

Queensland



*Local Government Act 1993*

# **LOCAL GOVERNMENT FINANCE STANDARD 1994**

**Reprinted as in force on 10 September 2001  
(includes amendments up to SL No. 161 of 2001)**

**Reprint No. 2B**

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# Information about this reprint

This standard is reprinted as at 10 September 2001. 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.

Minor editorial changes allowed under the provisions of the Reprints Act 1992 have been made to use aspects of format and printing style consistent with current drafting practice (s 35).

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.**

# Queensland



## LOCAL GOVERNMENT FINANCE STANDARD 1994

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# LOCAL GOVERNMENT FINANCE STANDARD 1994

[as amended by all amendments that commenced on or before 10 September 2001]

## PART 1—PRELIMINARY

### 1 Short title

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

### 2 Definitions

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.

“**commercialisation**”, for part 9, see section 575<sup>1</sup> 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 chapter 8, part 7 of the Act—see section 677<sup>2</sup> of the Act; or

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1 Section 575 (Meaning of “commercialisation”) of the Act

2 Section 677 (Meaning of “community service obligations”) of the Act

- (b) for an activity carried on by a commercial business unit of a local government—see section 577<sup>3</sup> 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 11, see section 102.<sup>4</sup>

**“full cost pricing”**, for part 8, see section 568<sup>5</sup> 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 14<sup>6</sup> 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, 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.

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3 Section 577 (Definitions for pt 6) of the Act

4 Section 102 (Matters to be complied with for relevant business activities)

5 Section 568 (Meaning of “full cost pricing”) of the Act

6 Section 14 (Procedure for establishing purchasing arrangements)

**“relevant business activity”**, for part 11, see section 771<sup>7</sup> of the Act.

**“roads business activity”**, for part 10, see section 761<sup>8</sup> 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.

## **PART 2—FINANCIAL MANAGEMENT**

### ***Division 1—Policies for financial management***

#### **3 Policies to be developed by each local government**

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;

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<sup>7</sup> Section 771 (Meaning of relevant business activity) of the Act

<sup>8</sup> Section 761 (Definitions for ch 9) of the Act

- (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 481 of the Act.

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

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.

#### **5 Policy about internal audit**

(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.

## **6 Policy about an audit committee**

(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.

## **7 Policy about borrowings**

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.

## **8 Policy about revenue—Act, s 534(a)**

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*

## **9 Principles to be complied with in financial management**

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*

## **10 Local government to keep accounting manual**

(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*****11 Exemptions to requirement to seek tenders or quotations—Act, s 486(1)(e)**

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.

**12 Preconditions for establishing a standing offer or preferred supplier arrangement**

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.

**13 Preconditions for establishing a register of pre-qualified suppliers**

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.

## **14 Procedure for establishing purchasing arrangements**

(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 484<sup>9</sup> of the Act; and
- (b) state the purchasing arrangement for which the person is tendering.

(3) The local government must select persons to enter a purchasing arrangement on the basis of the principles mentioned in section 481<sup>10</sup> of the Act.

(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.

## ***Division 5—Notional GST***

### **14A Certificate about payment of notional GST**

A local government must, no later than 15 September following a financial year, give the Minister a certificate by the chief executive officer and the mayor of the local government stating that the local government has paid notional GST for the financial year.

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9 Section 484 (When tenders are required) of the Act

10 Section 481 (Principles governing the making of contracts) of the Act

## **PART 3—CORPORATE AND OPERATIONAL PLANS**

### ***Division 1—Corporate plans***

#### **15 Requirements of corporate plan—Act, s 507**

(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.

#### **16 Assessment of local and regional issues**

(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.

## **17 Consultation process used in preparation of plan**

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***

## **18 Requirements of operational plans—Act, s 510**

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***

#### **19 Operating fund**

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

#### **20 Separate bank accounts within operating fund**

Separate bank accounts may be kept within the operating fund.

