

LG301*

Local Government Act 1995

Local Government (Financial Management) Amendment Regulations 2012

Made by the Governor in Executive Council.

1. Citation

These regulations are the *Local Government (Financial Management) Amendment Regulations 2012*.

2. Commencement

These regulations come into operation as follows —

- (a) regulations 1 and 2 — on the day on which these regulations are published in the *Gazette*;
- (b) the rest of the regulations — when the *Local Government Amendment Act 2012* Part 2 Divisions 4 and 5 come into operation.

3. Regulations amended

These regulations amend the *Local Government (Financial Management) Regulations 1996*.

4. Regulation 3 amended

- (1) In regulation 3(1) insert in alphabetical order:

total assets means all current and non-current assets as shown in the balance sheet.

- (2) In regulation 3(1) in the definition of ***section*** delete “Act.” and insert:

Act;

5. Regulation 8 amended

In regulation 8(1)(a) delete “(c), (d) or (e);” and insert:

(c);

6. Regulation 16 replaced

Delete regulation 16 and insert:

16. Accounting for land under local government’s control

The annual financial report of a local government —

(a) is not to include as an asset —

(i) Crown land that is a public thoroughfare, the responsibility for managing which is vested in the local government; or

(ii) land that is not owned by the local government but which is under the control or management of the local government (whether that land is Crown land or is owned by another person, or not),

unless it is operated by the local government as a golf course, showground, racecourse or any other sporting or recreational facility of State or regional significance; and

(b) is to include as an asset —

(i) a structure or any other improvement placed by the local government on land referred to in paragraph (a); and

(ii) an easement granted in favour of the local government over any land.

7. Regulation 17A inserted

After regulation 16 insert:

17A. Assets — fair value measurement required

(1) In this regulation —

fair value, in relation to an asset, means the fair value of the asset measured in accordance with the AAS.

(2) Subject to subregulation (3), the value of an asset shown in a local government’s financial reports must be the fair value of the asset.

- (3) A local government must show in each financial report —
- (a) for the financial year ending on 30 June 2013, the fair value of all of the assets of the local government that are plant and equipment; and
 - (b) for the financial year ending on 30 June 2014, the fair value of all of the assets of the local government —
 - (i) that are plant and equipment; and
 - (ii) that are —
 - (I) land and buildings; or
 - (II) infrastructure;
- and
- (c) for a financial year ending on or after 30 June 2015, the fair value of all of the assets of the local government.
- (4) A local government must revalue all assets of the local government of the classes specified in column 1 of the Table to this subregulation on the day specified in column 2 of the Table and at the end of each subsequent period of 3 years.

Table

Class of asset	Day
Plant and equipment	30 June 2016
Land, buildings and infrastructure for which the fair value was shown in the local government's annual financial report for the financial year ending on 30 June 2014	30 June 2017
All other classes of asset	30 June 2018

8. Regulation 19A amended

In regulation 19A delete “11%.” and insert:

7%.

9. Regulation 19C inserted

After regulation 19B insert:

19C. Investment of money — s. 6.14(2)(a)

(1) In this regulation —

authorised institution means —

- (a) an authorised deposit-taking institution as defined in the *Banking Act 1959* (Commonwealth) section 5; or
- (b) the Western Australian Treasury Corporation established by the *Western Australian Treasury Corporation Act 1986*;

foreign currency means a currency except the currency of Australia.

(2) When investing money under section 6.14(1), a local government may not do any of the following —

- (a) deposit with an institution except an authorised institution;
- (b) deposit for a fixed term of more than 12 months;
- (c) invest in bonds that are not guaranteed by the Commonwealth Government, or a State or Territory government;
- (d) invest in bonds with a term to maturity of more than 3 years;
- (e) invest in a foreign currency.

10. Regulation 50 amended

(1) Delete regulation 50(1)(b) to (h) and insert:

- (b) the asset consumption ratio; and
- (c) the asset renewal funding ratio; and
- (d) the asset sustainability ratio; and
- (e) the debt service cover ratio; and
- (f) the operating surplus ratio; and
- (g) the own source revenue coverage ratio.

