



Local Government Act 1993

Local Government Finance Standard 2005

Reprinted as in force on 30 June 2006

Reprint No. 1A

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

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

Also see endnotes for information about—

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

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Queensland

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[as amended by all amendments that commenced on or before 30 June 2006]

Part 1 Preliminary

1 Short title

This standard may be cited as the *Local Government Finance Standard 2005*.

2 Commencement

This standard commences on 1 July 2005.

3 Dictionary

The dictionary in schedule 2 defines particular words used in this standard.

Part 2 Policies and principles for financial management

Division 1 Policies for financial management—Act, s 502(1)(a)

4 Policies to be prepared and complied with for financial management

- (1) A local government must prepare the following policies for financial management in a way complying with the requirements in this division—
 - (a) a policy about internal audit;
 - (b) a policy about an audit committee;
 - (c) a policy about borrowings;
 - (d) a policy about entertainment and hospitality expenditure;
 - (e) a policy about advertising expenditure;
 - (f) a policy about grants to community organisations.
- (2) A local government must comply with the policies prepared by it under subsection (1).

6 Requirements for policy about internal audit

- (1) A policy about internal audit must state either of the following—
 - (a) the local government must establish and maintain an internal audit function;
 - (b) the local government is not required to establish and maintain an internal audit function.
- (2) If the policy states the local government is not required to establish or maintain an internal audit function, the policy

must provide for a review of the policy at regular intervals not longer than 3 years.¹

7 Requirements for policy about an audit committee

- (1) A policy about an audit committee prepared by a local government must state either of the following—
 - (a) the local government must establish an audit committee;
 - (b) the local government is not required to establish an audit committee.
- (2) If the policy states the local government is not required to establish an audit committee, the policy must provide for a review of the policy at regular intervals not longer than 3 years.²

8 Requirements for policy about borrowings

A policy about borrowings must be prepared for a financial year and must state the following—

- (a) the new borrowings planned for the financial year and the next 4 financial years;
- (b) the purpose of the new borrowings;
- (c) the time over which it is planned to repay existing and proposed borrowings.

9 Requirements for policy about entertainment and hospitality expenditure

A policy about entertainment and hospitality expenditure must state the following matters—

- (a) the types of entertainment or hospitality services the local government considers to be appropriate for the use of its funds;

1 See also section 14 (Principles for internal audit function).

2 See also section 15 (Principles for audit committee).

- (b) that the local government may incur expenditure for the services only if the services are in the public interest;
- (c) the types of the services that may or may not be paid for by using a credit card issued in the name of the local government;
- (d) the procedure the local government must follow when approving expenditure on entertainment or hospitality services.

10 Requirements for policy about advertising expenditure

A policy about advertising expenditure must state the following matters—

- (a) the types of advertising the local government considers to be appropriate for the use of its funds;
- (b) that the local government may incur expenditure for advertising only if—
 - (i) the advertising is for providing information or education to the public; and
 - (ii) the information or education is provided in the public interest;
- (c) the restrictions or other conditions imposed by the local government to limit the level of expenditure on advertising in the 3 month period immediately before an election for the local government;
- (d) the procedure the local government must follow when approving expenditure on advertising.

11 Requirements for policy about grants to community organisations

A policy about grants to community organisations must state the following matters—

- (a) the types of grants to community organisations the local government considers to be appropriate for receiving grants from its funds;

- (b) that the local government may give a grant to a community organisation only if the local government is satisfied—
 - (i) the grant will be used for a purpose that is in the public interest; and
 - (ii) the community organisation satisfies the criteria mentioned in paragraph (c);
- (c) the criteria a community organisation must meet to be eligible for a grant from the local government;
- (d) the procedure the local government must follow when approving a grant to a community organisation.

Division 2 Requirements for revenue policy—Act, s 513B(1)

12 Requirements for revenue policy

A local government's revenue policy for a financial year must include details of the principles applied by it for the year for each of the following—

- (a) making and levying rates and charges;
- (b) exercising its powers to grant rebates and concessions;
- (c) recovery of unpaid amounts of rates and charges.

Division 3 Principles of financial management—Act, s 502(1)(a)

13 General principles to be complied with in financial management

A local government must comply with the following principles in financial management—

- (a) the local government must consider the risks to which its operations are exposed;

- (b) the local government must consider internal control measures adopted, or to be adopted, by it for managing the risks mentioned in paragraph (a);
- (c) a local government must consider the following—
 - (i) the equity between people presently living its area;
 - (ii) the equity between different generations who have lived, are living or will live in its area;
- (d) a local government must consider the interests of all people living in its area;
- (e) a local government must consider the efficient, effective and proper management of its operations;
- (f) a local government must consider planning for the future.

14 Principles for internal audit function

- (1) This section states the principles in financial management that apply if a local government's policy about internal audit states the local government must establish and maintain an internal audit function.
- (2) The local government must ensure the internal audit function provides for the following matters—
 - (a) the preparation of an audit plan for the local government;
 - (b) the preparation of a program for the tasks the local government must carry out for each internal control measure mentioned in its audit plan;
 - (c) the carrying out of internal audits for the local government;
 - (d) for each internal audit carried out for the local government, the supply by the local government, to each relevant entity for the local government—
 - (i) of the internal audit report for the audit; and
 - (ii) at least twice during the 12 month period after the audit is carried out, of a summary of the following matters—

- (A) the recommendations stated in the internal audit report for the audit;
 - (B) the actions that have been taken by the local government in response to the recommendations;
 - (C) any actions mentioned in the recommendations that have not been acted on by the local government.
- (3) In this section—
- relevant entity*, for a local government, means the following—
- (a) the chief executive officer of the local government;
 - (b) the mayor of the local government;
 - (c) if the local government has established an audit committee—the committee.

15 Principles for audit committee

- (1) This section states the principles in financial management that apply if a local government's policy about an audit committee states the local government must establish an audit committee.
- (2) The local government must ensure the audit committee does the following—
 - (a) meets at least twice each financial year;
 - (b) reviews each of the following matters at each meeting—
 - (i) the local government's organisational structure and its systems and procedures for carrying out its functions and duties under the Act;
 - (ii) the risks to which the local government's operations are exposed;
 - (iii) the internal control measures adopted by the local government for managing the risks mentioned in subparagraph (ii);

- (iv) any reports prepared by the auditor-general under section 530³ of the Act during the financial year within which the meeting is held;
 - (v) if the local government has established an internal audit function—any internal audit reports prepared under the function during the financial year within which the meeting is held;
- (c) gives the local government, as soon as practicable after a review is conducted, a written report stating any recommendations the committee has about the matters reviewed.

16 Requirement to keep record of particular matters

- (1) A local government must keep a written record stating the following—
- (a) the risks to which its operations are exposed, to the extent they are relevant to financial management;
 - (b) the internal control measures adopted to manage the risks mentioned in paragraph (a);
 - (c) the duties of each employee of the local government who is responsible for carrying out an activity relating to financial management.
- (2) The local government must keep, with the record, a copy of—
- (a) all of its policies for financial management mentioned in section 4; and
 - (b) its revenue policy.