#### **21 Reserves—Act, s 515**

(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*****22 Trust fund**

(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.

**23 Funds that should not be part of trust fund**

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.

**24 Funds incorrectly paid into operating fund**

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.

**25 Reconciliation of trust fund**

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

**PART 5—BUDGET****26 Budget to be prepared on an accrual basis**

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

**27 Requirements of budget—Act, s 519**

(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.

## **28 Budget to be balanced**

(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.

## **29 Amendment of budget**

(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 30, the amendment must take the disbursement into account.

## **30 Disbursement because of genuine emergency or hardship—Act, s 519(4)**

(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.

## **31 Financial information to be presented to budget meeting—Act, s 521**

(1) A document presented to a budget meeting under section 521 of the Act 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***

#### **32 Accounting records**

(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.

#### **33 Systems to support account keeping**

(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.



**34 Statements of account to be presented to local government—Act, s 528**

(1) A statement of account under section 528 of the Act 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 528 of the Act must be prepared on an accrual basis.

***Division 2—Non-current assets*****35 Register of non-current assets**

(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*****36 Value of non-current assets is current value**

Non-current assets must be valued at their current value.

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

(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—

- (a) the current market buying price for a new corresponding asset; or
- (b) the current reproduction cost, or current replacement cost, of a new corresponding asset.

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

**38 Details about non-current assets**

(1) A local government's financial statements must contain a note about its non-current assets.

(2) For each class of non-current assets, the note must show—

- (a) an amount as the total amount of the revalued current cost of the assets in the class; and
- (b) an amount as the total amount of the accumulated depreciation for the assets in the class.

**39 Certain land and roads do not have a value**

For a local government's financial statements, the following do not have a value—

- (a) land that is a reserve under the *Land Act 1994* and is controlled by the local government;
- (b) a road controlled by the local government (other than a road owned by it).

#### **40 Revaluation of non-current assets**

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

#### **41 Decision that s 36 or s 40 does not apply**

A local government may decide that section 36 or 40, 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.

#### **42 Documents about revaluations and adjustments**

(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.

## **PART 7—ANNUAL REPORT**

### *Division 1—Annual reports generally*

#### **44 Annual report**

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

**45 Note about reserves and roads controlled by local governments**

(1) A local government's annual report must include a note about—

- (a) land that is a reserve under the *Land Act 1994* and is controlled by the local government; and
- (b) roads controlled by the local government (other than roads owned by it).

(2) A note about a reserve must state the area of the reserve controlled by the local government, including land that has been leased by it to someone else.

(3) A note about roads must state the total length of roads controlled by the local government.

*Example of a note—*

The Council of the Shire of the Tropical State 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 1994*; and
- (b) 700 km of roads.

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

***Division 2—Financial statements in annual report*****46 Annual financial statements—Act, s 532**

(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.

**47 Period to which statements relate**

(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.

#### **48 Financial statements to include components of equity**

(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 asset revaluation reserve.

(2) In this section—

**“asset revaluation reserve”** means the reserve created under the principles in AAS 10 ‘Accounting for the Revaluation of Non-Current Assets’.

**“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.

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

#### **49 Appropriation statement**

(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.

## **50 Capital funding statement**

(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.

**51 Operating capability**

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.

**52 Statement of original budget compared with actual results**

(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.

**53 Signing of financial statements—Act, s 532**

(1) The proposed financial statements must be 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.

(3) As soon as practicable after the proposed financial statements are given to the auditor-general, the proposed financial statements must be presented to a meeting of the local government.

**54 Certificate for proposed financial statements**

The proposed financial statements must include 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 accounts have been complied with in all material respects; and

- (b) the statements for the financial year, and supporting notes, present the local government's operating results and financial position as required by the Act.

## **55 Certificate for final financial statements**

Final financial statements, given to the auditor-general for certification, must include a fresh 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 accounts have been complied with in all material respects; and
- (b) the statements for the financial year, and supporting notes, present the local government's operating results and financial position as required by the Act.

