

Queensland



Local Government Act 1993

LOCAL GOVERNMENT FINANCE STANDARD 1994

**Reprinted as in force on 14 July 1998
(includes amendments up to SL No. 142 of 1998)**

Reprint No. 1B

**This reprint is prepared by
the Office of the Queensland Parliamentary Counsel
Warning—This reprint is not an authorised copy**

Information about this reprint

This standard is reprinted as at 14 July 1998. The reprint shows the law as amended by all amendments that commenced on or before that day (Reprints Act 1992 s 5(c)).

The reprint includes a reference to the law by which each amendment was made—see list of legislation and list of annotations in endnotes.

This page is specific to this reprint. See previous reprints for information about earlier changes made under the Reprints Act 1992. A table of earlier reprints is included in the endnotes.

Also see endnotes for information about—

- **when provisions commenced**
- **editorial changes made in earlier reprints.**



LOCAL GOVERNMENT FINANCE STANDARD 1994

TABLE OF PROVISIONS

Section	Page
PART 1—PRELIMINARY	
1 Short title	9
2 Definitions	9
PART 2—FINANCIAL MANAGEMENT	
<i>Division 1—Policies for financial management</i>	
3 Policies to be developed by each local government	12
4 Policy about contracts for the acquisition of goods and services for less than \$10 000	12
5 Policy about internal audit	12
6 Policy about an audit committee	13
7 Policy about borrowings	13
8 Policy about revenue—Act, s 450(a)	14
<i>Division 2—Principles of financial management</i>	
9 Principles to be complied with in financial management	14
<i>Division 3—Accounting manual</i>	
10 Local government to keep accounting manual	15
<i>Division 4—Contracts and tendering</i>	
11 Exemptions to requirement to seek tenders or quotations—Act, s 400(1)(e)	15
12 Preconditions for establishing a standing offer or preferred supplier arrangement	15
13 Preconditions for establishing a register of pre-qualified suppliers	16
14 Procedure for establishing purchasing arrangements	16

PART 3—CORPORATE AND OPERATIONAL PLANS*Division 1—Corporate plans*

16	Requirements of corporate plan—Act, s 421	17
17	Assessment of local and regional issues	18
18	Consultation process used in preparation of plan	18

Division 2—Operational plans

19	Requirements of operational plans—Act, s 424	19
----	--	----

PART 4—FUNDS AND ACCOUNTING PROCEDURES*Division 1—Operating fund*

20	Operating fund	19
21	Separate bank accounts within operating fund	19
22	Reserves—Act, s 429	19

Division 2—Trust fund

23	Trust fund	20
24	Funds that should not be part of trust fund	20
25	Funds incorrectly paid into operating fund	20
26	Reconciliation of trust fund	21

PART 5—BUDGET

27	Budget to be prepared on an accrual basis	21
28	Requirements of budget—Act, s 433	21
29	Budget to be balanced	21
31	Amendment of budget	21
32	Disbursement because of genuine emergency or hardship—Act, s 433(4)	22
33	Financial information to be presented to budget meeting—Act, s 435	22

PART 6—ACCOUNTS*Division 1—Accounting records*

34	Accounting records	23
35	Systems to support account keeping	23
36	Statements of account to be presented to local government—Act, s 444	23

Division 2—Non-current assets

37	Register of non-current assets	24
----	--------------------------------------	----

Division 3—Non-current asset valuation

38	Value of non-current assets is current value	24
39	What is the current value of a non-current asset?	25
40	Certain land and roads do not have a value	25
41	Revaluation of non-current assets	26
42	Decision that s 38 or s 41 does not apply	26
43	Documents about revaluations and adjustments	26

Division 4—Non-current liability valuation

44	Non-current liabilities	26
----	-------------------------------	----

PART 7—ANNUAL REPORT***Division 1—Annual reports generally***

45	Annual report	27
----	---------------------	----

Division 2—Financial statements in annual report

46	Annual financial statements—Act, s 448	27
47	Period to which statements relate	27
48	Financial statements to include components of equity	27
49	Appropriation statement	28
50	Capital funding statement	29
51	Operating capability	29
52	Statement of original budget compared with actual results	30
53	Signing of financial statements—Act, s 448	30
54	Accompanying documents to Auditor-General	30
55	Differences between proposed and final financial statements	31
56	Unaudited financial statements	31

PART 8—FULL COST PRICING***Division 1—Preliminary***

57	Object of pt 8	31
58	Application of pt 8	31

Division 2—Full cost pricing***Subdivision 1—Matters affecting full cost pricing***

59	Matters affecting full cost pricing	31
----	---	----

Subdivision 2—Full cost pricing

60	Application of full cost pricing	32
61	Different charges for commercial reasons	32
62	Total costs of carrying on activity	32
63	Administrative and overhead costs	33
64	Cost of resources used in carrying on activity	33
65	Depreciation	33
66	Equivalents for taxes not otherwise liable to be paid	34
67	Return on capital	34

Subdivision 3—Treatment of community service obligations

68	Extra cost for community service obligations to be treated as revenue . . .	35
----	---	----

PART 8A—COMMERCIALISATION***Division 1—Preliminary***

68A	Object of pt 8A	35
68B	Application of pt 8A	35

Division 2—Commercialisation***Subdivision 1—Matters affecting commercialisation***

68C	Matters affecting commercialisation	36
-----	---	----

Subdivision 2—Full cost pricing

68D	Application of full cost pricing	36
68E	Different charges for commercial reasons	36
68F	Total costs of carrying on activity	37
68G	Administrative and overhead costs	37
68H	Cost of resources used in carrying on activity	37
68I	Depreciation	38
68J	Return on capital	38

Subdivision 3—Treatment of community service obligations

68K	Extra cost for community service obligations to be treated as revenue . . .	38
-----	---	----

Subdivision 4—Annual performance plan

68L	Annual performance plan for each commercial business unit	39
-----	---	----

PART 9—CODE OF COMPETITIVE CONDUCT*Division 1—Preliminary*

69	Object of pt 9	40
70	Application of code	40

*Division 2—The code**Subdivision 1—Elements of the code*

71	Elements of the code	41
----	--------------------------------	----

Subdivision 2—Full cost pricing

72	Application of full cost pricing	41
73	Different charges for commercial reasons	42
74	Total costs of carrying on activity	42
75	Administrative and overhead costs	42
76	Cost of resources used in carrying on activity	42
77	Depreciation	43
78	Equivalents for taxes not otherwise liable to be paid	43
79	Equivalents for State guarantees on borrowings	44
80	Return on capital	44

Subdivision 3—Treatment of community service obligations

81	Extra cost for community service obligations to be treated as revenue . . .	44
82	Community service obligations not to be part of roads business activities	45

Subdivision 4—Elimination of, or taking into account, advantages and disadvantages of public ownership

83	Effect of advantages or disadvantages of public ownership	45
----	---	----

Subdivision 5—Financial reporting

84	Statement in budget	45
85	Omission of certain matters from statement in budget	46
86	Statement in annual report	46
87	Omission of certain matters from statement in annual report	47

PART 10—REFORM OF CERTAIN WATER AND SEWERAGE SERVICES*Division 1—Preliminary*

88	Object of pt 10	48
----	---------------------------	----

	<i>Division 2—Matters to be complied with</i>	
	<i>Subdivision 1—Matters to be complied with for relevant business activities</i>	
89	Matters to be complied with for relevant business activities	48
	<i>Subdivision 2—Consumption as the basis for utility charges for water services</i>	
90	Application of sdiv 2	49
91	Consumption as the basis for utility charges	49
92	When charges are based on quantity of water supplied	49
	<i>Subdivision 3—Full cost recovery</i>	
93	Application of sdiv 3	50
94	Application of full cost recovery	50
95	Total costs of carrying on relevant business activity	50
96	Administrative and overhead costs	51
97	Cost of resources used in carrying on relevant business activity	51
98	Depreciation	51
99	Return on capital	52
	<i>Subdivision 4—Treatment of community service obligations</i>	
100	Extra cost for community service obligations to be treated as revenue . . .	52
	<i>Subdivision 5—Identification and disclosure of cross-subsidies between classes of consumers</i>	
101	Disclosure of cross-subsidies in annual report	52
	<i>Subdivision 6—Disclosure of community service obligations</i>	
102	Disclosure of community service obligations	53
	<i>Division 3—Two-part tariffs</i>	
103	Utility charges if two-part tariffs applied	53
	PART 11—TRANSITIONAL	
104	Non-current infrastructure assets	53
105	Converting 1996/97 budget to approved format	54
	SCHEDULE	55
	EXAMPLE FINANCIAL STATEMENTS	

ENDNOTES

1	Index to endnotes	58
3	Key	58
4	Table of earlier reprints	59
5	List of legislation	59
6	List of annotations	59

LOCAL GOVERNMENT FINANCE STANDARD 1994

[as amended by all amendments that commenced on or before 14 July 1998]

PART 1—PRELIMINARY

Short title

1. This Standard may be cited as the *Local Government Finance Standard 1994*.

Definitions

2. In this Standard—

“AAS” means the Australian Accounting Standards.

“**adopted budget**” of a local government means the original budget adopted by it and any amendments to the budget adopted by it.