3 Section 530 (General reporting provisions) of the Act

Part 3 Other provisions about financial management

Division 1 Exemption to open competition for contracts and tendering—Act, s 486(1)(e)

17 Exemption to open competition

- (1) This division states, for section 486(1)(e)⁴ of the Act, the requirements for the making of contracts under an exemption to open competition.
- (2) A contract may be made under the exemption if the contract is entered into—
 - (a) under a standing offer arrangement or preferred supplier arrangement; or
 - (b) with a supplier from a register of pre-qualified suppliers; or
 - (c) under an LGA arrangement.

18 Requirements for establishing a standing offer or preferred supplier arrangement

A local government may establish a standing offer arrangement 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.

4 Section 486 (Exceptions to the requirement to seek tenders or quotations) of the Act

19 Requirements for establishing a register of pre-qualified suppliers

A local government may establish a register of pre-qualified suppliers of particular goods or services 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 of the goods or services is critical; or
- (c) the supply of the goods or services involves significant security considerations; or
- (d) a precondition of an offer to contract for the goods or services is in compliance with particular standards or conditions decided by the local government; or
- (e) the ability of local business to supply the goods or services needs to be found out or developed.

20 Procedure for establishing purchasing arrangements

- (1) A local government must invite persons to tender if it proposes to establish a purchasing arrangement.
- (2) The invitation must—
 - (a) be by an advertisement in a newspaper circulating generally in the local government's area; and
 - (b) allow at least 21 days from the day of the advertisement for the submission of tenders; and
 - (c) state the purchasing arrangement for which the person is invited to tender.
- (3) In selecting persons to enter a purchasing arrangement, the local government must have regard to the principles mentioned in section 481⁵ of the Act.
- (4) The local government must ensure there is provision for the evaluation of the purchasing arrangement including, for example, removal of a person from the arrangement because

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

of the person's poor performance of a contract entered into under the arrangement.

- (5) The local government may establish a purchasing arrangement for longer than 2 years only if satisfied better value will be achieved by entering into a longer arrangement.

Division 2 Notional GST

21 Certificate about payment of notional GST

A local government must, no later than 15 September in each financial year, give the Minister an official certificate of the local government stating the local government has paid notional GST for the most recently completed financial year.

Part 4 Content of annual report and financial statements

Division 1 Preliminary

22 Purpose of pt 4

This part states, for section 502(1)(b)⁶ of the Act, requirements about the content of a local government's annual report and financial statements.

Division 2 Annual reports

23 General matters that must be contained in annual report

- (1) This section states particular matters that a local government's annual report for a financial year must contain.

6 Section 502 (Issue of standards) of the Act

- (2) The matters are—
- (a) a summary of its policy about borrowings; and
 - (b) a community financial report that is—
 - (i) consistent with, but not part of, the local government's financial statements; and
 - (ii) in a form that is readily understood by the community.
- (3) In this section—
- community financial report* means a report containing a summary and analysis of the local government's financial performance and position for the financial year.

24 Additional matters for annual report for financial year starting on or after 1 July 2006

- (1) A local government's annual report for a financial year starting on or after 1 July 2006 must contain—
- (a) the following details for overseas travel undertaken during the financial year by a councillor or employee of the local government—
 - (i) the name of the councillor or employee who undertook the overseas travel;
 - (ii) if an employee undertook the overseas travel—the position held by the employee;
 - (iii) the destination of the overseas travel;
 - (iv) the purpose and cost of the overseas travel;
 - (v) any other detail about the overseas travel the local government considers relevant, having regard to the relevant recording or reporting procedures; and
 - (b) a summary of its expenditure, for the financial year, for each of the following—
 - (i) services rendered by a consultant, summarised by reference to categories of services;
 - (ii) entertainment or hospitality services;

- (iii) advertising;
- (iv) grants to community organisations.

Examples of categories of services—

advertising, engineering, environmental, information
technology, managerial

- (2) In this section—

consultant, for a local government, means an entity, other than an employee of the local government, that is engaged by the local government—

- (a) to give advice and make recommendations to the local government about a new concept, process or other matter the local government intends to implement; and
- (b) for a fixed period and at an agreed rate of payment.

Examples of entities who are not consultants—

- a person providing statistical data or legal advice to the local government without providing a recommendation about the data or advice or its effect on the local government
- a valuer providing a valuation of the local government's assets

25 Annual report must contain note about reserves and controlled roads

- (1) A local government's annual report must contain a note about each of the following controlled by it at any time during the financial year to which the report relates—
 - (a) land that is a reserve under the *Land Act 1994*;
 - (b) roads not owned by the local government.
- (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 for this section—

The Council of the Shire of the Tropical State has control of—

- (a) 100ha of parks (including 10ha leased to sporting clubs) on land that is a reserve under the *Land Act 1994*; and

(b) 700km of roads that are not owned by the council.

This land does not have a value for the council's financial statements.

Division 3 Financial statements

26 General requirements about financial statements

- (1) A local government's financial statements for a financial year must—
 - (a) taken together, effectively comprise a general purpose financial report; and
 - (b) comply with the accounting requirements.
- (2) Subsection (1)(b) applies only to the extent the accounting requirements are consistent with this standard.
- (3) In this section—

accounting requirements means—

 - (a) the accounting standards; and
 - (b) abstracts issued by the urgent issues group of the Australian Accounting Standards Board.⁷

27 Period to which statements relate

- (1) A local government's financial statements for a financial year 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.
- (2) The financial statements may be prepared for a period—
 - (a) starting on the day after the date to which the local government's financial statements for the previous financial year were prepared; and

⁷ On the commencement of this section, the abstracts could be accessed on the Internet at the website of the Australian Accounting Standards Board at <www.aasb.com.au>.

- (b) ending on a day within 2 weeks before 30 June of the financial year.
- (3) If financial statements are prepared under subsection (2), the statements are taken to be prepared for the financial year.

28 Financial statements must include statement for significant business activities

- (1) A local government's financial statements for a financial year must include information about all of its significant business activities for the year.
- (2) The information to be included is a statement that must, for each activity—
 - (a) state the revenues; and
 - (b) state the expenses, including all items required to be taken into account for the relevant pricing provisions other than return on capital; and
 - (c) include a description of the nature of the community service obligations provided.
- (3) The statement must disclose each of the following items, for each activity, separately as revenues—
 - (a) revenue for goods and services provided to persons other than the local government by the activity;
 - (b) revenue for goods and services provided to the local government by the activity;
 - (c) the cost of, less any revenue arising from, carrying out community service obligations as part of the activity.