## **56 Differences between proposed and final financial statements**

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.

## **57 Unaudited financial statements**

(1) 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.

(2) Subsection (1) does not apply to a copy of the financial statements given to the auditor-general.



## **PART 8—FULL COST PRICING**

### *Division 1—Preliminary*

#### **58 Object of pt 8**

The object of this part is to state requirements for full cost pricing for chapter 8, part 5 of the Act.

#### **59 Application of pt 8**

This part applies to a local government's implementation of full cost pricing for its significant business activities under chapter 8, part 5 of the Act.

### *Division 2—Full cost pricing*

#### *Subdivision 1—Matters affecting full cost pricing*

#### **60 Matters affecting full cost pricing**

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*

#### **61 Application of full cost pricing**

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.

## **62 Different charges for commercial reasons**

(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.

## **63 Total costs of carrying on activity**

(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;<sup>11</sup>
- (g) return on capital.

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

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11 See section 569 (Guarantees by State) of the Act

12 See section 568(2) (Meaning of “full cost pricing”) of the Act

## **64 Administrative and overhead costs**

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

## **65 Cost of resources used in carrying on activity**

(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.

## **66 Depreciation**

(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.

## **67 Equivalents for taxes not otherwise liable to be paid**

(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 582<sup>13</sup> 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.

## **68 Return on capital**

(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.

(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*

## **69 Extra cost for community service obligations to be treated as revenue**

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—

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13 Section 582 (Commonwealth and State tax equivalents) of the Act

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

## **PART 9—COMMERCIALISATION**

### *Division 1—Preliminary*

#### **70 Object of pt 9**

The object of this part is to state requirements for commercialisation for chapter 8, part 6 of the Act.

#### **71 Application of pt 9**

This part applies to a local government's implementation of commercialisation for its significant business activities under chapter 8, part 6 of the Act.

### *Division 2—Commercialisation*

#### *Subdivision 1—Matters affecting commercialisation*

#### **72 Matters affecting commercialisation**

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*****73 Application of full cost pricing**

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.

**74 Different charges for commercial reasons**

(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.

**75 Total costs of carrying on activity**

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;<sup>14</sup>
- (f) equivalents for the cost of funds advantage the local government obtains over commercial rates of interest because of State guarantees on borrowings;<sup>15</sup>
- (g) return on capital.

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14 See section 582 (Commonwealth and State tax equivalents) of the Act

15 See section 583 (Guarantees by State) of the Act

**76 Administrative and overhead costs**

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

**77 Cost of resources used in carrying on activity**

(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.

**78 Depreciation**

(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.

**79 Return on capital**

(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*

#### **80 Extra cost for community service obligations to be treated as revenue**

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*

#### **81 Annual performance plan for each commercial business unit**

(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.<sup>16</sup>

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16 Under s 250(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.

## **PART 10—CODE OF COMPETITIVE CONDUCT**

### ***Division 1—Preliminary***

#### **82 Object of pt 10**

The object of this part is to prescribe the code of competitive conduct for chapter 9 of the Act.

#### **83 Application of code**

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 763<sup>17</sup> 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 section 766<sup>18</sup> of the Act; or
- (c) if it is another activity to which the local government applies the code<sup>19</sup>—in accordance with the local government’s decision to apply the code.

### ***Division 2—The code***

#### ***Subdivision 1—Elements of the code***

#### **84 Elements of the code**

The elements of the code are—

- (a) full cost pricing; and
- (b) treatment of community service obligations; and

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17 Section 763 (Code must be applied to roads business activities) of the Act

18 Section 766 (Local government to resolve whether to apply code of competitive conduct to business activities) of the Act

19 Under section 767 of the Act, a local government is not prevented from applying the code to other activities.

- (c) elimination, or taking account, of advantages and disadvantages of public ownership; and
- (d) financial reporting.