(2) In regulation 50(2) delete the definitions of:

available operating revenue

debt ratio

debt service cost

debt service ratio

economically realisable assets
gross debt
gross debt to economically realisable assets ratio
gross debt to revenue ratio
infrastructure assets
net rate revenue
outstanding rates ratio
rate coverage ratio
rates collectable
rates outstanding
total assets
total liabilities
total revenue
untied cash to unpaid trade creditors ratio

- (3) In regulation 50(2) insert in alphabetical order:

annual operating surplus before interest and depreciation means operating revenue minus net operating expense;

asset consumption ratio means the ratio determined as follows —

$$\frac{\text{depreciated replacement cost of assets}}{\text{current replacement cost of depreciable assets}};$$

asset renewal funding ratio means the ratio determined as follows —

$$\frac{\text{NPV of planned capital renewals over 10 years}}{\text{NPV of required capital expenditure over 10 years}};$$

asset sustainability ratio means the ratio determined as follows —

$$\frac{\text{capital renewal and replacement expenditure}}{\text{depreciation expense}};$$

capital renewal and replacement expenditure means expenditure to renew or replace existing assets;

current replacement cost of depreciable assets means the cost of replacing assets at current prices;

debt service cover ratio means the ratio determined as follows —

$$\frac{\text{annual operating surplus before interest and depreciation}}{\text{principal and interest}};$$

depreciable assets has the meaning given in the AAS;

depreciated replacement cost of assets has the meaning given in the AAS;

depreciation expense has the meaning given in the AAS;

liabilities associated with restricted assets means the lesser value of a current liability or the cash component of restricted assets held to fund that liability;

net interest expense means interest expense less interest received from self-supporting loans;

net operating expense means operating expense excluding net interest expense and depreciation expense;

NPV means net present value;

operating expense means the expense that is operating expense for the purposes of the AAS, including net interest expense and depreciation expense;

operating revenue means the revenue that is operating revenue for the purposes of the AAS, excluding —

- (a) grants for the development or acquisition of assets; and
- (b) contributions for the development or acquisition of assets; and
- (c) other comprehensive income;

operating surplus ratio means the ratio determined as follows —

$$\frac{\text{operating revenue minus operating expense}}{\text{own source operating revenue;}}$$

other comprehensive income has the meaning given in the AAS;

own source operating revenue means revenue from rates and service charges, fees and user charges, reimbursements and recoveries, interest income and profit on disposal of assets;

own source revenue coverage ratio means the ratio determined as follows —

$$\frac{\text{own source operating revenue}}{\text{operating expense;}}$$

planned capital renewals means capital renewal and replacement expenditure as estimated in the long-term financial plan;

principal and interest means all principal and interest expenses for borrowings under section 6.20;

required capital expenditure means capital renewal and replacement expenditure as estimated in the asset management plan;

self-supporting loans means money borrowed for a work or undertaking in respect to which persons or organisations are required to repay all or part of the principal or interest.

11. Regulation 52A inserted

At the beginning of Part 5 insert:

52A. Differential general rates — s. 6.33(1)(d)

For the purposes of section 6.33(1)(d), the following are prescribed characteristics —

- (a) whether or not the land is situated in a townsite as defined in the *Land Administration Act 1997* section 3(1);
- (b) whether or not the land is situated in a particular part of the district of the local government.

12. Regulation 54 replaced

Delete regulation 54 and insert:

54. Service charge — prescribed works, services and facilities — s. 6.38(1)

For the purposes of section 6.38(1), the following are prescribed as works, services and facilities —

- (a) property surveillance and security;
- (b) television and radio rebroadcasting;
- (c) underground electricity;
- (d) water.

13. Regulation 56 amended

(1) After regulation 56(3)(c) insert:

- (da) where, under the *Rates and Charges (Rebates and Deferments) Act 1992*, a rebate on a rate or service charge may be allowed, the amount of the probable rebate adjacent to the words “State Government Rebate”;

(2) After regulation 56(4)(g) insert:

- (ha) a brief statement that rebates to pensioners and seniors under the *Rates and Charges (Rebates and Deferments) Act 1992* are funded by the Government of Western Australia;

14. Regulation 68 amended

In regulation 68 delete “5.5%.” and insert:

2%.

15. Regulation 70 amended

In regulation 70 delete “11%.” and insert:

7%.

16. Regulation 79 replaced

Delete regulation 79 and insert:

79. *Local Government (Financial Management) Amendment Regulations 2012, provisions for*

(1) In this regulation —

amending regulations means the *Local Government (Financial Management) Amendment Regulations 2012*, other than regulations 1 and 2 of those regulations;

new law means these regulations as in force after the amending regulations come into operation;

old law means these regulations as in force immediately before the amending regulations come into operation.

(2) This regulation does not affect the operation of the *Interpretation Act 1984* Part V unless the contrary intention appears.

(3) Despite the amending regulations, the old law applies to and in respect of the financial reports and rate notices for, or relating to, the financial year ending on 30 June 2012.

By Command of the Governor,

R. KENNEDY, Clerk of the Executive Council.