Part 5 Corporate and operational plans

Division 1 Corporate plans

29 Requirements for corporate plan—Act, s 507

- (1) A corporate plan prepared and adopted by a local government must state the following—
 - (a) its jurisdiction;⁸
 - (b) the local and regional issues the local government has identified, having regard to the matters mentioned in section 30, as affecting its area; and
 - (c) if the local government has decided to exercise its jurisdiction, whether or not with cooperation from other local governments, to address an issue mentioned in paragraph (b)—
 - (i) the outcomes it proposes to seek to address the issue; and
 - (ii) the strategies it proposes to implement to achieve the outcomes mentioned in subparagraph (i);
 - (d) its strategic direction.
- (2) Also, the corporate plan must include a description of the consultation process the local government used to prepare the plan.

30 Matters to be considered for identifying local and regional issues

- (1) A local government must, when identifying the local and regional issues affecting its area, have regard to its role in relation to the following—
 - (a) the development of art or culture;

8 See section 25 (Jurisdiction of local government) of the Act.

- (b) disaster management;
 - (c) economic development;
 - (d) environmental management;
 - (e) the provision, maintenance, restoration or replacement of infrastructure in its area;
 - (f) public health management;
 - (g) dealing with the issues relating to the following—
 - (i) community development;
 - (ii) human services;
 - (iii) housing for people living in its area;
 - (iv) population change.
- (2) Also, a local government must, when identifying the local and regional issues affecting its area, have regard to any foreseeable future issues that may affect its area.

- (3) In this section—

community development means the process by which the community is involved in—

- (a) planning the services and facilities that are to be provided for the benefit of the community; and
- (b) working out how the services and facilities are to be provided.

human services means services enabling individuals to improve, maintain or restore their welfare or well being.

public health management means arrangements directed at the following—

- (a) protection and promotion of public health;
- (b) prevention of disability, illness or injury.

Division 2 Operational plans

31 Requirements for operational plans—Act, s 510

(1) An operational plan prepared and adopted by a local government for a financial year starting on or after 1 July 2006 must state the following—

- (a) the outcomes mentioned in its corporate plan under section 29(1)(c);
- (b) the proposed strategies, mentioned in its corporate plan, for achieving the outcomes;
- (c) the proposed outputs of the local government for the financial year to which the plan relates;
- (d) the proposed activities to be carried out by the local government to deliver the proposed outputs;
- (e) the performance measures adopted by the local government about the delivery of the proposed outputs.⁹

(2) In this section—

output, of a local government, means a discrete service or other product, including policy advice, that the local government delivers to its external clients.

⁹ See also section 96 (1994 Standard continues to apply to particular policies and plans).

Part 6 Systems for managing finances

Division 1 Preliminary

32 Purpose of pt 6

This part states particular requirements, under section 517(3)¹⁰ of the Act, for systems established by a local government for managing its finances.

Division 2 Requirements about reserves within operating fund

33 Establishing reserve

- (1) A reserve within a local government's operating fund may be established only by including the reserve in the local government's adopted budget.
- (2) The resolution adopting the budget, or an amendment of the budget, that includes the reserve must state the purpose of the reserve.

34 Operating reserve

- (1) This section applies if a reserve has been established within a local government's operating fund.
- (2) A relevant instrument for the reserve must state the way, subject to subsection (3), the assets of the local government representing the reserve are to be kept.
- (3) For subsection (2), the assets of the local government representing the reserve must be kept for the reserve either—
 - (a) as cash kept in a bank account that is used only for the reserve; or

¹⁰ Section 517 (Compliance with sound accounting principles and procedures) of the Act

- (b) as assets kept within the local government's general pool of assets.
- (4) A transfer from the reserve may be made only by—
 - (a) a resolution of the local government; or
 - (b) including the transfer in the local government's adopted budget.
- (5) If the transfer is made for a purpose other than the purpose of the reserve, the resolution making the transfer, or adopting the budget including the transfer, must state the purpose of the transfer.
- (6) In this section—

relevant instrument, for a reserve of a local government, means either of the following—

 - (a) the resolution of the local government adopting the budget in which the reserve was included;
 - (b) a policy of the local government.

Division 3 Requirements about trust fund

35 Amounts credited to trust fund

Amounts credited to a local government's trust fund must be kept in a trust bank account for the local government.

36 Trust bank account not to be overdrawn

A local government's trust bank account must not be overdrawn at any time.

37 Amounts other than trust fund amounts paid into trust fund

- (1) This section applies if an amount, other than a trust fund amount, has been paid into a trust bank account for a local government.

- (2) The amount must be transferred to the local government's operating bank account as soon as practicable after the local government becomes aware the amount has been paid into the trust bank account.

38 Trust fund amounts paid into operating fund

- (1) This section applies if a trust fund amount has been paid into the operating bank account for a local government.
- (2) The trust fund amount must be transferred to the local government's trust bank account as soon as practicable, and not more than 5 working days, after the local government becomes aware the amount has been paid into its operating bank account.

39 Reconciliation of trust fund

The assets of a local government's trust fund must be reconciled with the liabilities of the trust fund at least monthly.

Part 7 Procedures for recording and reporting financial operations and position

Division 1 Preliminary

40 Purpose of pt 7

This part states particular requirements, under section 517(3)¹¹ of the Act, for the procedures established by a local government for recording and reporting its financial operations and position.

¹¹ Section 517 (Compliance with sound accounting principles and procedures) of the Act

Division 2 Recording financial operations in accounting records

41 Recording financial operations

- (1) This section states the way a local government's financial operations for a financial year must be recorded for the accounting records kept by the local government under section 527¹² of the Act.
- (2) The financial operations must be recorded in a way showing the local government's revenue, expenses, assets, liabilities and equity.

Division 3 Recording information about non-current assets generally

42 Register of non-current assets

A list of all of a local government's non-current assets, other than a non-current asset the local government is treating as an expense, must be recorded in a register kept by the local government.

43 Setting amount for treating non-current asset as an expense

- (1) A 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.
- (2) The set amount must not be more than—
 - (a) for land—\$1; or
 - (b) for plant or equipment—\$5000; or
 - (c) for another type of asset—\$10000.
- (3) The set amount may be a different amount for different assets, even if the assets are the same type.

12 Section 527 (Accounting records to be kept) of the Act

Example for subsection (3)—

- 1 For plant or equipment—the set amount for motor vehicles may be \$5000 while the set amount for computers may be \$1000.
 - 2 For other types of assets—the set amount for a building may be \$5000 while the set amount for a pump station or other infrastructure may be \$10000.
- (4) The set amount must be included in a note in the local government's financial statements.

44 Keeping relevant document for non-current asset

- (1) A local government must keep at least 1 relevant document for each of its non-current assets for the period—
 - (a) starting on the day the asset is included in the local government's register of non-current assets under section 42; and
 - (b) ending on the day that is 1 year after the day the asset is removed from the register.
- (2) In this section—

relevant document, for a non-current asset, means a document that can be used to work out the value of the asset.