### ***Subdivision 2—Full cost pricing***

## **85 Application of full cost pricing**

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.

## **86 Different charges for commercial reasons**

(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.

## **87 Total costs of carrying on activity**

(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.

## **88 Administrative and overhead costs**

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

## **89 Cost of resources used in carrying on activity**

(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.

## **90 Depreciation**

(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.

## **91 Equivalents for taxes not otherwise liable to be paid**

(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 582<sup>20</sup> 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.

## **92 Equivalents for State guarantees on borrowings**

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.

## **93 Return on capital**

(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.

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20 Section 582 (Commonwealth and State tax equivalents) of the Act

***Subdivision 3—Treatment of community service obligations*****94 Extra cost for community service obligations to be treated as revenue**

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.

**95 Community service obligations not to be part of roads business activities**

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*****96 Effect of advantages or disadvantages of public ownership**

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*****97 Statement in budget**

(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.

## **98 Omission of certain matters from statement in budget**

A statement in a budget of a local government under section 97 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.

## **99 Statement in annual report**

(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 52<sup>21</sup> in the financial statements.

## **100 Omission of certain matters from statement in annual report**

A statement in an annual report of a local government under section 99 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.

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



## **PART 11—REFORM OF CERTAIN WATER AND SEWERAGE SERVICES**

### *Division 1—Preliminary*

#### **101 Object of pt 11**

The object of this part is to state the requirements for the reform of certain water and sewerage services under chapter 10 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*

#### **102 Matters to be complied with for relevant business activities**

In complying with section 783<sup>22</sup> 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.

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22 Section 783 (Local governments to implement charging and operational arrangements for relevant business activities) of the Act

***Subdivision 2—Two-part tariffs*****103 Utility charges if two-part tariffs applied**

If a local government decides under chapter 14, 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 based on an amount or amounts for units or part of a unit of the quantity of water supplied, but may include an access amount.<sup>23</sup>

***Subdivision 3—Consumption as the basis for utility charges for water services*****104 Application of sdiv 3**

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

**105 Consumption as the basis for utility charges**

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.

**106 When charges are based on quantity of water supplied**

(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

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23 The basis of this calculation reflects section 106(2)(b) and (5).

- (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 4—Full cost recovery***

## **107 Application of sdiv 4**

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 or 9 in deciding the charges.

**108 Application of full cost recovery**

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.

**109 Total costs of carrying on relevant business activity**

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.

**110 Administrative and overhead costs**

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.

**111 Cost of resources used in carrying on relevant business activity**

(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.

**112 Depreciation**

(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.

**113 Return on capital**

(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 5—Treatment of community service obligations*****114 Extra cost for community service obligations to be treated as revenue**

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 6—Identification and disclosure of cross-subsidies between classes of consumers*****115 Disclosure of cross-subsidies in annual report**

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.

### **116 Identification and disclosure of cross-subsidies**

(1) For deciding the amount to be stated for section 115, the entity must, to the extent it is reasonably practicable, comply with the guidelines.

(2) In this section—

“**guidelines**” means the document called ‘Guidelines for Identification and Measurement of Cross-Subsidies’ issued by the Department of Natural Resources.<sup>24</sup>

### *Subdivision 7—Disclosure of community service obligations*

### **117 Disclosure of community service obligations**

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.

## **PART 12—TRANSITIONAL**

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<sup>24</sup> A copy of the Guidelines for Identification and Measurement of Cross-Subsidies may be inspected at the office of the Department of Local Government and Planning at 111 George Street, Brisbane.

