

Competitive Neutrality Quick Reference Guide

- These guidelines are intended to be a supplement to the legislation and guidelines issued to date by the Department of Local Government and Planning, and the Local Government Association.
- Each item relates back to the checklist which is based on the legislative requirements and scheme guidelines monitored by the Queensland Competition Authority. The Key steps are the action items to be included in the Action Plan.
- Each item has been deliberately limited to a one page outline of the key issues and steps so as to provide a succinct overview of best practices.
- This Quick Reference is not intended to provide all the details which have already been issued by the Association and Department. Cross-references are provided to those more detailed guidelines.
- The guidelines provide best-practice outlines of ways to embed good business management practices into Councils in order to obtain the greatest benefit at minimum ongoing cost.
- The suggested method of implementation is to integrate the business management practices into the accounting systems in an automated manner as far as practicable. Councils are, of course, not legally required to change accounting practices in order to formally introduce Full Cost Pricing. However, it is considered that add-on mechanisms such as manual calculations or use of FCP models external to the accounting system will be less cost-effective in the long run.
- The term ‘Full Cost Decision-making’ (FCD) has been included instead of ‘Full Cost Pricing’ (FCP) which is the term used in the Legislation, since it more accurately reflects the intent of this process. Many Councils have misunderstood FCP to mean that prices to the community must dramatically increase to cover additional cost factors at the expense of community service needs. The intent of the reforms is to ensure that Councils take all the costs into account when making decisions about services to the community, thereby making a fully informed decision.
- In some cases, the suggested approach is much simpler than alternative technically pure, but often impractical, methods. For example, rigorous optimisation of assets would require an enormously expensive exercise and a separate asset system to implement, which would provide negligible benefit unless the Council was intending to actually reconfigure its assets on an optimized basis. Instead, a method utilizing asset management processes and funded depreciation is outlined which is cost-effective and integrates asset management to the accounting system and the decision-making process.
- These guidelines are aimed at Type 3 business activities. Higher standards apply to commercialised and corporatised businesses. Generally, Type I and II businesses would need to meet all of these guidelines, as well as additional management and reporting processes and more sophisticated treatment of overheads and tax equivalents
- These guidelines are aimed at Councils which have more than 1000 water connections but are smaller than the largest 18 Councils. Smaller Councils are likely to find that some items are not material, and simpler approaches may be possible.