“**Australian Accounting Standards**” means the Australian accounting standards issued jointly by or for the National Councils of the Australian Society of Certified Practising Accountants and the Institute of Chartered Accountants in Australia.

“**bank account**” means an account with a financial institution or foreign society.

“**commercialisation**”, for part 8A, see section 458CH¹ of the Act.

“**Commonwealth tax**” means tax imposed under a Commonwealth Act.

“**community service obligations**” means—

(a) for an activity carried on by a corporatised corporation under

¹ Section 458CH (Meaning of “commercialisation”)

chapter 7A, part 6 of the Act—see section 458I² of the Act; or

- (b) for an activity carried on by a commercial business unit of a local government—see section 458CJ³ of the Act; or
- (c) for another activity carried on by a local government—the obligations to do anything the local government is satisfied—
 - (i) if the activity were to be carried on by an entity with the primary object of making a profit—would not be in the entity’s commercial interests to perform; and
 - (ii) arise because of a direction by the local government.

“entity”, for part 10, see section 89.⁴

“foreign society” has the meaning given by the Financial Institutions (Queensland) Code.

“full cost pricing”, for part 8, see section 458CA⁵ of the Act.

“LGA arrangement” means an arrangement—

- (a) entered into by the Local Government Association; and
- (b) that would be a purchasing arrangement if entered into by a local government; and
- (c) for which the procedure set out in section 14⁶ has been followed by the Association as if it were a local government.

“original budget”, of a local government, means the budget adopted at the local government’s budget meeting.

“preferred supplier arrangement” for a local government means an arrangement by the local government with a supplier for the supply of goods or services under agreed pricing conditions for a stated period.

“pre-qualified supplier” for a local government means a supplier who has been assessed by the local government as having the technical,

² Section 458I (Meaning of “community service obligations”)

³ Section 458CJ (Definitions for pt 5)

⁴ Section 89 (Matters to be complied with for relevant business activities)

⁵ Section 458CA (Meaning of “full cost pricing”)

⁶ Section 14 (Procedure for establishing purchasing arrangements).

financial and managerial capability necessary to perform contracts on time and in accordance with agreed requirements.

“purchasing arrangement” means—

- (a) a standing offer arrangement; or
- (b) a preferred supplier arrangement; or
- (c) a register of pre-qualified suppliers.

“relevant business activity”, for part 10, see section 458NB⁷ of the Act.

“roads business activity”, for part 9, see section 458MC⁸ of the Act.

“SAC” means the Statements of Accounting Concepts.

“SAP” means the Statements of Accounting Practice.

“standing offer arrangement” for a local government means an arrangement to which the local government is a party with a supplier for the supply of goods or services at a fixed price for a stated period.

“Statements of Accounting Concepts” means the statements of accounting concepts issued jointly by or for the National Councils of the Australian Society of Certified Practising Accountants and the Institute of Chartered Accountants in Australia.

“Statements of Accounting Practice” means the statements of accounting practice issued jointly by or for the National Councils of the Australian Society of Certified Practising Accountants and the Institute of Chartered Accountants in Australia.

“State tax” means tax imposed under the Act, or another Act.

“tax” includes a charge, duty, fee, levy or rate.

⁷ Section 458NB (Meaning of relevant business activity)

⁸ Section 458MC (Definitions for ch 7B)

PART 2—FINANCIAL MANAGEMENT

Division 1—Policies for financial management

Policies to be developed by each local government

3. A local government must develop the following financial management policies—

- (a) a policy about contracts for the acquisition of goods and services for less than \$10 000;
- (b) a policy about internal audit;
- (c) a policy about an audit committee;
- (d) a policy about borrowings;
- (e) a policy about revenue;
- (f) a policy about the carrying out of the principles governing the making of contracts mentioned in section 395 of the Act (Principles governing the making of contracts).

Policy about contracts for the acquisition of goods and services for less than \$10 000

4. A local government's policy about contracts for the acquisition of goods and services for less than \$10 000 must include details of the process and procedures to be used in entering into the contracts.

Policy about internal audit

5.(1) A local government's policy about internal audit must provide for whether the local government must appoint an internal auditor.

(2) If the internal audit policy provides that an internal auditor must be appointed, the internal auditor must perform the following duties—

- (a) identify and assess the risks to which the local government's operations are exposed;
- (b) prepare audit plans to lessen the identified risks;

- (c) develop a work program for all internal audit activities of the local government;
- (d) supply a summary of each internal audit report to the mayor, chief executive officer and, if an audit committee has been appointed, the committee;
- (e) at least twice each financial year—supply a summary of audit findings, action taken and action outstanding to the mayor, chief executive officer and, if an audit committee has been appointed, the committee;

(3) An internal auditor may advise the Auditor-General about an audit finding.

(4) If a local government's policy about internal audit does not provide for the appointment of an internal auditor, it must provide for a review of the policy about appointing an internal auditor at least every 3 years.

Policy about an audit committee

6.(1) A local government's policy about an audit committee must provide for whether the local government must establish an audit committee.

(2) If the audit committee policy provides that an audit committee must be established, the audit committee must—

- (a) meet at least twice each financial year; and
- (b) review internal audit reports and findings; and
- (c) review audit risk assessments and projects; and
- (d) review letters and reports provided by an external auditor.

(3) If a local government's audit committee policy does not provide for the establishment of an audit committee, it must provide for a review of the policy about establishing an audit committee at least every 3 years.

Policy about borrowings

7. A local government's policy about borrowings must include—

- (a) new borrowings planned for the current financial year and the

next 2 financial years; and

- (b) the purpose of the new borrowings; and
- (c) the time over which it is planned to repay existing and proposed borrowings.

Policy about revenue—Act, s 450(a)

8. A local government's policy about revenue must include the following matters—

- (a) how rates and charges are decided by it, including the extent the rates and charges relate to relevant costs;
- (b) any rebates and concessions on rates and charges;
- (c) any limitation on increases in rates and charges;
- (d) the extent physical and social infrastructure costs for new development are to be funded by charges for the development;
- (e) whether it is intended to maintain, decrease or increase the operating capability of the local government and the extent to which it may be decreased or increased;
- (f) whether depreciation, and other non-cash expenses, are to be fully funded.

Division 2—Principles of financial management

Principles to be complied with in financial management

9. The principles to be complied with by a local government in financial management are as follows—

- (a) the need to consider suitable operation of internal control;
- (b) the need to consider equity between people presently living in its area and between different generations;
- (c) the need to consider the interests of all people living in its area;
- (d) the need to consider the efficient, effective and proper

- management of the local government;
- (e) the need to consider planning for the future.

Division 3—Accounting manual

Local government to keep accounting manual

10.(1) A local government must keep an accounting manual.

(2) The manual must contain—

- (a) all of the local government's policies about financial management; and
- (b) the procedures and internal controls associated with the accounting systems; and
- (c) the duties of staff operating the accounting systems.

Division 4—Contracts and tendering

Exemptions to requirement to seek tenders or quotations—Act, s 400(1)(e)

11. A contract is made under an exemption to open competition if the contract is entered into—

- (a) under a standing offer or a preferred supplier arrangement; or
- (b) with a supplier from a register of pre-qualified suppliers; or
- (c) under an LGA arrangement.

Preconditions for establishing a standing offer or preferred supplier arrangement

12. A local government may establish a standing offer or preferred supplier arrangement only if—

- (a) the supply of goods or services is needed in large volumes or frequently; and

- (b) the local government is able to obtain better value for money by aggregating demand for the goods or services needed; and
- (c) the goods or services needed can be stated in terms that would be well understood in the industry concerned.

Preconditions for establishing a register of pre-qualified suppliers

13. A local government may establish a register of pre-qualified suppliers only if—

- (a) the preparation and evaluation of invitations each time the goods or services are needed would be costly; or
- (b) the capability or financial capacity of the supplier is critical; or
- (c) the goods or services supplied involve significant security considerations; or
- (d) a precondition of an offer to contract is compliance with defined standards; or
- (e) the ability of local business to supply the goods or services needed by the local government needs to be ascertained or encouraged.

Procedure for establishing purchasing arrangements

14.(1) If a local government proposes to establish a purchasing arrangement, it must invite persons to tender.

(2) The invitation must—

- (a) be in the way provided for inviting tenders in section 398 of the Act;⁹ and
- (b) state the purchasing arrangement for which the person is tendering.

(3) The local government must select persons to enter a purchasing

⁹ Section 398 (When tenders are required).

arrangement on the basis of the principles mentioned in section 395 of the Act.¹⁰

(4) The local government must ensure there is provision for the evaluation of a purchasing arrangement including, for example, removal of a person from an arrangement because of the person's poor performance of a contract entered into under the arrangement.

(5) A local government may enter a purchasing arrangement for longer than 2 years only if it is satisfied that better value will be achieved by entering into a longer arrangement.

PART 3—CORPORATE AND OPERATIONAL PLANS

Division 1—Corporate plans

Requirements of corporate plan—Act, s 421

16.(1) The purpose of a local government preparing and adopting a corporate plan is to provide an effective way to decide, achieve and review its objectives in the short, medium and long term, through an integrated response to the present and future needs of its community.

