Full Cost Attribution Policy

1. INTRODUCTION

The purpose of this policy is to provide a framework for Council Staff in relation to the application of full cost attribution to attribute costs to functions, activities, goods and services of Council in compliance with the *Local Government Act 1999* (the **Act**).

2. POLICY OBJECTIVES

This policy is applicable to the accounting allocation (applying full cost attribution) of all direct and indirect costs across functions of council in financial statements and external financial reports, or when reporting on a function, activity, good or service of the Council in internal reports (at management's discretion).

3. DEFINITIONS

Attribution	means the assignment of apportioned costs to other departments.
Direct Cost	means a cost that can be assigned to a particular good, service, function or activity and is directly and wholly attributable to: • the creation of an asset / product • performing a specific function / activity, or • delivery of a specific service.
Full Costs Attribution	means a reliable and consistent basis to include the following costs in the total cost of providing a service or output: • 100% of direct costs • an appropriate proportion of indirect costs
Indirect Cost	means a cost that is not directly attributable to, but supports the provision of, two or more functions, activities, goods or services of Council. For example administrative costs, accounting services, human resources, information systems costs, occupancy, and record keeping.
Overheads	means a cost that is not directly incurred in producing or delivering a good, service, function or activity, usually a fixed operating cost.

4. PRINCIPLES

4.1 **Accounting Standards** – Part 3 Regulations 11 (1) and (2) of the *Local Government (Financial Management) Regulations 2011* (the **Regulations**) states that every Council must ensure *"all accounting records, accounts and financial statements are prepared and maintained in accordance with all relevant Australian Accounting Standards"* and that a full cost attribution basis must be applied when reporting on a function, activity, good or service in financial statement or external financial reports.

4.2 **Legislative Definition** – Part 1 Regulation 3 of the Regulations defines "full cost attribution" as *"a system under which all costs, including indirect and overhead costs, are allocated to a function, activity, good or service on a reliable and consistent basis (which may be unique to a particular council, council subsidiary or regional subsidiary)"*.

4.3 **True Cost** - Full cost attribution seeks to determine the 'true' cost of providing a good or service by tracking and accumulating the total costs of the process to create and distribute the good or service.

4.4 **Reliable and Consistent Basis** - Full cost attribution means using a reliable and consistent basis to include the following costs in the total cost of providing a service or output:

- 100% of direct costs
- An appropriate proportion of indirect costs
- An appropriate proportion of costs.

4.5 **Endorsement** - This procedure endorses these requirements to ensure compliance with the Act.

5. POLICY STATEMENTS

5.1 Full Cost Attribution

Council will apply full cost attribution in accordance with the following principles and processes.

5.2 Costs to Be Allocated

Indirect costs are costs that are not directly attributable to a specific function, activity, good or service, but which support the delivery of one or more Council functions.

The following functions are considered to support all other Council functions:

- Work Health and Safety and Risk Management
- Executive Leadership
- Corporate Services
- Financial Management
- Information Technology
- Other support activities

5.3 Methodology

The allocation of costs to Council functions, activities, goods and services is based on the existence of:

- a demonstrable link between activities and the consumption of resources; and
- a demonstrable link between those activities and the delivery of specific

outputs.

Where no such link exists, costs associated with the activity will not be attributed to an output.

Council has determined that appropriate links exist between Executive Leadership and Corporate Services function costs and the following outputs:

- all operating activities within Community Services, Environmental Services and Infrastructure Services.

5.4 Cost Drivers

Cost drivers are the factors that influence the cost of an activity and must be reliable, consistent and relevant.

In selecting cost drivers, Council has considered:

- the cost-benefit of collecting cost driver data;
- materiality, including whether the allocation basis materially affects outcomes;
- the availability of reliable supporting data;
- simplicity and consistency; and
- the inherently arbitrary nature of allocating indirect costs.

Council allocates all indirect costs on a proportional basis, calculated as each function's total expenditure expressed as a percentage of Council's total expenditure.

5.5 Application

Council assigns operating costs from Executive Leadership and Corporate Services functions through indirect costs being allocated to operating functions within Community Services, Environmental Services and Infrastructure Services on a proportional basis.

5.6 Reporting

Full cost attribution is applied:

- when reporting on a function, activity, good or service of Council; and
- in financial statements and external financial reports in accordance with the Local Government (Financial Management) Regulations 2011.

Notes and disclosures in the annual financial statements relating to functions, activities, goods and services are prepared using full cost attribution.

Budgets, once tabled for Council consideration or approval, are considered external financial reporting and are prepared using full cost attribution.

Financial and operational performance reports and budgets prepared solely for internal management purposes are excluded from external financial reporting requirements.

4 AVAILABILITY OF THE POLICY

This policy will be available for inspection at the Council office, 11 Railway Terrace Karoonda, during ordinary business hours and available to be downloaded, free of charge, from Council's website: www.dckem.sa.gov.au.

Copies will be provided to interested parties upon request. Email council@dckem.sa.gov.au grievances in relation to this policy or its application should be forwarded in writing addressed to the Chief Executive Officer of Council.

5 DOCUMENT ADMINISTRATION AND CONTROL

COUNCIL POLICY	
Policy title:	Full Cost Attribution Policy
Responsible officer:	Chief Executive Officer
Version:	V1
Committee review:	Audit & Risk Committee
First issued / adopted:	June 2026
Review frequency:	Within 12 months following a Local Government Election, or as otherwise required by legislation.
Last reviewed:	June 2026
Next review date:	November 2027
Applicable legislation / related documents:	*Local Government Act 1999* *Local Government (Financial Management) Regulations 2011* LGA Model Policy