**SCHEDULE****EXAMPLE FINANCIAL STATEMENTS**

sections 27, 49 and 50

**EXAMPLE 1**

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

	<b>1999 Actual \$'000</b>	<b>1999 Budget \$'000</b>	<b>1998 Actual \$'000</b>
Increase/(decrease) in operating capability	9 481	10 280	16 182
<b>TRANSFERS TO AND FROM RESERVES</b>			
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	-
	<u>(4 117)</u>	<u>(5 433)</u>	<u>(10 032)</u>
Constrained works reserve	<u>(1 423)</u>	<u>-</u>	<u>(137)</u>
Asset replacement reserve	<u>(3 993)</u>	<u>(5 000)</u>	<u>(6 800)</u>
Surplus/(deficiency) for current period	<u>(52)</u>	<u>(153)</u>	<u>(787)</u>
Accumulated surplus/(deficiency) from prior year	153	153	940
<b>ACCUMULATED SURPLUS/(DEFICIENCY) AT YEAR END</b>	<u><u>101</u></u>	<u><u>-</u></u>	<u><u>153</u></u>

## SCHEDULE (continued)

**EXAMPLE 2**

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

<b>Analysis</b>	<b>Brought Forward</b>	<b>Becoming Available in Year</b>	<b>Utilised in Year</b>	<b>Carried Forward</b>	
				<b>Reserves</b>	<b>Other</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
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
	<u>24 696</u>	<u>46 001</u>	<u>40 792</u>	<u>3 765</u>	<u>22 147</u>



## SCHEDULE (continued)

	<b>1999 Actual \$'000</b>	<b>1999 Budget \$'000</b>	<b>1998 Actual \$'000</b>
<b>SOURCES OF CAPITAL FUNDING</b>			
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)
	<u>40 792</u>	<u>39 681</u>	<u>40 835</u>
<b>APPLICATIONS OF CAPITAL FUNDING</b>			
Acquisitions of non current assets	38 618	39 398	36 755
Loan redemption	2 174	283	4 080
	<u>40 792</u>	<u>39 681</u>	<u>40 835</u>

## ENDNOTES

### 1 Index to endnotes

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2 Date to which amendments incorporated . . . . .	56
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4 Table of earlier reprints . . . . .	57
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### 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 10 September 2001. 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

Key	Explanation	Key	Explanation
AIA	= Acts Interpretation Act 1954	prev	= previous
amd	= amended	(prev)	= previously
amdt	= amendment	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
o in c	= order in council	sch	= schedule
om	= omitted	sdiv	= subdivision
orig	= original	SIA	= Statutory Instruments Act 1992
p	= page	SIR	= Statutory Instruments Regulation 1992
para	= paragraph	SL	= subordinate legislation
prec	= preceding	sub	= substituted
pres	= present	unnum	= unnumbered

## 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
1B	to SL No. 142 of 1998	14 July 1998
2	to SL No. 276 of 1998	30 October 1998
2A	to SL No. 149 of 1999	19 July 1999

## 5 Tables in earlier reprints

### TABLES IN EARLIER REPRINTS

Name of table	Reprint No.
Corrected minor errors	2
Renumbered provisions	2

## 6 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 1 September 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

**Local Government Finance Amendment Standard (No. 2) 1998 SL No. 276**

notfd gaz 9 October 1998 pp 489–91  
s 17 commenced 1 July 1997 (see s 2)  
remaining provisions commenced on date of notification

**Local Government Finance Amendment Standard (No. 1) 1999 SL No. 114**

notfd gaz 18 June 1999 pp 791–2  
ss 1–2 commenced on date of notification  
remaining provisions commenced 30 June 1999 (see s 2)

**Local Government Finance Amendment Standard (No. 2) 1999 SL No. 149**

notfd gaz 25 June 1999 pp 932–8  
ss 1–2 commenced on date of notification  
remaining provisions commenced 1 July 1999 (see s 2(1) and proc pubd Cwlth of  
Australia gaz 29 June 1999, No. S283)