Examples—

contract of sale, invoice, receipt, record generated by a local government to record the value of the asset

Division 4 Recording value of non-current assets

45 Valuation of non-current assets

- (1) This section states the way a local government may work out the value of its non-current assets for recording or reporting its financial operations and position for a financial year starting on or after 1 July 2005.
- (2) The value must be worked out by using the fair value basis.
- (3) However, the value of plant or equipment may be worked out by using the cost basis if—

- (a) the plant or equipment is not major plant or equipment for the local government; and
 - (b) the local government has prepared a policy about plant and equipment; and
 - (c) the policy describes the types of plant and equipment considered to be of high value to the local government.
- (4) A local government must keep a record of each valuation made by it under this section.
- (5) In this section—

cost basis means the cost basis within the meaning of Accounting Standard AASB 116.¹³

fair value basis means the fair value basis within the meaning of Accounting Standard AASB 116.

major plant or equipment, for a local government, means plant or equipment that is—

- (a) of a type that is considered to be of high value to the local government within the meaning of the policy prepared by the local government for this section; and
- (b) prone to a high degree of price fluctuations or in danger of becoming obsolete.

46 Certain land and roads do not have a value

The following assets controlled by the local government do not have a value for a local government's financial statements—

- (a) land that is a reserve under the *Land Act 1994*;
- (b) a road not owned by the local government.

¹³ Accounting Standard AASB 116 (Property, Plant and Equipment) issued by the Australian Accounting Standard Board

Division 5 Procedure for disbursement for genuine emergency or hardship

47 Procedure for disbursement for genuine emergency or hardship

- (1) This section applies if a local government intends to incur spending for a purpose of genuine emergency or hardship under section 519(4) of the Act.
- (2) The local government must make a resolution about the disbursement before, or as soon as practicable after, the disbursement is made.
- (3) The resolution must state how the disbursement is to be funded.
- (4) Also, if the local government's budget for a financial year is amended after the disbursement is made, the amendment must take the disbursement into account.

Division 6 Procedure for preparation of financial statements

48 Financial statements must be given to auditor-general for auditing

- (1) A local government's financial statements for a financial year must be given to the auditor-general for auditing as soon as practicable after the end of the financial year and no later than 15 September of the next financial year.
- (2) The financial statements must be accompanied by an official certificate of the local government stating the local government considers the relevant recording and reporting procedures have been complied with in the preparation of the financial statements.
- (3) The Minister may extend the time by which the financial statements must be given to the auditor-general under subsection (1) by giving written notice to the local government.

49 Financial statements must be presented to meeting

A local government's financial statements for a financial year must be presented to a meeting of the local government as soon as practicable after the statements are given to the auditor-general under section 48.

50 Procedure for amended financial statements

- (1) This section applies if a local government amends its financial statements for a financial year after the statements are presented to a meeting under section 49.
- (2) The local government must—
 - (a) give to the auditor-general—
 - (i) the financial statements as amended (the *amended financial statements*); and
 - (ii) a new official certificate of the local government stating it considers the relevant recording and reporting procedures have been complied with in the preparation of the amended financial statements; and
 - (b) ensure the following are presented to a meeting of the local government as soon as practicable after the amended financial statements are given to the auditor-general under paragraph (a)—
 - (i) the amended financial statements;
 - (ii) a written notice stating the differences between—
 - (A) the financial statements presented to a meeting of the local government under section 49; and
 - (B) the amended financial statements.

51 When financial statements have effect

- (1) This section states—
 - (a) when the financial statements for a local government for a financial year presented to a meeting of the local government under section 49 (the *original financial*

statements) have effect as the financial statements for the local government for the financial year; or

- (b) if a local government has prepared amended financial statements for a financial year in the way mentioned in section 50—when the amended financial statements have effect as the financial statements for the local government for the financial year.
- (2) The original or amended financial statements have effect as the financial statements for the local government for the financial year when the auditor-general certifies the financial statements as audited financial statements.

52 Requirement for unaudited financial statements

- (1) This section applies if the financial statements for a local government for a financial year have not been audited by the auditor-general.
- (2) Each page of any copy of the statements presented to any of the local government's meetings, or given to any person, must have the word 'UNAUDITED' marked on it.
- (3) Subsection (2) does not apply to a copy of the financial statements given to the auditor-general.

Part 8 Budget and revenue statement

Division 1 Requirements for budget

53 Purpose of div 1

This division states requirements for budgets for section 519(2)(c)¹⁴ of the Act.

14 Section 519 (Requirements of budgets) of the Act

54 General requirements for budget

A local government's budget must—

- (a) be prepared on an accrual basis; and
- (b) for a budget for a financial year starting on or after 1 July 2006, include the following for the year—
 - (i) a balance sheet;
 - (ii) a statement of cash flow;
 - (iii) a statement of income and expenses;
 - (iv) a statement of changes in equity.

55 Other requirements for budget

- (1) A local government's budget for a financial year must show that, for the financial year and the prescribed period for the financial year—
 - (a) the local government is able to satisfy its liabilities; and
 - (b) the local government's capital base is not being consumed at a rate that will adversely affect the local government's service potential; and
 - (c) sufficient funding is available for the local government's planned asset replacement; and
 - (d) the local government's planned borrowing is only for—
 - (i) capital expenditure; or
 - (ii) short-term working capital; or
 - (iii) a genuine emergency or hardship; or
 - (iv) establishing a commercial debt structure for its commercial business unit or corporatised corporation; and
 - (e) an amount borrowed for short-term working capital is to be repaid within the financial year in which it is borrowed or the following financial year.
- (2) In this section—

prescribed period means—

- (a) for the financial year starting on 1 July 2005—the following 2 financial years; or
- (b) for a financial year starting on 1 July 2006 or later—the following 4 financial years.

Division 2 Requirements for revenue statement

56 Requirements for revenue statement—Act, s 520A

A local government's revenue statement for a financial year must include the following information for the financial year—

- (a) an outline and explanation of the revenue raising measures adopted, including an outline and explanation of—
 - (i) the rates and charges to be made and levied in the financial year; and
 - (ii) the rebates and concessions to be granted in the financial year;
- (b) whether the local government has made a resolution limiting the increases in rates and charges;
- (c) the extent to which physical and social infrastructure costs for new development are to be funded by charges for the development;
- (d) whether the operating capability of the local government is to be maintained, increased or decreased and, if it is to be increased or decreased, the extent to which it is to be increased or decreased;
- (e) whether depreciation and other non-cash expenses are to be fully funded.

Division 3 Document presented to budget meeting

57 Requirements for document presented to budget meeting—Act, s 521

- (1) This section states requirements for a document for a financial year presented to a local government's budget meeting under section 521¹⁵ of the Act.
- (2) The document must—
 - (a) be prepared on an accrual basis; and
 - (b) state the following—
 - (i) the estimated revenue and expenses stated in the adopted budget for the financial year;
 - (ii) the actual revenue and expenses for the financial year or, if the budget meeting is held before the end of the financial year, the anticipated actual revenue and expenses for the financial year worked out in the way required under section 521(2) of the Act;
 - (iii) if there is a significant difference between the revenue or expenses mentioned in subparagraph (i) and the revenue or expenses mentioned in subparagraph (ii)—an explanation of the difference and a statement about whether the nature or effect of the difference will affect the local government's budget for a later financial year.