(2) Without limiting subsection (1), the corporate plan must include—

- (a) an assessment of local and regional issues, and external and internal factors, affecting its area and its responses to the issues; and
- (b) a statement of its strategic direction; and
- (c) a statement of objectives about the issues affecting its area; and
- (d) strategies for achieving the objectives.

¹⁰ Section 395 (Principles governing the making of contracts).

Assessment of local and regional issues

17.(1) An assessment of local and regional issues, and the local government's response to the issues, must include information about its role in—

- (a) arts and cultural development; and
- (b) community development and human services; and
- (c) economic development; and
- (d) environmental management; and
- (e) housing policy; and
- (f) infrastructure development, maintenance and replacement; and
- (g) population change and development.

(2) The assessment must also include consideration of the scope for regional cooperation between local governments to respond to the local and regional issues.

(3) The assessment must not be limited to the time to which the corporate plan relates but must take into account foreseeable future issues relevant to the local government's area.

Consultation process used in preparation of plan

18. A corporate plan must state the consultation process used in its preparation.

Example—

Note to corporate plan

The consultation process for the corporate plan included—

- (a) notice of a proposal to prepare a draft corporate plan, inviting submissions regarding the preparation of the plan; and
- (b) consideration of submissions received about the proposal; and
- (c) preparation of the plan; and
- (d) notice that the draft plan was available for inspection, inviting submissions regarding the draft plan; and

- (e) consideration of submissions received about the draft plan; and
- (f) preparation of the final plan.

Division 2—Operational plans

Requirements of operational plans—Act, s 424

19. A local government's operational plan must—

- (a) address the methods by which the objectives of its corporate plan are to be achieved; and
- (b) specify the outcomes it wants to achieve and the internal processes needed to produce the outcomes; and
- (c) contain performance measures about the outcomes.

PART 4—FUNDS AND ACCOUNTING PROCEDURES

Division 1—Operating fund

Operating fund

20. A local government's operating fund consists of all of its assets and liabilities other than trust fund items.

Separate bank accounts within operating fund

21. Separate bank accounts may be kept within the operating fund.

Reserves—Act, s 429

22.(1) Reserves may be created by inclusion in a local government's adopted budget.

(2) The resolution adopting a budget creating a reserve must state the

reason for the reserve.

(3) The resolution, or a policy of the local government, must state whether—

- (a) cash representing a reserve is to be transferred to a separately identified bank account or other investment; or
- (b) the assets concerned are to be kept within the local government's general pool of assets.

(4) If a reserve is created, a transfer from the reserve may only be made by resolution of the local government or the inclusion of the transfer in an adopted budget.

(5) A resolution authorising a transfer from a reserve for a purpose other than the purpose of the reserve must state the reason for the transfer.

Division 2—Trust fund

Trust fund

23.(1) A local government must keep amounts credited to its trust fund in a separate bank account or separately identified investments.

(2) The bank account for the trust fund must not be overdrawn.

Funds that should not be part of trust fund

24. An amount in a local government's bank account for its trust fund that is not required to be in the account must be transferred to the operating fund as soon as practicable.

Funds incorrectly paid into operating fund

25. If an amount that should be paid into a local government's bank account for its trust fund is paid into its bank account for its operating fund, the amount must be transferred to the bank account for the trust fund as soon as practicable and, in any case, within 5 working days after it is identified.

Reconciliation of trust fund

26. The assets of the trust fund must be reconciled with the liabilities of the trust fund at least monthly.

PART 5—BUDGET**Budget to be prepared on an accrual basis**

27. A local government's budget must be prepared on an accrual basis.

Requirements of budget—Act, s 433

28.(1) A local government's budget for a financial year must be in the approved form.

(2) The budget may contain additional information the local government considers may be more informative or in the public interest.

Budget to be balanced

29.(1) A local government's original budget must be balanced.

(2) Subsection (1) applies after—

- (a)** all transfers to and from the local government's capital account; and
- (b)** taking into account any actual surplus or deficit from the previous financial year.

Amendment of budget

31.(1) A local government's budget must be amended if it intends to make material changes to the expenses or revenue for a significant function or activity.

(2) If a local government's budget is amended after a disbursement is made under section 32 (Disbursement because of genuine emergency or

hardship—Act, s 433(4), the amendment must take the disbursement into account.

Disbursement because of genuine emergency or hardship—Act, s 433(4)

32.(1) A resolution must be made about a disbursement for a purpose of a genuine emergency or hardship before the disbursement is made or as soon as practicable after it is made.

(2) The resolution must state how the disbursement is to be funded.

Financial information to be presented to budget meeting—Act, s 435

33.(1) A document presented to a budget meeting under section 435 of the Act (Financial information to be presented to budget meeting) must include the following—

- (a) the original budget estimates;
- (b) if an amended budget has been adopted—the amended budget estimates;
- (c) actual or estimated expenses and revenue;
- (d) explanations of significant differences from the original budget (whether an actual or anticipated difference);
- (e) an explanation of the impact of the budget and actual performance on future budgets.

(2) The document must be prepared on an accrual basis.

PART 6—ACCOUNTS

Division 1—Accounting records

Accounting records

34.(1) A local government's accounting records must be kept in a way that allows the financial reports prepared for each financial year to comply with the Australian Accounting Standards, Statements of Accounting Concepts and Statements of Accounting Practice.

(2) Subsection (1) applies to the extent that the Australian Accounting Standards, Statements of Accounting Concepts and Statements of Accounting Practice are consistent with this standard.

(3) A requirement under subsection (1) for a financial report to comply with the Statements of Accounting Practice applies only to the extent that the financial report is about non-current assets.

Systems to support account keeping

35.(1) All revenue, expenses, assets, liabilities and equity of a local government must be identified, recorded and controlled in its accounting records.

(2) Without limiting subsection (1), the local government must have systems in place to ensure—

- (a)** all revenue is promptly assessed and collected; and
- (b)** expenses and liabilities are not incurred without appropriate authority; and
- (c)** assets are protected from loss.

Statements of account to be presented to local government—Act, s 444

36.(1) A statement of account under section 444 of the Act (Statements of account to be presented to local government) must include the following—

- (a)** the original budget estimates;

- (b) if an amended budget has been adopted—the amended budget estimates;
- (c) actual expenses and revenue;
- (d) explanations of significant differences from the original budget (whether an actual or anticipated difference).

(2) The statements of account under section 444 of the Act must be prepared on an accrual basis.

Division 2—Non-current assets

Register of non-current assets

37.(1) A local government must keep a register of non-current assets.

(2) The register of non-current assets must include all of its non-current assets, other than a non-current asset it is treating as an expense.

(3) The local government must, by resolution, set an amount (the “**set amount**”) below which the value of a non-current asset must be treated as an expense.

(4) The set amount must not be more than \$5 000.

(5) The set amount may be a different amount for different assets.

(6) The set amount must be recorded in the local government’s accounting manual and disclosed by way of note in its annual financial statements.

(7) The local government must keep documents and records supporting the register of non-current assets.

Division 3—Non-current asset valuation

Value of non-current assets is current value

38.(1) Non-current assets must be valued at their current value.

(2) Non-current assets must be accounted for as stated in Statement of Accounting Practice SAP1 ‘Current Cost Accounting’.

What is the current value of a non-current asset?

39.(1) The current value of a non-current asset of a local government is the loss that it would incur if it were deprived of the asset's utility.

(2) The value of the loss of each non-current asset is valued by deciding whether, under normal operating conditions, the benefits the asset provided would be replaced or reproduced or not replaced or reproduced.

(3) If the benefits the asset provided would be replaced or reproduced, the current value is the current cost of the benefits less any depreciation.

(4) Current cost of the benefits the asset provided is the current market buying price, current reproduction cost or current replacement cost.

(5) If the benefits the asset provided would not be replaced or reproduced, its current value is the net realisable value.

Certain land and roads do not have a value

40.(1) The following do not have a value for the purposes of a local government's financial statements—

- (a) land that is a reserve under the *Land Act 1962* and is controlled by the local government;
- (b) a road controlled by the local government (other than a road owned by it).

(2) The financial statements must contain a note about subsection (1).

(3) The note must include—

- (a) for a reserve—the area of the reserve controlled by it, including land that has been leased by it to someone else; and
- (b) for roads—the total length of roads controlled by it.

Example of a note—

The Tropical State Shire Council has control of—

- (a) 100 ha of parks (including 10 ha leased to sporting clubs) on land that is a reserve under the *Land Act 1962*; and
- (b) 700 km of roads.

This land does not have a value for its financial statements.

Revaluation of non-current assets

41. A local government must revalue each non-current asset at intervals of not longer than 5 years.

Decision that s 38 or s 41 does not apply

42. A local government may decide that section 38 or 41, or both sections, do not apply to non-current assets with—

- (a) a useful life from new of 10 years or less; or
- (b) a value before revaluation of not more than \$50 000 or a lesser amount decided by it.

Documents about revaluations and adjustments

43.(1) A local government must keep documents and records supporting revaluations and adjustments by it.

(2) The methodologies and rates adopted for the depreciation and revaluation of non-current assets must be stated in its accounting manual and disclosed by way of a note in its financial statements for the year.