**Local Government Finance Amendment Standard (No. 1) 2001 SL No. 161**

notfd gaz 7 September 2001 pp 62–3  
commenced on date of notification

## **7 List of annotations**

**Definitions**

- s 2** def “**bank account**” amd 1999 SL No. 149 s 4(1)  
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 “**foreign society**” om 1999 SL No. 149(2)  
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

**Policies to be developed by each local government**

- s 3** amd 1999 SL No. 114 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 486(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

**Division 5—Notional GST**  
div hdg ins 2001 SL No. 161 s 3

**Certificate about payment of notional GST**  
s 14A ins 2001 SL No. 161 s 3

**Requirements of corporate plan—Act, s 507**  
s 15 orig s 15 om 1994 SL No. 481 s 4

**Requirements of budget—Act, s 519**  
s 27 sub 1997 SL No. 79 s 4

**Budget to be balanced**  
s 28 sub 1997 SL No. 79 s 4

**Amendment of budget**  
s 29 amd 1999 SL No. 114 s 5

**Disbursement because of genuine emergency or hardship—Act, s 519(4)**  
s 30 orig s 30 om 1997 SL No. 79 s 4

**Financial information to be presented to budget meeting—Act, s 521**  
s 31 amd 1999 SL No. 114 s 6

**Accounting records**  
s 32 amd 1996 SL No. 20 s 3; 1998 SL No. 276 s 4

**Statements of account to be presented to local government—Act, s 528**  
s 34 amd 1999 SL No. 114 s 7

**Value of non-current assets is current value**  
s 36 amd 1998 SL No. 276 s 5

**What is the current value of a non-current asset?**  
s 37 amd 1998 SL No. 276 s 6

**Details about non-current assets**  
s 38 ins 1998 SL No. 276 s 7

**Certain land and roads do not have a value**  
s 39 sub 1998 SL No. 276 s 7

**Revaluation of non-current assets**  
s 40 sub 1997 SL No. 79 s 5

**Decision that s 36 or s 40 does not apply**  
s 41 sub 1997 SL No. 79 s 5

**PART 6—ACCOUNTS****pt hdg** om 1999 SL No. 114 s 8**Division 4—Non-current liability valuation****div hdg** om 1999 SL No. 114 s 8**Non-current liabilities****s 43** om 1999 SL No. 114 s 8**Note about reserves and roads controlled by local governments****s 45** ins 1998 SL No. 276 s 8**Financial statements to include components of equity****s 48** amd 1998 SL No. 276 s 9**Statement of original budget compared with actual results****s 52** sub 1997 SL No. 79 s 6**Signing of financial statements—Act, s 532****s 53** amd 1998 SL No. 276 s 10**Certificate for proposed financial statements****s 54** sub 1998 SL No. 276 s 11**Certificate for financial statements****s 55** ins 1998 SL No. 276 s 11**Unaudited financial statements****s 57** prev s 57 exp 1 January 1995 (see s 57(3))  
pres s 57 amd 1998 SL No. 276 s 12**PART 8—FULL COST PRICING****pt 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 58** prev s 58 exp 1 January 1995 (see s 58(3))  
pres s 58 ins 1997 SL No. 360 s 7**Application of pt 8****s 59** prev s 59 exp 1 July 1995 (see s 59(2))  
pres s 59 ins 1997 SL No. 360 s 7  
amd 1999 SL No. 114 s 9**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 60** prev s 60 exp 1 July 1997 (see s 60(2))  
pres s 60 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 61**      prev s 61 exp 1 July 1997 (see s 61(2))  
              pres s 61 ins 1997 SL No. 360 s 7

**Different charges for commercial reasons**

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

**Total costs of carrying on activity**

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

**Administrative and overhead costs**

- 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

**Cost of resources used in carrying on activity**

- s 65**      prev s 65 exp 1 January 1995 (see s 65(3))  
              pres s 65 ins 1997 SL No. 360 s 7