15 Section 521 (Financial information to be presented to budget meeting) of the Act

Part 9 Full cost pricing

Division 1 Preliminary

58 Purpose of pt 9

The purpose of this part is to state requirements, under section 502(1)(e)¹⁶ of the Act, about full cost pricing and their application to significant business activities of local governments under chapter 8, part 5,¹⁷ of the Act.

59 Application of pt 9

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

60 Summary of matters affecting full cost pricing

In summary, the following are the matters affecting full cost pricing—

- (a) the relevant pricing provisions;
- (b) the provision in division 2 about the treatment of community service obligations;
- (c) the provisions in the Act about the elimination of, or taking into account, advantages and disadvantages of public ownership.¹⁸

16 Section 502 (Issue of standards) of the Act

17 Chapter 8 (National competition reform of significant business activities), part 5 (Full cost pricing for significant business activities) of the Act

18 See section 568(2) of the Act.

Division 2 Treatment of community service obligations

61 Extra cost for community service obligations to be treated as revenue

- (1) This section applies if community service obligations for an activity are carried out as part of the activity.
- (2) For deciding charges for goods or services provided as part of the activity, the amount mentioned in subsection (3) must be treated as revenue for the activity.
- (3) For subsection (2), the amount is the cost of carrying out the obligations less any revenue arising from carrying out the obligations.

Part 10 Commercialisation

Division 1 Preliminary

62 Purpose of pt 10

The purpose of this part is to state requirements, under section 502(1)(f)¹⁹ of the Act, about commercialisation and its application to CBUs under chapter 8, part 6,²⁰ of the Act.

63 Application of pt 10

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

19 Section 502 (Issue of standards) of the Act

20 Chapter 8 (National competition reform of significant business activities), part 6 (Commercialisation of significant business activities) of the Act

64 Summary of matters affecting commercialisation

In summary, the following are the matters affecting commercialisation—

- (a) the relevant pricing provisions;
- (b) the provision in division 2 about the treatment of community service obligations;
- (c) the provisions in the Act about the elimination of, or taking into account, advantages and disadvantages of public ownership;²¹
- (d) the matters mentioned in each CBU's annual performance plan as required under division 3.

Division 2 Treatment of community service obligations**65 Extra cost for community service obligations to be treated as revenue**

- (1) This section applies if community service obligations for an activity are carried out as part of the activity.
- (2) For deciding charges for goods or services provided as part of the activity, the amount mentioned in subsection (3) must be treated as revenue for the activity.
- (3) For subsection (2), the amount is the cost of carrying out the obligations less any revenue arising from carrying out the obligations.

²¹ See sections 575 (Meaning of *commercialisation*) and 576 (Meaning of *key principles of commercialisation*) of the Act.

Division 3 Annual performance plan

66 Purpose and nature of div 3

- (1) This division states the matters that must be included in the annual performance plan²² of a CBU of a local government.
- (2) However, this division does not limit the matters that may be included in the annual performance plan.

67 Matters to be included in CBU's annual performance plan—information about performance targets and community service obligations

A CBU's annual performance plan must include each of 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.

68 Matters to be included in CBU's annual performance plan—other matters

- (1) A CBU's annual performance plan must also include each of 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;

22 See section 580 (Performance plan for commercial business units) of the Act.

- (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.
- (2) However, a CBU is not required to include in its annual performance plan a matter, or an aspect of a matter, mentioned in subsection (1) if the local government is satisfied the matter or aspect is not materially relevant to the CBU or its activities.

69 When matters need not be included in copy of annual performance plan

A matter in a CBU's annual performance plan may be omitted from copies of the plan made available to the 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 of the councillors of the local government.²³

Part 11 Code of competitive conduct

Division 1 Preliminary

70 Purpose of pt 11

The purpose of this part is to state requirements, under section 502(1)(h)²⁴ of the Act, about a code of competitive conduct for the application, under chapter 9²⁵ of the Act, of

23 See, also, section 250(2) (Improper use of information by councillors) of the Act.

24 Section 502 (Issue of standards) of the Act

25 Chapter 9 (Conduct of competitive business activities) of the Act

competitive neutrality principles to the following activities of a local government—

- (a) roads business activities;
- (b) building certification business activities;
- (c) business activities.

71 Application of code

The code applies to an activity of a local government—

- (a) for a roads business activity—from when the code applies under section 763²⁶ of the Act; or
- (b) for a building certification business activity—from when the code applies under section 763A²⁷ of the Act; or
- (c) for a business activity to which a local government has resolved to apply the code—while the resolution is effective under section 766²⁸ of the Act.

72 Elements of code

The following are the elements of the code—

- (a) the relevant pricing provisions;
- (b) the provisions in division 2 about the treatment of community service obligations;
- (c) the provision in division 3 about the elimination of, or taking into account, advantages and disadvantages of public ownership;
- (d) the provisions in division 4 about financial reporting.

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

27 Section 763A (Code must be applied to building certification business activities) of the Act

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

Division 2 Treatment of community service obligations

73 Extra cost for community service obligations to be treated as revenue

- (1) This section applies if community service obligations for an activity are carried out as part of the activity.
- (2) For deciding charges for goods or services provided as part of the activity, the amount mentioned in subsection (3) must be treated as revenue for the activity.
- (3) For subsection (2), the amount is the cost of carrying out the obligations less any revenue arising from carrying out the obligations.

74 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.

Division 3 Elimination of, or taking into account, advantages and disadvantages of public ownership

75 Effect of advantages and disadvantages of public ownership

A local government must ensure—

- (a) if possible and appropriate, that any advantages and disadvantages arising because an activity to which the code applies is publicly owned are eliminated; and
- (b) if any advantages or disadvantages are not eliminated, that they are taken into account in the required revenue worked out under the required pricing provisions for

deciding charges to persons for goods or services provided in carrying on the activity.²⁹

Division 4 Financial reporting

76 Statement in budget about activities to which code applies

- (1) Each budget of a local government must include a statement about its activities to which the code applies.
- (2) The statement must, for each activity—
 - (a) show the estimated revenues; and
 - (b) show the estimated expenses, including all items required to be taken into account under the relevant pricing provisions, other than return on capital; and
 - (c) include the estimated surplus or deficit for the financial year; and
 - (d) include a description of the nature of the community service obligations to be provided.
- (3) The statement must disclose each of the following items, for each activity, separately as estimated revenues—
 - (a) estimated revenue for services to be provided by the activity to persons 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 as part of the activity.
- (4) This section does not apply if—

²⁹ See schedule 1 (Relevant pricing provisions), section 3 (Required revenue for deciding charges).

- (a) the activity, or the total for all activities, to which the code applies is a significant activity for section 520³⁰ of the Act; and
- (b) all the information mentioned in subsection (2) and (3) is included in the local government's budget for its operating fund.