Division 4—Non-current liability valuation**Non-current liabilities**

44.(1) Non-current liabilities must be valued at their current value.

(2) The current value of a non-current liability of a local government is the lowest amount it could pay, at the balance date of the financial statements, to discharge the liability.

PART 7—ANNUAL REPORT

Division 1—Annual reports generally

Annual report

45. A local government's annual report must include a summary of its policy about borrowings.

Division 2—Financial statements in annual report

Annual financial statements—Act, s 448

46.(1) A local government's financial statements for the year are to be general purpose financial statements and must comply with Australian Accounting Standard AAS 27.

(2) Subsection (1) applies to the extent that AAS 27 'Financial Reporting by Local Governments' is consistent with this standard.

Period to which statements relate

47.(1) Financial statements of a local government prepared up to a day within 2 weeks before 30 June of a financial year are taken to be prepared for the whole of the financial year.

(2) The financial statements must show—

- (a) the date to which the statements are prepared; and
- (b) in the title of the statements—the period for which the statements are prepared.

Financial statements to include components of equity

48.(1) The equity of a local government shown in its financial statements must be divided into the following components—

- (a) reserves;

- (b) if there is an amount available to offset expenses in the next financial year—the amount stated as an accumulated surplus;
- (c) if there is an amount to be recovered from revenue in the next financial year—the amount stated as an accumulated deficit;
- (d) capital;
- (e) the current cost reserve.

(2) In this section—

“capital” of a local government means the capital, other than the current cost reserve, that, at the balance date of its financial statements, is needed for its operations and to maintain its existing operating capability.

“current cost reserve” means the reserve created under the principles in SAP 1 ‘Current Cost Accounting’ as applied to the revaluation of non-current assets.

“reserve” means an amount set aside to meet future specific expenses.

Appropriation statement

49.(1) A local government’s financial statements must also include an appropriation statement showing—

- (a) revenue transferred to its capital account and used for capital purposes (including the repayment of borrowings); and
- (b) amounts transferred from its capital account and used for unfunded depreciation; and
- (c) transfers to, or from, reserves.

(2) In this section—

“unfunded depreciation” means the amount of depreciation in a financial year not paid for by revenue raised during the year.

Example—

See example 1 in the Schedule.

Capital funding statement

50.(1) A local government's financial statements must also include a capital funding statement.

(2) The statement must show the cost of the acquisition of non-current assets and the repayment of borrowings and the way the cost has been funded.

(3) Details about the way the cost has been funded must include revenue and non-revenue items but only to the extent the items have been used for capital purposes.

(4) In this section—

“non-revenue items” include—

- (a) loan raising, including finance leases; and
- (b) funded depreciation; and
- (c) proceeds of disposal of non-current assets; and
- (d) reserves set aside in previous periods; and
- (e) other non-revenue items.

“revenue items” include—

- (a) general sources of revenue; and
- (b) subsidies and grants for buying capital items; and
- (c) contributions, including contributions in kind; and
- (d) other specific revenue items.

(5) In this section—

“funded depreciation” means the amount of depreciation in a financial year that is paid for by revenue raised during the year.

Example—

See example 2 in the Schedule.

Operating capability

51. A local government's financial statements must disclose, as well as the matters stated in the paragraphs of AAS 27 about classification

according to function or activity, the net decrease or increase in operating capability for each of its significant functions or activities.

Statement of original budget compared with actual results

52.(1) A local government's financial statements must also include a statement showing the amount budgeted for each item in the original budget compared with the amount actually spent on the item.

(2) If the amount actually spent on an item is different from the amount budgeted for the item and the amount of the difference is more than the greater of the following amounts, a note must be included in the financial statements explaining the difference—

- (a) 0.2% of the total revenues shown in the operating statement for the financial year;
- (b) 10% of the amount budgeted for the item.

Signing of financial statements—Act, s 448

53.(1) The proposed financial statements must be presented to the local government, and given to the Auditor General, as soon as practicable after the close of each financial year but, in any case, no later than 15 September.

(2) The Minister may extend the time for complying with subsection (1) by written notice given to the local government.

Accompanying documents to Auditor-General

54. The Auditor-General must be supplied with final financial statements, including a certificate by the chief executive officer and mayor of the local government stating whether in their opinion—

- (a) the requirements under the Act for the keeping of the accounts have been complied with in all material respects; and
- (b) the financial statements for the financial year, and supporting notes, present its operating results and financial position as required by the Act.

Differences between proposed and final financial statements

55. If the final financial statements are different from the proposed financial statements, they must be presented to the local government with a statement of any significant differences.

Unaudited financial statements

56. If the financial statements have not been certified by the Auditor-General, a copy that is given to the local government or anyone else must be clearly marked ‘UNAUDITED’ on every page.

PART 8—FULL COST PRICING*Division 1—Preliminary***Object of pt 8**

57. The object of this part is to state requirements for full cost pricing for chapter 7A, part 4 of the Act.

Application of pt 8

58. Part 8 applies to a local government’s implementation of full cost pricing for its significant business activities under chapter 7A, part 4 of the Act.

*Division 2—Full cost pricing**Subdivision 1—Matters affecting full cost pricing***Matters affecting full cost pricing**

59. The matters affecting full cost pricing are—

- (a) full cost pricing; and
- (b) treatment of community service obligations; and
- (c) elimination, or taking account, of advantages and disadvantages of public ownership; and
- (d) financial reporting.

Subdivision 2—Full cost pricing

Application of full cost pricing

60. In deciding charges to clients for goods and services provided in carrying on an activity, a local government must ensure the projected total revenue from carrying on the activity is enough to cover the projected total costs of carrying on the activity for the local government's financial year.

Different charges for commercial reasons

61.(1) A charge may be decided for the provision of specific goods or services in carrying on an activity that is, for commercial reasons, an appropriate charge for the goods or services provided.

(2) For subsection (1), a charge is, for commercial reasons, an appropriate charge if it is a charge that could reasonably be charged if the goods or services had been provided by an entity carrying on the activity with the primary object of making a profit from carrying on the activity.

Total costs of carrying on activity

62.(1) For this subdivision, the total costs of carrying on an activity include the following—

- (a) operational costs incurred in carrying on the activity;
- (b) administrative and overhead costs;
- (c) cost of resources used in carrying on the activity;
- (d) depreciation;
- (e) equivalents for Commonwealth or State taxes the local

government is not liable to pay because it is a local government;

(f) equivalents for the cost of funds advantage the local government obtains over commercial rates of interest because of State guarantees on borrowings;¹¹

(g) return on capital.

(2) The total costs must be adjusted for other advantages and disadvantages of public ownership that are not eliminated.¹²

Administrative and overhead costs

63. The local government must make a reasonable allocation of its administrative and overhead costs to each activity to which full cost pricing is applied.

Cost of resources used in carrying on activity

64.(1) If resources are provided by or to a local government for carrying on an activity, the cost of resources used in carrying on the activity includes an equivalent cost.

(2) If the resources have an identifiable cost, the cost of the resources may be taken to be the equivalent cost.

(3) If subsection (2) does not apply and the resources are readily available on the open market, the price at which they can be obtained in the market may be taken to be the equivalent cost.

(4) If subsection (3) is applied, the local government must ensure the terms on which the cost is based are similar to the terms on which they are made available in carrying on the activity.

Depreciation

65.(1) Depreciation of an asset used in carrying on an activity must be based on the deprival value of the asset allocated over its useful life.

¹¹ See section 458CB of the Act (Guarantees by State)

¹² See section 458CA(2) of the Act (Meaning of “full cost pricing”)

(2) However, a local government may decide not to base depreciation of an asset on its deprival value allocated over its useful life, but to use instead an amount decided by the local government to be appropriate in the circumstances.

Equivalents for taxes not otherwise liable to be paid

66.(1) If, for an activity, the local government would be liable for a Commonwealth or State tax if it were not carried on by a local government, the amount equivalent to the tax must be included in the total costs of the activity.

(2) In working out the equivalent amounts, the local government must, if appropriate, apply the general principles of the tax equivalents manual issued under section 458CO¹³ of the Act that apply to activities carried on by commercial business units.

(3) Subsection (2) does not, of itself, require compliance with any processes or other requirements under the manual but the local government must keep details of calculations done in working out the equivalent amounts for 7 years.

(4) For a tax not dealt with in the manual, estimates of amounts that a private sector entity carrying on the business would calculate to be its liability to the tax must be included.

Return on capital

67.(1) The amount for the return on the capital used in carrying on an activity must be decided using the rate at which, in the opinion of the local government, a comparable private sector entity carrying on the activity would be able to obtain the capital in the market, having regard to the split the local government considers appropriate, for the type of business, between equity and loan capital and the return appropriate to each.

(2) Despite subsection (1), the amount for the return on the capital used in carrying on an activity for the first year in which full cost pricing applies to the activity may be the amount the local government decides.

¹³ Section 458CO (Commonwealth and State tax equivalents)

(3) In this section—

“**capital used in carrying on an activity**” means the total value (using an accepted accountancy method) of the assets used for the activity less the liabilities attributable to the activity.