**Depreciation**

- s 66**      ins 1997 SL No. 360 s 7  
              sub 1998 SL No. 142 s 4

**Equivalents for taxes not otherwise liable to be paid**

- s 67**      ins 1997 SL No. 360 s 7

**Return on capital**

- s 68**      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 69**      ins 1997 SL No. 360 s 7

**PART 9—COMMERCIALISATION**

- pt hdg**      ins 1998 SL No. 142 s 5

**Division 1—Preliminary**

- div 1 (ss 70–71)** 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 72)** ins 1998 SL No. 142 s 5

**Subdivision 2—Full cost pricing**

- sdiv 2 (ss 73–79)** ins 1998 SL No. 142 s 5

**Subdivision 3—Treatment of community service obligations**

- sdiv 3 (s 80)** ins 1998 SL No. 142 s 5

**Subdivision 4—Annual performance plan**

- sdiv 4 (s 81)** ins 1998 SL No. 142 s 5

**PART 10—CODE OF COMPETITIVE CONDUCT****pt hdg** ins 1997 SL No. 360 s 7**Division 1—Preliminary****div 1 (ss 82–83)** 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 84)** 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 85** ins 1997 SL No. 360 s 7**Different charges for commercial reasons****s 86** ins 1997 SL No. 360 s 7**Total costs of carrying on activity****s 87** ins 1997 SL No. 360 s 7**Administrative and overhead costs****s 88** ins 1997 SL No. 360 s 7**Cost of resources used in carrying on activity****s 89** ins 1997 SL No. 360 s 7**Depreciation****s 90** ins 1997 SL No. 360 s 7  
sub 1998 SL No. 142 s 6**Equivalents for taxes not otherwise liable to be paid****s 91** ins 1997 SL No. 360 s 7**Equivalents for State guarantees on borrowings****s 92** ins 1997 SL No. 360 s 7**Return on capital****s 93** ins 1997 SL No. 360 s 7**Subdivision 3—Treatment of community service obligations****sdiv 3 (ss 94–95)** ins 1997 SL No. 360 s 7**Subdivision 4—Elimination of, or taking into account, advantages and disadvantages of public ownership****sdiv 4 (s 96)** ins 1997 SL No. 360 s 7**Subdivision 5—Financial reporting****sdiv 5 (ss 97–100)** ins 1997 SL No. 360 s 7**PART 11—REFORM OF CERTAIN WATER AND SEWERAGE SERVICES****pt hdg** ins 1997 SL No. 360 s 7**Division 1—Preliminary****div 1 (s 101)** 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 102)** ins 1997 SL No. 360 s 7**Subdivision 2—Two-part tariffs****sdiv 2 (s 103)** ins 1998 SL No. 276 s 13**Subdivision 3—Consumption as the basis for utility charges for water services****sdiv hdg** ins 1997 SL No. 360 s 7**Application of sdiv 3****s 104** ins 1997 SL No. 360 s 7**Consumption as the basis for utility charges**

**s 105** prev s 105 (prev s 65) ins 1997 SL No. 79 s 8  
 renum 1997 SL No. 360 s 6  
 sub 1998 SL No. 276 s 18  
 om R2 (see RA s 37)  
 pres s 105 ins 1997 SL No. 360 s 7

**When charges are based on quantity of water supplied****s 106** ins 1997 SL No. 360 s 7**Subdivision 4—Full cost recovery****sdiv hdg** ins 1997 SL No. 360 s 7**Application of sdiv 4**

**s 107** ins 1997 SL No. 360 s 7  
 amd 1998 SL No. 276 s 14

**Application of full cost recovery****s 108** ins 1997 SL No. 360 s 7**Total costs of carrying on relevant business activity****s 109** ins 1997 SL No. 360 s 7**Administrative and overhead costs****s 110** ins 1997 SL No. 360 s 7**Cost of resources used in carrying on relevant business activity****s 111** ins 1997 SL No. 360 s 7**Depreciation**