77 Omission of particular matters from statement in budget

A statement in a budget of a local government required under section 76 may include a summary of a matter required to be included in the budget, instead of a full statement of the matter, if—

- (a) the summary states—
 - (i) it is a summary only; and
 - (ii) a full statement of the matter is available for inspection and purchase at the local government's public office; and
- (b) a full statement of the matter is available for inspection and purchase at the local government's public office during office hours on business days.

78 Statement in annual financial statements about activities to which code applies

- (1) A local government must include in its annual financial statements information about its activities to which the code applies, other than significant business activities.³¹
- (2) The information is a statement that must, for each activity—
 - (a) show the revenues; and
 - (b) show the expenses, including any items required to be taken into account under the relevant pricing provisions other than return on capital; and

30 Section 520 (Content of operating fund budgets) of the Act

31 See, however, section 28 (Financial statements must include statement for significant business activities).

- (c) include a description of the nature of community service obligations provided.
- (3) The statement must disclose each of the following items, for each activity, separately as revenues—
 - (a) revenue for goods and services provided to persons 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 as part of the activity.

79 Omission of particular matters from statement in annual financial statements

A statement in the annual financial statements of the local government required under section 78 may include a summary of a matter required to be included in the annual financial statements, instead of a full statement of the matter, if—

- (a) the summary states—
 - (i) it is a summary only; and
 - (ii) a full statement of the matter is available for inspection and purchase at the local government's public office; and
- (b) a full statement of the matter is available for inspection and purchase at the local government's public office during office hours on business days.

Part 12 **Reform of particular water and sewerage services**

Division 1 **Preliminary**

80 **Purpose of pt 12**

The purpose of this part is state requirements, under section 502(1)(i)³² of the Act, about facilitating the reform of particular water and sewerage services under chapter 10³³ of the Act for relevant business activities of local governments and their corporatised corporations.

81 **Definition for pt 12**

In this part—

entity means—

- (a) in relation to a relevant business activity carried on by a local government—the local government; or
- (b) in relation to a relevant business activity carried on by a corporatised corporation of a local government—the corporatised corporation.

82 **Requirements for relevant business activities**

In complying with section 783³⁴ of the Act for a relevant business activity, an entity must comply with divisions 2 to 6.

32 Section 502 (Issue of standards) of the Act

33 Chapter 10 (Reform of certain water and sewerage services) of the Act

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

Division 2 Consumption as the basis for utility charges for water services

83 Application of div 2

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

84 How utility charges for water services based on consumption must be worked out

- (1) This section prescribes how a utility charge for water services based on consumption,³⁵ including the consumption component of a two-part tariff, must be worked out.
- (2) The utility charge must be worked out—
 - (a) if a two-part tariff applies—on the basis stated in subsection (3)(b); or
 - (b) otherwise—on a basis stated in subsection (3), (5) or (6).
- (3) 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—
 - (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.
- (4) Subsection (5) applies if—
 - (a) utility charges are not based on a meter reading of water consumed; and
 - (b) consumers are divided by the entity into groups based on the estimated average quantity of water expected to be supplied to consumers in each group.

35 See section 783(b) of the Act.

- (5) If this subsection applies, the utility charge for consumers in a group must be based on the estimated average consumption by all consumers in the group.

Example for subsection (5)—

A local government could, by sampling or other ways, work out the average usage of domestic consumers was 300kL a year and the average of commercial consumers was 2000kL a 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 for each kilolitre. The charges would be \$400 for domestic consumers and \$2600 for commercial consumers. Given the considerable variability of consumption across commercial consumers, it would be preferable to further divide them by type and make separate assessments for each. Some of the commercial users may be metered and charged on the basis of actual consumption in which case subsection (4) would not apply to them.

- (6) If the utility charge is not worked out under subsection (3) or (5), it must be worked out on a basis the entity considers appropriate to decide the reasonably likely consumption by the consumer.
- (7) In this section—

consumer see section 772 of the Act.

consumption component, of a two-part tariff, see section 772 of the Act.

two-part tariff see section 772 of the Act.

Division 3 Full cost recovery

85 Application of div 3

This division does not apply to an entity deciding the charges for water and sewerage services provided to persons in carrying on a relevant business activity if the entity applies the relevant pricing provisions under part 9 or 10 in deciding the charges.

86 Required revenue for deciding charges

In deciding the amount of a charge for water or sewerage services provided to persons 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.

87 Total costs of carrying on relevant business activity

For this division, the total costs of carrying on a relevant business activity include each of the following—

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

88 Administrative and overhead costs

For section 87(b), the entity must make a reasonable allocation of its administrative and overhead costs to each relevant business activity to which full cost recovery applies.

89 Cost of resources used in carrying on relevant business activity

- (1) For section 87(c), if resources are provided by or to the entity for carrying on a relevant business activity, the cost of resources used in carrying on the activity may be taken to be—
 - (a) if the resources have an identifiable cost—the cost of the resources; or
 - (b) if paragraph (a) does not apply and the resources are readily available on the open market—the price at which the resources can be obtained on the market.

- (2) If subsection (1)(b) applies, 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.

90 Depreciation

- (1) For section 87(d), depreciation of an asset used in carrying on a relevant business activity must be based on the depreciable amount for the asset allocated over its useful life.
- (2) However, the entity may decide to base the depreciation on an amount decided by the entity to be appropriate in the circumstances.

91 Return on capital

- (1) For section 87(e), 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.

Division 4 Treatment of community service obligations

92 Extra cost for community service obligations to be treated as revenue

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

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

Division 5 Identification and disclosure of cross-subsidies between classes of consumers

93 Disclosure of cross-subsidies in annual report

- (1) In its annual report, an entity must state the amount of any 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.
- (2) For deciding the amount to be stated for subsection (1), the entity must, to the extent it is reasonably practicable, comply with the document called ‘Guidelines for Identification and Measurement of Cross-Subsidies’ (September 1998).³⁶

Division 6 Disclosure of community service obligations

94 Disclosure of community service obligations

An entity must disclose in its annual report—

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

³⁶ A copy of the document may be inspected, free of charge, during office hours on business days at the office of the department at 41 George Street, Brisbane.

Part 13 Repeal and transitional provisions

Division 1 Repeal provision

95 Repeal of Local Government Finance Standard 1994

The Local Government Finance Standard 1994 SL No. 217 is repealed.

Division 2 Transitional provision

96 1994 Standard continues to apply to particular policies and plans

- (1) The provisions of the 1994 Standard about the requirements for a local government's audit policy or corporate plan continue to apply to an audit policy or corporate plan of a local government until a replacement audit policy or corporate plan is prepared by the local government after 1 July 2005.
- (2) The provisions of the 1994 Standard about the requirements for a local government's operational plan continue to apply to an operational plan of a local government for the financial year beginning on 1 July 2005.
- (3) In this section—

1994 Standard means the repealed *Local Government Finance Standard 1994* as in force immediately before its repeal.

audit policy, of a local government, means each of the following—

- (a) its policy about internal audit;
- (b) its policy about an audit committee.