Subdivision 3—Treatment of community service obligations

Extra cost for community service obligations to be treated as revenue

68. If community service obligations are carried out as part of an activity, for deciding charges for goods and services provided through the activity, there must be treated as revenue for the activity an amount equivalent to—

- (a) the cost of carrying out the obligations; less
- (b) any revenue arising from carrying out the obligations.

PART 8A—COMMERCIALISATION

Division 1—Preliminary

Object of pt 8A

68A. The object of this part is to state requirements for commercialisation for chapter 7A, part 5 of the Act.

Application of pt 8A

68B. This part applies to a local government’s implementation of commercialisation for its significant business activities under chapter 7A, part 5 of the Act.

Division 2—Commercialisation***Subdivision 1—Matters affecting commercialisation*****Matters affecting commercialisation**

68C. The matters affecting commercialisation are—

- (a) full cost pricing; and
- (b) treatment of community service obligations; and
- (c) elimination, or taking account, of advantages and disadvantages of public ownership; and
- (d) matters mentioned in the local government’s annual performance plan .

Subdivision 2—Full cost pricing**Application of full cost pricing**

68D. In deciding charges to clients for goods and services provided in carrying on an activity, a local government must ensure the projected total revenue from carrying on the activity is enough to cover the projected total costs of carrying on the activity for the local government’s financial year.

Different charges for commercial reasons

68E.(1) A charge may be decided for the provision of specific goods or services in carrying on an activity that is, for commercial reasons, an appropriate charge for the goods or services provided.

(2) For subsection (1), a charge is, for commercial reasons, an appropriate charge if it is a charge that could reasonably be charged if the goods or services had been provided by an entity carrying on the activity with the primary object of making a profit from carrying on the activity.

Total costs of carrying on activity

68F. For this subdivision, the total costs of carrying on an activity include the following—

- (a) operational costs incurred in carrying on the activity;
- (b) administrative and overhead costs;
- (c) cost of resources used in carrying on the activity;
- (d) depreciation;
- (e) equivalents for Commonwealth or State taxes the local government is not liable to pay because it is a local government;¹⁴
- (f) equivalents for the cost of funds advantage the local government obtains over commercial rates of interest because of State guarantees on borrowings;¹⁵
- (g) return on capital.

Administrative and overhead costs

68G. The local government must make a reasonable allocation of its administrative and overhead costs to each activity to which commercialisation is applied.

Cost of resources used in carrying on activity

68H.(1) If resources are provided by or to a local government for carrying on an activity, the cost of resources used in carrying on the activity includes an equivalent cost.

(2) If the resources have an identifiable cost, the cost of the resources may be taken to be the equivalent cost.

(3) If subsection (2) does not apply and the resources are readily available on the open market, the price at which they can be obtained in the market may be taken to be the equivalent cost.

¹⁴ See section 458CO of the Act (Commonwealth and State tax equivalents).

¹⁵ See section 458CP of the Act (Guarantees by State).

(4) If subsection (3) is applied, the local government must ensure the terms on which the cost is based are similar to the terms on which they are made available in carrying on the activity.

Depreciation

68I.(1) Depreciation of an asset used in carrying on an activity must be based on the deprival value of the asset allocated over its useful life.

(2) However, a local government may decide not to base depreciation of an asset on its deprival value allocated over its useful life, but to use instead an amount decided by the local government to be appropriate in the circumstances.

Return on capital

68J.(1) The amount for the return on the capital used in carrying on an activity must be decided using the rate at which, in the opinion of the local government, a comparable private sector entity carrying on the activity would be able to obtain the capital in the market, having regard to the split the local government considers appropriate, for the type of business, between equity and loan capital and the return appropriate to each.

(2) Despite subsection (1), the amount for the return on the capital used in carrying on an activity for the first year in which commercialisation applies to the activity may be the amount the local government decides.

(3) In this section—

“capital used in carrying on an activity” means the total value (using an accepted accountancy method) of the assets used for the activity less the liabilities attributable to the activity.

Subdivision 3—Treatment of community service obligations

Extra cost for community service obligations to be treated as revenue

68K. If community service obligations are carried out as part of an activity, for deciding charges for goods and services provided through the activity, there must be treated as revenue for the activity an amount

equivalent to—

- (a) the cost of carrying out the obligations; less
- (b) any revenue arising from carrying out the obligations.

Subdivision 4—Annual performance plan

Annual performance plan for each commercial business unit

68L.(1) The annual performance plan for a commercial business unit (a “CBU”) must include the following matters—

- (a) the CBU’s financial and non-financial performance targets for its activities;
- (b) the nature and extent of the CBU’s community service obligations;
- (c) the costings of, and funding for, the CBU’s community service obligations.

(2) A CBU’s annual performance plan must also include the following matters—

- (a) the CBU’s objectives and functions;
- (b) the nature and scope of the CBU’s main activities and undertakings;
- (c) the CBU’s notional capital structure and treatment of surpluses;
- (d) the CBU’s proposed major investments;
- (e) the CBU’s outstanding and proposed borrowings;
- (f) the CBU’s policy on the level and quality of service consumers can expect from the CBU;
- (g) the delegations necessary to allow the CBU to exercise management autonomy and authority in its commercial activities;
- (h) the type of information to be given in reports.

(3) However, a CBU is not required to include in its annual performance plan a matter, or an aspect of a matter, mentioned in subsection (2) if the CBU’s local government is satisfied that the matter or aspect is not

materially relevant to the CBU or its activities.

(4) Subsections (1) and (2) do not limit the matters that may be included in an annual performance plan.

(5) A matter in the annual performance plan of a CBU may be omitted from the copies of the plan to be made public if—

- (a) the matter is of a commercially sensitive nature to the CBU; and
- (b) a full statement of the matter is given to each councillor of the local government.¹⁶

PART 9—CODE OF COMPETITIVE CONDUCT

Division 1—Preliminary

Object of pt 9

69. The object of this part is to prescribe the code of competitive conduct for chapter 7B of the Act.

Application of code

70. This code applies to an activity of a local government—

- (a) if it is a roads business activity—from when it is to apply under section 458ME¹⁷ of the Act; or
- (b) if it is a business activity to which the local government has resolved to apply the code—while the resolution is effective under

¹⁶ Under s 198(2) of the Act, a person who is or has been a local government councillor must not release information that the person knows, or should reasonably know, is confidential to the local government and the local government wishes to keep confidential.

¹⁷ Section 458ME (Code must be applied to roads business activities)

section 458MH¹⁸ of the Act; or

- (c) if it is another activity to which the local government applies the code¹⁹—in accordance with the local government’s decision to apply the code.

Division 2—The code

Subdivision 1—Elements of the code

Elements of the code

71. The elements of the code are—

- (a) full cost pricing; and
- (b) treatment of community service obligations; and
- (c) elimination, or taking account, of advantages and disadvantages of public ownership; and
- (d) financial reporting.

Subdivision 2—Full cost pricing

Application of full cost pricing

72. In deciding charges to clients for goods and services provided in carrying on an activity, a local government must ensure the projected total revenue from carrying on the activity is enough to cover the projected total costs of carrying on the activity for the local government’s financial year or a longer period (not more than 5 years) decided by the local government.

¹⁸ Section 458MH (Local government to resolve whether to apply code of competitive conduct to business activities)

¹⁹ Under section 458MI of the Act, a local government is not prevented from applying the code to other activities.

Different charges for commercial reasons

73.(1) A charge may be decided for the provision of specific goods or services in carrying on an activity that is, for commercial reasons, an appropriate charge for the goods or services provided.

(2) For subsection (1), a charge is, for commercial reasons, an appropriate charge if it is a charge that could reasonably be charged if the goods or services had been provided by an entity carrying on the activity with the primary object of making a profit from carrying on the activity.

Total costs of carrying on activity

74.(1) For this subdivision, the total costs of carrying on an activity include the following—

- (a) operational costs incurred in carrying on the activity;
- (b) administrative and overhead costs;
- (c) cost of resources used in carrying on the activity;
- (d) depreciation;
- (e) equivalents for Commonwealth or State taxes the local government is not liable to pay because it is a local government;
- (f) equivalents for the cost of funds advantage the local government obtains over commercial rates of interest because of State guarantees on borrowings;
- (g) return on capital.

(2) The total costs must be adjusted for other advantages and disadvantages of public ownership that are not eliminated.

Administrative and overhead costs

75. The local government must make a reasonable allocation of its administrative and overhead costs to each activity to which the code applies.

Cost of resources used in carrying on activity

76.(1) If resources are provided by or to a local government for carrying

on an activity, the cost of resources used in carrying on the activity includes an equivalent cost.

(2) If the resources have an identifiable cost, the cost of the resources may be taken to be the equivalent cost.

(3) If subsection (2) does not apply and the resources are readily available on the open market, the price at which they can be obtained in the market may be taken to be the equivalent cost.

(4) If subsection (3) is applied, the local government must ensure the terms on which the cost is based are similar to the terms on which they are made available in carrying on the activity.

Depreciation

77.(1) Depreciation of an asset used in carrying on an activity must be based on the deprival value of the asset allocated over its useful life.

(2) However, a local government may decide not to base depreciation of an asset on its deprival value allocated over its useful life, but to use instead an amount decided by the local government to be appropriate in the circumstances.

