to update the 2026/27 Code will be developed with the advice and input of the Code WG and presented to the Expert Advisory Panel for consideration.
- The SPFS and existing Income Statement format will remain in their current form for 2025/26. Any changes will be reconsidered as part of the 2026/27 review in consultation with the Code WG and the EAP.
- OLG would update the 2025/26 Code to emphasise the importance of reporting only material information in council financial statements. To assist with this, OLG will share example 'decluttered' financial statements as practical examples to demonstrate the exclusion of immaterial disclosures.
- To include additional guidance into the 2025/26 Code about rural firefighting assets to clarify that the Government is considering the findings of the Public Accounts Committee (the Committee) of the Legislative Assembly into the Inquiry into the Assets, premises and funding of the NSW Rural Fire Service and that councils are required to continue to work in line with current legislation and the Code.
- OLG will continue to regularly communicate to councils about the extensive training and guidance material available on the Council Portal in December 2025.
- The appendices to the 2025/26 Code will be updated for revenue recognition and prior period errors.

Membership

The Code WG comprises representatives from:

- The Office of Local Government
- Albury City Council
- Bayside Council
- Central Coast Council
- Dubbo Regional Council
- Lake Macquarie City Council
- Mid-Western Regional Council
- Northern Beaches Council
- North Sydney Council
- Rous County Council
- Tamworth Regional Council
- Willoughby City Council
- Wollongong City Council
- Local Government NSW (LGNSW)
- Local Government Professionals Australia (NSW)
- The NSW Audit Office
- OLG engaged the services and advice of Carmen Ridley, Australian Financial Reporting Solutions