Schedule 1 Relevant pricing provisions

Schedule 2, definition *relevant pricing provisions*

1 Definitions for sch 1

In this schedule—

Commonwealth tax means a tax imposed under a Commonwealth law.

relevant activity means—

- (a) for the application of the relevant pricing provisions under section 60(a)³⁷—a significant business activity of the local government to which full cost pricing applies; or
- (b) for the application of the relevant pricing provisions under section 64(a)³⁸—a significant business activity of the local government to which commercialisation applies; or
- (c) for the application of the relevant pricing provisions under section 72(a)³⁹—an activity of the local government to which the code applies under section 71.

State tax means tax imposed under an Act.

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

tax equivalents manual means a tax equivalents manual under section 582⁴⁰ of the Act.

2 References to sections

In this schedule, unless otherwise stated a reference to a section is a reference to a section of this standard.

37 Section 60 (Summary of matters affecting full cost pricing)

38 Section 64 (Summary of matters affecting commercialisation)

39 Section 72 (Elements of code)

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

Schedule 1 (continued)**3 Required revenue for deciding charges**

In deciding charges to persons for goods or services provided in carrying on a relevant 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—

- (a) if the relevant activity is an activity to which the code applies under section 71—a period of more than 1 year but not more than 5 years; or
- (b) otherwise—the local government's financial year.

4 Different charges for commercial reasons

- (1) A charge may be decided for providing specific goods or services in carrying on a relevant 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 could reasonably be charged if the goods or services were provided by an entity carrying on the activity with the primary object of making a profit from carrying on the activity.

5 Total costs of carrying on relevant activity

- (1) For this schedule, the total costs of carrying on a relevant activity include each of the following—
 - (a) the operational costs incurred in carrying on the activity;
 - (b) administrative and overhead costs;
 - (c) the cost of resources used in carrying on the activity;
 - (d) depreciation;
 - (e) equivalents for Commonwealth or State taxes a local government is not liable to pay because it is a local government;

Schedule 1 (continued)

- (f) equivalents for the cost of funds advantage a local government obtains over commercial interest rates 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.
 - (3) Subsection (2) does not apply in relation to a relevant activity to which commercialisation applies.

6 Allocation of administrative and overhead costs

For section 5(1)(b) of this schedule, a local government must make a reasonable allocation of its administrative and overhead costs to each relevant activity, having regard to all of a local government's relevant activities.

7 Cost of resources used in carrying on activity

- (1) For section 5(1)(c) of this schedule, 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 may be taken to be—
 - (a) if the resources have an identifiable cost—the cost of the resources; or
 - (b) if paragraph (a) does not apply and the resources are readily available on the open market—the price at which the resources can be obtained on the market.
- (2) If subsection (1)(b) applies, 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.

8 Depreciation

- (1) For section 5(1)(d) of this schedule, depreciation of an asset used in carrying on an activity must be based on the depreciable amount for the asset allocated over its useful life.

Schedule 1 (continued)

- (2) However, a local government may decide to base the depreciation on an amount decided by the local government to be appropriate in the circumstances.

9 Equivalent amounts for taxes local government is not liable to pay

- (1) This section applies, for section 5(1)(e) of this schedule, for working out the equivalent amount for a Commonwealth or State tax a local government is not liable to pay because it is a local government.
- (2) The equivalent amount must be worked out—
- (a) for a tax to which a tax equivalents manual applies—by applying the general principles provided for in the manual; or
 - (b) if paragraph (a) does not apply—by estimating the amount a private sector entity carrying on the business would calculate to be its liability to the tax.
- (3) Subsection (2)(a) does not, of itself, require the local government to comply with a process or other requirement under the tax equivalents manual.
- (4) However, the local government must keep, for 7 years from the day the equivalent amount is worked out, details of the calculations made in working out the equivalent amount.
- (5) This section does not apply in relation to a relevant activity to which commercialisation applies.

10 Guarantees by State

- (1) This section applies, for section 5(1)(f) of this schedule, in relation to a relevant activity that is an activity to which the code applies under section 71.⁴¹

41 For the equivalent provision for a relevant activity to which full cost pricing applies, see section 569 (Guarantees by State) of the Act.

For the equivalent provision for a relevant activity to which commercialisation applies, see section 583 (Guarantees by State) of the Act.

Schedule 1 (continued)

- (2) If the State guarantees repayment of a debt of a local government attributed to the 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 interest rates because of the guarantee.

11 Return on capital

- (1) For section 5(1)(g) of this schedule, the amount for the return on the capital used by a local government in carrying on a relevant activity must be decided using the rate at which, in the local government's opinion, 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) However, the amount for the return on the capital used in carrying on an activity for the first year in which the activity is a relevant activity may be the amount the local government decides.
- (3) In this section—

capital used in carrying on a relevant activity means the total value, decided using an accepted accountancy method, of the assets used for the activity less the liabilities attributable to the activity.

Schedule 2 Dictionary

section 3

accounting standards means the accounting standards issued by the Australian Accounting Standards Board.⁴²

adopted budget, of a local government, means the original budget for the local government for a financial year including any amendments to the budget adopted by the local government under section 519(3)⁴³ of the Act.

advertising means promoting to the public an idea, goods or services by using a medium commonly used for promoting ideas, goods or services and for which a fee is paid.

Examples of mediums commonly used for promoting ideas, goods or services—

magazine, newspaper, radio, television

amended financial statements, for a local government, see section 50(2)(b)(i).

audit committee, for a local government, means a committee responsible for advising the local government about—

- (a) the adequacy of the local government's organisational structure, systems, procedures; and
- (b) if the local government has an internal audit function—the adequacy of the internal audit function for managing the risks to which the local government's operations are exposed.

auditor-general means the Queensland Auditor-General under the *Financial Administration and Audit Act 1977*.

audit plan, for a local government, means a plan stating—

42 On the commencement of this definition, the accounting standards could be accessed on the internet at the website of Australian Accounting Standards Board at <www.aasb.com.au>.

43 Section 519 (Requirements of budgets) of the Act

Schedule 2 (continued)

- (a) the risks to which the local government's operations are exposed; and
- (b) the internal control measures adopted, or to be adopted, by the local government to manage the risks.

bank account means an account with a financial institution.

building certification business activity see section 761⁴⁴ of the Act.

business activity, for part 11, see section 762 of the Act.

CBU, of a local government, means a commercial business unit of the local government.

code means the code of competitive conduct prescribed under part 11.⁴⁵

commercialisation see section 575⁴⁶ of the Act.