Equivalents for taxes not otherwise liable to be paid

78.(1) If, for an activity, the local government would be liable for a Commonwealth or State tax if it were not carried on by a local government, the amount equivalent to the tax must be included in the total costs of the activity.

(2) In working out the equivalent amounts, the local government must, if appropriate, apply the general principles of the tax equivalents manual issued under section 458CO²⁰ of the Act that apply to activities carried on by commercial business units.

(3) Subsection (2) does not, of itself, require compliance with any processes or other requirements under the manual but the local government must keep details of calculations done in working out the equivalent amounts for 7 years.

²⁰ Section 458CO (Commonwealth and State tax equivalents)

(4) For a tax not dealt with in the manual, estimates of amounts that a private sector entity carrying on the business would calculate to be its liability to the tax must be included.

Equivalents for State guarantees on borrowings

79. If the State guarantees repayment of a debt of a local government attributed to an activity, the local government must in carrying on the activity take account of amounts equivalent to the cost of funds advantage the local government obtains over commercial rates of interest because of the guarantee.

Return on capital

80.(1) The amount for the return on the capital used in carrying on an activity must be decided using the rate at which, in the opinion of the local government, a comparable private sector entity carrying on the activity would be able to obtain the capital in the market, having regard to the split the local government considers appropriate for the type of business between equity and loan capital and the return appropriate to each.

(2) Despite subsection (1), the amount for the return on the capital used in carrying on an activity for the first year in which the code applies to the activity may be the amount the local government decides.

(3) In this section—

“capital used in carrying on an activity” means the total value (using an accepted accounting method) of the assets used for the activity less the liabilities attributable to the activity.

Subdivision 3—Treatment of community service obligations

Extra cost for community service obligations to be treated as revenue

81. If community service obligations are carried out as part of an activity, for deciding charges for goods and services provided through the activity, there must be treated as revenue for the activity an amount equivalent to—

- (a) the cost of carrying out the obligations; less
- (b) any revenue arising from carrying out the obligations.

Community service obligations not to be part of roads business activities

82. Community service obligations must not be included in offers or competitive tenders submitted for roads business activities carrying out work on State-controlled roads.

Subdivision 4—Elimination of, or taking into account, advantages and disadvantages of public ownership

Effect of advantages or disadvantages of public ownership

83. The local government must ensure—

- (a) if possible and appropriate, any advantages or disadvantages arising because an activity is publicly owned are eliminated; and
- (b) if the advantages or disadvantages are not eliminated—they are taken into account in deciding full cost pricing for the activity.

Subdivision 5—Financial reporting

Statement in budget

84.(1) Each budget of a local government must include a statement about its activities to which the code applies.

(2) The statement must—

- (a) show the estimated revenues for each activity; and
- (b) show the estimated expenses for each activity including any items required to be taken into account for full cost pricing other than return on capital; and
- (c) include the estimated surplus or deficit for the period; and
- (d) include a description of the nature of community service

obligations to be provided under the activity.

(3) The statement must disclose, as estimated revenues, the following items separately—

- (a) estimated revenue for services to be provided by the activity to clients other than the local government;
- (b) estimated revenue for services to be provided by the activity to the local government;
- (c) the estimated cost of, less any estimated revenue arising from, carrying out community service obligations provided under the activity.

(4) A separate statement under this section is not required if—

- (a) the activity, or the total for all activities, is a significant activity for accounting purposes; and
- (b) all the required information is shown in the budget.

Omission of certain matters from statement in budget

85. A statement in a budget of a local government under section 84 may include a summary of a matter required to be included in the budget, rather than a full statement of the matter, if—

- (a) the summary indicates—
 - (i) it is a summary only; and
 - (ii) a full statement of the matter is open to inspection; and
- (b) a full statement of the matter is open to inspection.

Statement in annual report

86.(1) A local government must include in the financial statements in its annual report a statement about its activities to which the code applies.

(2) The statement must—

- (a) show the revenues for each activity; and
- (b) show the expenses for each activity including any items required to be taken into account for full cost pricing other than return on

capital; and

- (c) include the surplus or deficit for the period; and
- (d) include a description of the nature of community service obligations provided under the activity.

(3) The statement must disclose, as revenues, the following items separately—

- (a) revenue for goods and services provided to clients other than the local government in carrying on the activity;
- (b) revenue for goods and services provided to the local government in carrying on the activity;
- (c) the cost of, less any revenue arising from, carrying out community service obligations provided under the activity.

(4) A separate statement under this section is not required if—

- (a) the activity, or the total for all activities, is a significant activity for accounting purposes; and
- (b) all the required information is shown on the statement to be included under section 52²¹ in the financial statements.

Omission of certain matters from statement in annual report

87. A statement in an annual report of a local government under section 86 may include a summary of a matter required to be included in the annual report, rather than a full statement of the matter, if—

- (a) the summary indicates—
 - (i) it is a summary only; and
 - (ii) a full statement of the matter is open to inspection; and
- (b) a full statement of the matter is open to inspection.

²¹ Section 52 (Statement of original budget compared with actual results)

PART 10—REFORM OF CERTAIN WATER AND SEWERAGE SERVICES

Division 1—Preliminary

Object of pt 10

88. The object of this part is to state the requirements for the reform of certain water and sewerage services under chapter 7C of the Act for relevant business activities of local governments and their corporatised corporations.

Division 2—Matters to be complied with

Subdivision 1—Matters to be complied with for relevant business activities

Matters to be complied with for relevant business activities

89. In complying with section 458NN²² of the Act in relation to its relevant business activities, a local government or corporatised corporation (the “**entity**”) must comply with the following matters in this division—

- (a) if the local government has resolved that a two-part tariff is to be applied for an activity—a two-part tariff;
- (b) consumption as the basis for utility charges for water services;
- (c) full cost recovery for water and sewerage services;
- (d) identification and disclosure of cross-subsidies between classes of consumers;
- (e) identification and disclosure of community service obligations;
- (f) disclosure of the classes of consumers provided with water and sewerage services at an amount below full cost and the amount.

²² Section 458NN (Local governments to implement charging and operational arrangements for relevant business activities)

Subdivision 2—Consumption as the basis for utility charges for water services

Application of sdiv 2

90. This subdivision applies to the extent that an entity's relevant business activity provides water services.

Consumption as the basis for utility charges

91. In deciding the utility charges to be made for the supply of water services provided by a relevant business activity, an entity must ensure the charges are based on the quantity of water supplied.

When charges are based on quantity of water supplied

92.(1) A utility charge for water services is based on the quantity of water supplied by the entity if it is worked out on a basis stated in subsection (2), (3) or (4).

(2) If utility charges are worked out based on meter readings of water consumed, the utility charges for consumers or groups of consumers must be based on either—

- (a) a fixed amount and a further amount or further amounts for each unit or part of a unit of the quantity of water supplied greater than a stated unit or units; or
- (b) an amount or amounts for units or part of a unit of the quantity of water supplied.

(3) The utility charge for consumers in a group must be based on the estimated average consumption by all consumers in the group if—

- (a) utility charges are not based on a meter reading of water consumed; and
- (b) the consumers are divided by the entity into groups based on the estimated average quantity of water expected to be supplied to customers in each group.

Example for subsection (3)—

A local government could, by sampling or other ways, work out the average usage of domestic consumers was 300 kl per year and the average of commercial consumers was 2 000 kl per year. The utility charge could then be based on a notional access charge of say, for domestic consumers—\$100 and, for commercial consumers—\$600 and a notional usage charge of \$1.00 a kl. The charges would be \$400 for domestic consumers and \$2 600 for commercial consumers. Given the considerable variability of consumption across commercial consumers, it would be preferable to further divide them by type and carry out separate assessments for each. Some of the commercial users may be metered and charged on the basis of actual consumption in which case subsection (3) would not apply to them.

(4) If a utility charge for water services is not made under subsection (2) or (3), the charge must be worked out on a basis the entity considers appropriate to determine the reasonably likely consumption by the consumer.

(5) Subsections (2) to (4) do not prevent a utility charge for supply of water services including an access amount.

Subdivision 3—Full cost recovery**Application of sdiv 3**

93. This subdivision does not apply to an entity deciding the charges for water and sewerage services provided to clients in carrying on a relevant business activity if the entity applies full cost pricing under part 8 in deciding the charges.

Application of full cost recovery

94. In deciding the charges for water and sewerage services provided to clients in carrying on a relevant business activity, an entity must ensure the projected total revenue from carrying on the activity is enough to cover the projected total costs of carrying on the activity for a financial year.

Total costs of carrying on relevant business activity

95. For this subdivision, the total costs of carrying on a relevant business activity include the following—

- (a) operational costs incurred in carrying on the activity;
- (b) administrative and overhead costs;
- (c) cost of resources used in carrying on the activity;
- (d) depreciation;
- (e) return on capital employed.

Administrative and overhead costs

96. The entity must make a reasonable allocation of its administrative and overhead costs to each relevant business activity to which full cost recovery is applied.

Cost of resources used in carrying on relevant business activity

97.(1) If resources are provided by or to an entity for carrying on a relevant business activity, the cost of resources used in carrying on the activity includes an equivalent cost.