**s 112** ins 1997 SL No. 360 s 7  
 sub 1998 SL No. 142 s 7

**Return on capital****s 113** ins 1997 SL No. 360 s 7**Subdivision 5—Treatment of community service obligations****sdiv 5 (s 114)** ins 1997 SL No. 360 s 7**Subdivision 6—Identification and disclosure of cross-subsidies between classes of consumers****sdiv 6 (s 115)** ins 1997 SL No. 360 s 7

**Identification and disclosure of cross-subsidies****s 116** ins 1998 SL No. 276 s 15**Subdivision 7—Disclosure of community service obligations****sdiv 7 (s 117)** ins 1997 SL No. 360 s 7**Division 3—Two-part tariffs****div hdg** ins 1997 SL No. 360 s 7  
om 1998 SL No. 276 s 17**PART 12—TRANSITIONAL****pt hdg** (prev pt 8 hdg) renum 1997 SL No. 360 s 5**Local government to keep accounting manual****s 118** ins 1997 SL No. 360 s 7  
sub 1998 SL No. 276 ss 16–17  
exp 30 June 1999 (see s 118(2))**Crediting of non-current infrastructure asset values to capital****s 119** (prev s 62) ins 1997 SL No. 79 s 7  
renum 1997 SL No. 360 s 6  
sub 1998 SL No. 276 s 18  
exp 30 June 2000 (see s 119(2))**SCHEDULE—EXAMPLE FINANCIAL STATEMENTS**

amd 1999 SL No. 114 s 10

**8 Table of renumbered provisions**

## TABLE OF RENUMBERED PROVISIONS [Reprint No. 2]

under the Reprints Act 1992 s 43 as required by the Local Government Finance Standard  
1994 s 105

Previous	Renumbered as
16.....	15
17.....	16
18.....	17
19.....	18
20.....	19
21.....	20
22.....	21
23.....	22
24.....	23
25.....	24
26.....	25
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29.....	28
31.....	29
32.....	30

Previous	Renumbered as
33.....	31
34.....	32
35.....	33
36.....	34
37.....	35
38.....	36
39.....	37
39A.....	38
40.....	39
41.....	40
42.....	41
43.....	42
44.....	43
45.....	44
45A.....	45
54A.....	55
55.....	56
56.....	57
57.....	58
58.....	59
59.....	60
60.....	61
61.....	62
62.....	63
63.....	64
64.....	65
65.....	66
66.....	67
67.....	68
68.....	69
pt 8A hdg.....	pt 9 hdg
68A.....	70
68B.....	71
68C.....	72
68D.....	73
68E.....	74
68F.....	75
68G.....	76
68H.....	77
68I.....	78
68J.....	79
68K.....	80
68L.....	81
pt 9 hdg.....	pt 10 hdg
69.....	82
70.....	83
71.....	84
72.....	85

Previous	Renumbered as
73.....	.86
74.....	.87
75.....	.88
76.....	.89
77.....	.90
78.....	.91
79.....	.92
80.....	.93
81.....	.94
82.....	.95
83.....	.96
84.....	.97
85.....	.98
86.....	.99
87.....	.100
pt 10 hdg .....	.pt 11 hdg
88.....	.101
89.....	.102
sdiv 1A hdg .....	.sdiv 2 hdg
89A .....	.103
sdiv 2 hdg .....	.sdiv 3 hdg
90.....	.104
91.....	.105
92.....	.106
sdiv 3 hdg .....	.sdiv 4 hdg
93.....	.107
94.....	.108
95.....	.109
96.....	.110
97.....	.111
98.....	.112
99.....	.113
sdiv 4 hdg .....	.sdiv 5 hdg
100.....	.114
sdiv 5 hdg .....	.sdiv 6 hdg
101.....	.115
101A .....	.116
sdiv 6 hdg .....	.sdiv 7 hdg
102.....	.117
pt 11 hdg .....	.pt 12 hdg
103.....	.118
104.....	.119