Commonwealth tax, for schedule 1, see schedule 1, section 1.

community organisation means—

- (a) an entity that carries on activities for a public purpose; or
- (b) another entity whose primary object is not directed at making a profit.

community service obligations, for an activity, means—

- (a) for an activity carried on by a corporatised corporation under chapter 8, part 7, of the Act—see section 677⁴⁷ of the Act; or
- (b) for an activity carried on by a CBU of a local government—see section 577⁴⁸ of the Act; or

44 Section 761 (Definitions for ch 9) of the Act

45 Part 11 (Code of competitive conduct)

46 Section 575 (Meaning of *commercialisation*) of the Act

47 Section 677 (Meaning of *community service obligations*) of the Act

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

Schedule 2 (continued)

- (c) for another activity carried on by a local government—the obligations to do anything if the local government is satisfied—
 - (i) that, if the activity were to be carried on by an entity with the primary object of making a profit, the obligations would not be in the entity's commercial interests to perform; and
 - (ii) the obligations have arisen because of a direction by the local government.

control measure, for managing a risk, means a measure that may be adopted for reducing the risk.

corporatised corporation, of a local government, see section 592⁴⁹ of the Act.

depreciable amount, for an asset, means the depreciable amount for the asset worked out under the accounting standards.

entertainment or hospitality service, for a local government, includes the following—

- (a) a service provided by the local government for entertaining members of the public for promoting an initiative or project of the local government;
- (b) the provision of food or beverages by the local government—
 - (i) to a person visiting the local government in an official capacity; or
 - (ii) for a conference or meeting held by the local government for its councillors, employees or other persons; or
 - (ii) for a seminar, course, workshop or another forum provided by the local government for its councillors, employees or other persons;

49 Section 592 (Definitions for pt 7) of the Act

Schedule 2 (continued)

- (c) attendance by a councillor or employee of the local government at a function—
 - (i) as part of the councillor's or employee's official duties or obligations as a councillor or employee of the local government; and
 - (ii) for which an amount is charged to the local government for attending the function.

entity, for part 12, see section 81.

full cost pricing see section 568⁵⁰ of the Act.

internal audit, for a local government, means an independent assessment of the internal control measures stated in the local government's audit plan.

internal audit function, for a local government, means a system providing for—

- (a) the internal control measures adopted, or to be adopted, by the local government to manage risks to which its operations are exposed; and
- (b) regular independent assessment of the measures mentioned in paragraph (a).

internal audit report, for an internal audit for a local government, means a report stating the following—

- (a) the internal control measures adopted by the local government that were assessed by the audit;
- (b) the way the audit was carried out;
- (c) whether, in the opinion of the person who conducted the audit, the internal control measures have been successful to manage the risks to which they relate;
- (d) any recommendations of the person who conducted the audit about—
 - (i) action that may be taken to improve the success of the internal control measures; or

Schedule 2 (continued)

- (ii) alternative internal control measures that may be adopted by the local government for managing risks to which its operations are exposed and the actions that may be taken to give effect to the measures.

LGA arrangement means an arrangement—

- (a) entered into by—
 - (i) the Local Government Association; or
 - (ii) a company registered under the Corporations Act if the Local Government Association is its only shareholder; 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 20⁵¹ has been followed by the Local Government Association or company as if it were a local government.

official certificate, of a local government, means a certificate that has been signed by both of the following persons—

- (a) the chief executive officer of the local government;
- (b) the mayor of the local government.

operating bank account, for a local government, means a bank account used only for amounts accredited to the local government's operating fund.

original budget, of a local government, for a financial year, means the budget adopted by the local government under section 518⁵² of the Act for the financial year.

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.

51 Section 20 (Procedure for establishing purchasing arrangements)

52 Section 518 (Adoption of budget and revenue statement) of the Act

Schedule 2 (continued)

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 any of the following—

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

relevant activity, for schedule 1, see schedule 1, section 1.

relevant business activity see section 772⁵³ of the Act.

relevant pricing provisions means schedule 1.

relevant recording and reporting procedures, for a local government, means the procedures adopted, or required to be adopted, by the local government under the Act for recording and reporting its financial operations and financial position.⁵⁴

roads business activity see section 761⁵⁵ of the Act.

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.

State tax, for schedule 1, see schedule 1, section 1.

tax, for schedule 1, see schedule 1, section 1.

tax equivalents manual, for schedule 1, see schedule 1, section 1.

53 Section 772 (Definitions for ch 10) of the Act

54 See, in particular—

- sections 517 (Compliance with sound accounting principles and procedures) and 527 (Accounting records to be kept) of the Act; and
- part 4 (Content of annual report and financial statements), division 3 (Financial statements) of this standard.

55 Section 761 (Definitions for ch 9) of the Act

Schedule 2 (continued)

trust bank account, for a local government, means a bank account used only for amounts credited to the local government's trust fund.

trust fund amount means an amount mentioned in section 516(1)⁵⁶ of the Act.

Endnotes

1 Index to endnotes

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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 30 June 2006. Future amendments of the Local Government Finance Standard 2005 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)	= previously
amd	= amended	proc	= proclamation
amdt	= amendment	prov	= provision
ch	= chapter	pt	= part
def	= definition	pubd	= published
div	= division	R[X]	= Reprint No.[X]
exp	= expires/expired	RA	= Reprints Act 1992
gaz	= gazette	reloc	= relocated
hdg	= heading	renum	= renumbered
ins	= inserted	rep	= repealed
lap	= lapsed	(retro)	= retrospectively
notfd	= notified	rv	= revised edition
o in c	= order in council	s	= section
om	= omitted	sch	= schedule
orig	= original	sdiv	= subdivision
p	= page	SIA	= Statutory Instruments Act 1992
para	= paragraph	SIR	= Statutory Instruments Regulation 2002
prec	= preceding	SL	= subordinate legislation
pres	= present	sub	= substituted
prev	= previous	unnum	= unnumbered

4 Table of reprints

Reprints are issued for both future and past effective dates. For the most up-to-date table of reprints, see the reprint with the latest effective date.

If a reprint number includes a letter of the alphabet, the reprint was released in unauthorised, electronic form only.

Reprint No.	Amendments included	Effective	Notes
1	none	1 July 2005	
1A	2006 SL No. 172	30 June 2006	

5 List of legislation

Local Government Finance Standard 2005 SL No. 82

made by the Minister for Environment, Local Government, Planning and Women on 2 May 2005

notfd gaz 6 May 2005 pp 73–4

ss 1–2 commenced on date of notification

remaining provisions commenced 1 July 2005 (see s 2)

exp 1 September 2015 (see SIA s 54)

Note—The expiry date may have changed since this reprint was published. See the latest reprint of the SIR for any change.

amending legislation—

Local Government Finance Amendment Standard (No. 1) 2006 SL No. 172

notfd gaz 30 June 2006 pp 1060–7

commenced on date of notification

6 List of annotations

Policies to be prepared and complied with for financial management

s 4 amd 2006 SL No. 172 s 3

Requirement for acquisition of goods and services policy

s 5 om 2006 SL No. 172 s 4

Procedure for amended financial statements

hdg amd 2006 SL No. 172 s 5(1)

s 50 amd 2006 SL No. 172 s 5(2)–(5)

General requirements for budget

s 54 amd 2006 SL No. 172 s 6

How utility charges for water services based on consumption must be worked out

s 84 amd 2006 SL No. 172 s 7