(2) If the resources have an identifiable cost, the cost of the resources may be taken to be the equivalent cost.

(3) If subsection (2) does not apply and the resources are readily available on the open market, the price at which they can be obtained in the market may be taken to be the equivalent cost.

(4) If subsection (3) is applied, the entity must ensure the terms on which the cost is based are similar to the terms on which they are made available in carrying on the activity.

Depreciation

98.(1) Depreciation of an asset used in carrying on an activity must be based on the deprival value of the asset allocated over its useful life.

(2) However, a local government may decide not to base depreciation of an asset on its deprival value allocated over its useful life, but to use instead an amount decided by the local government to be appropriate in the circumstances.

Return on capital

99.(1) The amount for the return on the capital used in carrying on a relevant business activity must be a positive real rate decided by the entity.

(2) In this section—

“capital used in carrying on a relevant business activity” means the total value (using an accepted accounting method) of the assets used for the activity less the liabilities attributable to the activity.

Subdivision 4—Treatment of community service obligations**Extra cost for community service obligations to be treated as revenue**

100. If community service obligations are carried out as part of a relevant business activity, for deciding charges for goods and services provided through the activity, there must be treated as revenue for the activity an amount equivalent to—

- (a) the cost of carrying out the obligations; less
- (b) any revenue arising from carrying out the obligations.

Subdivision 5—Identification and disclosure of cross-subsidies between classes of consumers**Disclosure of cross-subsidies in annual report**

101. In its annual report, an entity must state the amount of cross-subsidies between the following classes of consumers, for water or sewerage services provided for the financial year—

- (a) domestic consumers;
- (b) commercial consumers;
- (c) industrial consumers;
- (d) another class decided by the entity;
- (e) other consumers.

Subdivision 6—Disclosure of community service obligations**Disclosure of community service obligations**

102. An entity must state in its annual report—

- (a) community service obligations carried out during the financial year as part of a relevant business activity; and
- (b) the cost of, less any revenue arising from, carrying out the obligations.

Division 3—Two-part tariffs**Utility charges if two-part tariffs applied**

103. If a local government decides under chapter 7C, part 4 of the Act to apply a two-part tariff for a relevant business activity that provides water services, the utility charges for water services must be worked out under section 92(2)(b) and (5).²³

PART 11—TRANSITIONAL**Non-current infrastructure assets**

104.(1) Non-current infrastructure assets and land acquired before 1 July 1994 need not be included in the financial statements for the financial years ending 30 June 1997 and 30 June 1998.

(2) Non-current infrastructure assets and land may be valued on the historical cost basis for the financial years mentioned in subsection (1).

²³ Section 92 (When charges are based on quantity of water supplied)

Converting 1996/97 budget to approved format

105. If a local government's original budget for the financial year ending 30 June 1997 was prepared in a format other than in the approved form mentioned in section 28,²⁴ the local government may—

- (a) convert the budget to a budget in the approved form; and
- (b) report on the budget, as converted into the approved form, in the financial statements for the financial year ending 30 June 1997.

²⁴ Section 28 (Requirements of budget—Act, s 433)

SCHEDULE**EXAMPLE FINANCIAL STATEMENTS**

sections 28, 49 and 50 of this Standard

EXAMPLE 1

TROPICAL STATE SHIRE COUNCIL
APPROPRIATION STATEMENT
YEAR ENDED 30TH JUNE, 1999

	1999	1999	1998
	Actual	Budget	Actual
	\$'000	\$'000	\$'000
Increase/(decrease) in operating capability	9 481	10 280	16 182
TRANSFERS TO AND FROM RESERVES			
Shire capital			
Contributions for capital purposes	(6 807)	(8 054)	(6 781)
Capital grants	(912)	(1 043)	(683)
Profit on disposals	1 564	1 626	(30)
General revenue used for capital purposes	-	-	(2 538)
Unfunded depreciation	2 038	2 038	-
	-----	-----	-----
	(4 117)	(5 433)	(10 032)
	-----	-----	-----
Constrained works reserve	(1 423)	-	(137)
Asset replacement reserve	(3 993)	(5 000)	(6 800)
	-----	-----	-----
Surplus/(deficiency) for current period	(52)	(153)	(787)
Accumulated surplus/(deficiency) from prior year	153	153	940
	-----	-----	-----
ACCUMULATED SURPLUS/(DEFICIENCY) AT YEAR END	101	-	153
	=====	=====	=====

SCHEDULE (continued)

EXAMPLE 2

**TROPICAL STATE SHIRE COUNCIL
CAPITAL FUNDING STATEMENT
FOR THE YEAR ENDED 30TH JUNE, 1999**

	Brought Forward	Becoming Available in Year	Utilised in Year	Carried Forward Reserves	Other
Analysis	\$'000	\$'000	\$'000	\$'000	\$'000
Depreciation charges funded		21 906	21 906		
Specific loans	1 000	5 000	5 500		500
General loans	500	4 760	4 260		1 000
Capital grants		912	912		
Developer's contribution	2 342	8 230	6 807	3 765	
Asset sales proceeds		1 200	1 200		
General revenue sources		3 993			
Asset replacement reserve	20 854		207		20 647
	----- 24 696 =====	----- 46 001 =====	----- 40 792 =====	----- 3 765 =====	----- 22 147 =====

SCHEDULE (continued)

	1999 Actual \$'000	1999 Budget \$'000	1998 Actual \$'000
SOURCES OF CAPITAL FUNDING			
Depreciation charges funded	21 906	21 568	21 433
Specific loans	5 500	4 300	6 500
General loans	4 260	3 578	5 340
Capital grants	912	1 043	683
Developer's contribution	6 807	8 054	6 781
Asset sales proceeds	1 200	1 138	160
General revenue sources	-	-	2 538
Asset replacement reserve	207	-	(2 600)
	-----	-----	-----
	40 792	39 681	40 835
	=====	=====	=====
APPLICATIONS OF CAPITAL FUNDING			
Acquisitions of non current assets	38 618	39 398	36 755
Loan redemption	2 174	283	4 080
	-----	-----	-----
	40 792	39 681	40 835
	=====	=====	=====

ENDNOTES

1 Index to endnotes

	Page
2 Date to which amendments incorporated	58
3 Key	58
4 Table of earlier reprints	59
5 List of legislation	59
6 List of annotations	59

2 Date to which amendments incorporated

This is the reprint date mentioned in the Reprints Act 1992, section 5(c). Accordingly, this reprint includes all amendments that commenced operation on or before 14 July 1998. Future amendments of the Local Government Finance Standard 1994 may be made in accordance with this reprint under the Reprints Act 1992, section 49.

3 Key

Key to abbreviations in list of legislation and annotations

AIA	=	Acts Interpretation Act 1954	(prev)	=	previously
amd	=	amended	proc	=	proclamation
ch	=	chapter	prov	=	provision
def	=	definition	pt	=	part
div	=	division	pubd	=	published
exp	=	expires/expired	R[X]	=	Reprint No.[X]
gaz	=	gazette	RA	=	Reprints Act 1992
hdg	=	heading	reloc	=	relocated
ins	=	inserted	renum	=	renumbered
lap	=	lapsed	rep	=	repealed
notfd	=	notified	s	=	section
om	=	omitted	sch	=	schedule
o in c	=	order in council	sdiv	=	subdivision
p	=	page	SIA	=	Statutory Instruments Act 1992
para	=	paragraph	SL	=	subordinate legislation
prec	=	preceding	sub	=	substituted
pres	=	present	unnum	=	unnumbered
prev	=	previous			

4 Table of earlier reprints

TABLE OF EARLIER REPRINTS

[If a reprint number includes a roman letter, the reprint was released in unauthorised, electronic form only.]

Reprint No.	Amendments included	Reprint date
1	to SL No. 481 of 1994	27 January 1995
1A	to SL No. 360 of 1997	12 November 1997

5 List of legislation

Local Government Finance Standard 1994 SL No. 217

made by the Governor in Council on 22 June 1994

notfd gaz 24 June 1994 pp 1058–61

commenced on date of notification

exp 22 June 2004 (see SIA s 54)

as amended by—

Local Government Finance Amendment Standard (No. 1) 1994 SL No. 481

notfd gaz 16 December 1994 pp 1792–7

commenced on date of notification

Local Government Finance Amendment Standard (No. 1) 1996 SL No. 20

notfd gaz 2 February 1996 pp 488–90

commenced on date of notification

Local Government Finance Amendment Standard (No. 1) 1997 SL No. 79

notfd gaz 27 March 1997 pp 1333–6

commenced on date of notification

Local Government Finance Amendment Standard (No. 2) 1997 SL No. 360

notfd gaz 24 October 1997 pp 786–8

commenced 24 October 1997 (see s 2 and 1997 SL No. 358)

Local Government Finance Amendment Standard (No. 1) 1998 SL No. 142

notfd gaz 15 May 1998 pp 311–16

commenced on date of notification

6 List of annotations

Definitions

- s 2**
- def “**commercialisation**” ins 1998 SL No. 142 s 3
 - def “**Commonwealth tax**” ins 1997 SL No. 360 s 4
 - def “**community service obligations**” ins 1997 SL No. 360 s 4
 - def “**entity**” ins 1997 SL No. 360 s 4

- def “full cost pricing” ins 1997 SL No. 360 s 4
- def “LGA arrangement” ins 1994 SL No. 481 s 3
- def “original budget” ins 1997 SL No. 79 s 3
- def “preferred supplier arrangement” sub 1994 SL No. 481 s 3
- def “relevant business activity” ins 1997 SL No. 360 s 4
- def “roads business activity” ins 1997 SL No. 360 s 4
- def “standing offer arrangement” sub 1994 SL No. 481 s 3
- def “State tax” ins 1997 SL No. 360 s 4
- def “tax” ins 1997 SL No. 360 s 4

Division 4—Contracts and tendering

div hdg sub 1994 SL No. 481 s 4

Exemptions to requirement to seek tenders or quotations—Act, s 400(1)(e)

s 11 sub 1994 SL No. 481 s 4

Preconditions for establishing a standing offer or preferred supplier arrangement

s 12 sub 1994 SL No. 481 s 4

Preconditions for establishing a register of pre-qualified suppliers

s 13 sub 1994 SL No. 481 s 4

Procedure for establishing purchasing arrangements

s 14 sub 1994 SL No. 481 s 4

Purchasing arrangements to be for a maximum of 2 years

s 15 om 1994 SL No. 481 s 4

Requirements of budget—Act, s 433

s 28 sub 1997 SL No. 79 s 4

Budget to be balanced

s 29 sub 1997 SL No. 79 s 4

Statement of significant functions and activities

s 30 om 1997 SL No. 79 s 4

Accounting records

s 34 amd 1996 SL No. 20 s 3

Revaluation of non-current assets

s 41 sub 1997 SL No. 79 s 5

Decision that s 38 or s 41 does not apply

s 42 sub 1997 SL No. 79 s 5

Statement of original budget compared with actual results

s 52 sub 1997 SL No. 79 s 6

PART 8—FULL COST PRICING

pt hdg prev pt 8 hdg renum as pt 11 hdg 1997 SL No. 360 s 5
pres pt 8 hdg ins 1997 SL No. 360 s 7

Division 1—Preliminary

div hdg ins 1997 SL No. 360 s 7

Object of pt 8

- s 57** prev s 57 exp 1 January 1995 (see s 57(3))
 pres s 57 ins 1997 SL No. 360 s 7

Application of pt 8

- s 58** prev s 58 exp 1 January 1995 (see s 58(3))
 pres s 58 ins 1997 SL No. 360 s 7

Division 2—Full cost pricing

- div hdg** ins 1997 SL No. 360 s 7

Subdivision 1—Matters affecting full cost pricing

- sdiv hdg** ins 1997 SL No. 360 s 7

Matters affecting full cost pricing

- s 59** prev s 59 exp 1 July 1995 (see s 59(2))
 pres s 59 ins 1997 SL No. 360 s 7

Subdivision 2—Full cost pricing

- sdiv hdg** ins 1997 SL No. 360 s 7

Application of full cost pricing

- s 60** prev s 60 exp 1 July 1997 (see s 60(2))
 pres s 60 ins 1997 SL No. 360 s 7

Different charges for commercial reasons

- s 61** prev s 61 exp 1 July 1997 (see s 61(2))
 pres s 61 ins 1997 SL No. 360 s 7

Total costs of carrying on activity

- s 62** exp 1 January 1997 (see s 62(3))
 prev s 62 renum as s 104 1997 SL No. 360 s 6
 pres s 62 ins 1997 SL No. 360 s 7

Administrative and overhead costs

- s 63** prev s 63 exp 1 January 1995 (see s 63(2))
 pres s 63 ins 1997 SL No. 360 s 7

Cost of resources used in carrying on activity

- s 64** prev s 64(3)–(4) exp 1 July 1994 (see s 64(4))
 remainder exp 1 July 1997 (see s 64(5))
 pres s 64 ins 1997 SL No. 360 s 7

Depreciation

- s 65** exp 1 January 1995 (see s 65(3))
 prev s 65 renum as s 105 1997 SL No. 360 s 6
 pres s 65 ins 1997 SL No. 360 s 7
 sub 1998 SL No. 142 s 4

Equivalents for taxes not otherwise liable to be paid

- s 66** ins 1997 SL No. 360 s 7

Return on capital

- s 67** ins 1997 SL No. 360 s 7

Subdivision 3—Treatment of community service obligations**sdiv hdg** ins 1997 SL No. 360 s 7**Extra cost for community service obligations to be treated as revenue****s 68** ins 1997 SL No. 360 s 7**PART 8A—COMMERCIALISATION****pt hdg** ins 1998 SL No. 142 s 5**Division 1—Preliminary****div 1 (ss 68A–68B)** ins 1998 SL No. 142 s 5**Division 2—Commercialisation****div hdg** ins 1998 SL No. 142 s 5**Subdivision 1—Matters affecting commercialisation****sdiv 1 (s 68C)** ins 1998 SL No. 142 s 5**Subdivision 2—Full cost pricing****sdiv 2 (ss 68D–68J)** ins 1998 SL No. 142 s 5**Subdivision 3—Treatment of community service obligations****sdiv 3 (s 68K)** ins 1998 SL No. 142 s 5**Subdivision 4—Annual performance plan****sdiv 4 (s 68L)** ins 1998 SL No. 142 s 5**PART 9—CODE OF COMPETITIVE CONDUCT****pt hdg** ins 1997 SL No. 360 s 7**Division 1—Preliminary****div 1 (ss 69–70)** ins 1997 SL No. 360 s 7**Division 2—The code****div hdg** ins 1997 SL No. 360 s 7**Subdivision 1—Elements of the code****sdiv 1 (s 71)** ins 1997 SL No. 360 s 7**Subdivision 2—Full cost pricing****sdiv hdg** ins 1997 SL No. 360 s 7**Application of full cost pricing****s 72** ins 1997 SL No. 360 s 7**Different charges for commercial reasons****s 73** ins 1997 SL No. 360 s 7**Total costs of carrying on activity****s 74** ins 1997 SL No. 360 s 7**Administrative and overhead costs****s 75** ins 1997 SL No. 360 s 7**Cost of resources used in carrying on activity****s 76** ins 1997 SL No. 360 s 7

Depreciation

s 77 ins 1997 SL No. 360 s 7
 sub 1998 SL No. 142 s 6

Equivalents for taxes not otherwise liable to be paid

s 78 ins 1997 SL No. 360 s 7

Equivalents for State guarantees on borrowings

s 79 ins 1997 SL No. 360 s 7

Return on capital

s 80 ins 1997 SL No. 360 s 7

Subdivision 3—Treatment of community service obligations

sdiv 3 (ss 81–82) ins 1997 SL No. 360 s 7

Subdivision 4—Elimination of, or taking into account, advantages and disadvantages of public ownership

sdiv 4 (s 83) ins 1997 SL No. 360 s 7

Subdivision 5—Financial reporting

sdiv 5 (ss 84–87) ins 1997 SL No. 360 s 7

PART 10—REFORM OF CERTAIN WATER AND SEWERAGE SERVICES

pt hdg ins 1997 SL No. 360 s 7

Division 1—Preliminary

div 1 (s 88) ins 1997 SL No. 360 s 7

Division 2—Matters to be complied with

div hdg ins 1997 SL No. 360 s 7

Subdivision 1—Matters to be complied with for relevant business activities

sdiv 1 (s 89) ins 1997 SL No. 360 s 7

Subdivision 2—Consumption as the basis for utility charges for water services

sdiv 2 (ss 90–92) ins 1997 SL No. 360 s 7

Subdivision 3—Full cost recovery

sdiv hdg ins 1997 SL No. 360 s 7

Application of sdiv 3

s 93 ins 1997 SL No. 360 s 7

Application of full cost recovery

s 94 ins 1997 SL No. 360 s 7

Total costs of carrying on relevant business activity

s 95 ins 1997 SL No. 360 s 7

Administrative and overhead costs

s 96 ins 1997 SL No. 360 s 7

Cost of resources used in carrying on relevant business activity

s 97 ins 1997 SL No. 360 s 7

Depreciation

s 98 ins 1997 SL No. 360 s 7
sub 1998 SL No. 142 s 7

Return on capital

s 99 ins 1997 SL No. 360 s 7

Subdivision 4—Treatment of community service obligations

sdiv 4 (s 100) ins 1997 SL No. 360 s 7

Subdivision 5—Identification and disclosure of cross-subsidies between classes of consumers

sdiv 5 (s 101) ins 1997 SL No. 360 s 7

Subdivision 6—Disclosure of community service obligations

sdiv 6 (s 102) ins 1997 SL No. 360 s 7

Division 3—Two-part tariffs

div 3 (s 103) ins 1997 SL No. 360 s 7

PART 11—TRANSITIONAL

pt hdg (prev pt 8 hdg) renum 1997 SL No. 360 s 5

Non-current infrastructure assets

s 104 (prev s 62) ins 1997 SL No. 79 s 7
renum 1997 SL No. 360 s 6

Converting 1996/97 budget to approved format

s 105 (prev s 65) ins 1997 SL No. 79 s 8
renum 1997 SL No. 360 s 6