



13 REPORTS FOR THIS MEETING

Item 13.16
Subject Statement of Revenue Policy 2021-2022
Presented by John Alexander, Project Manager

RECOMMENDATION

That the Board

1. Receive and note this report
2. Submit the Statement of Revenue Policy for the period 1 July 2021 to 30 June 2022 to the NSW Office of Local Government

EXECUTIVE SUMMARY

A Statement of Revenue Policy for the period 2021-2022 was considered and endorsed by the MNCJO Board on August 13, 2021 for submission to the NSW Office of Local Government.

As part of a review of the MNCJO financial position undertaken prior to the GMAC meeting on February 18, an error was noted in relation to the income and expenditure statement attached to the report. The error overstated the level of income received by the MNCJO for the period 2021/2022. Subsequently further analysis has been carried out by the Project Manager supported by the Chief Financial Officer of Bellingen Shire Council.

This matter was reported to the GMAC meeting held on February 18 and as a consequence this follow up report has been provided to ensure that the adopted statement is correct.

ATTACHMENTS

1. Statement of Revenue Policy 2021 - 2022
2. Income and Expenditure profile 2021-2022



**MID NORTH COAST JOINT ORGANISATION OF COUNCILS
STATEMENT OF REVENUE POLICY - 2021/2022**

Introduction

This document constitutes the Mid North Coast Joint Organisation (MNCJO) Statement of Revenue Policy and is prepared in accordance with section 405 of the Local Government Act 1993 (“the Act”), and the Local Government General Regulation 2005 (3971).

The Revenue Policy includes the following statements for the year 2021/2022 financial year:

- an estimate of the MNC income and expenditure (refer to attachment);
- a schedule of membership contributions to be levied on member Councils;
- types of fees to be charged by the MNCJO and the amounts of any such fee;
- any amounts of external borrowings, the sources from where these are to be borrowed, and the means by which these are to be secured, and
- any other such matters as may be prescribed by the regulations.

The statements in the Revenue Policy with respect to income for the year include:

- Provision of unspent funding (\$396,145) associated with the Koala Recovery Project;
- Provision of unspent funds (\$73,865) associated with the establishment and on-going operation of the MNCJO;
- Provision of unspent funds associated with the Capacity Building Fund Rounds 1 and 2. This includes the balance of funds from the Biodiversity Project (\$75,000) and funding received in June 2021 (\$150,000) for the Community Land Trust and Circular Economy Projects.
- Provision for contributions of a total \$110,000 from Port Macquarie Hastings and Kempsey Shire Councils to the Koala Recovery Project;

- Provision for a grant of \$55,000 from the Port Macquarie Koala Hospital for the Koala Recovery Project;
- Provision for 70% of the grant (\$157,944) from Resilience NSW for a Simtable project (funded over a two- year period under the Bushfire Resilience and Recovery Program). The grant approved was \$225,635.
- Provision for a Local Government NSW Grant of \$73,000 to establish a Resilience Partnership with the community and Charles Sturt University (under the Increasing Resilience to Climate Change Program);
- Provision for administration and financial management fees levied in respect of grants received during the year for various programs and activities.

Grants received for projects where expenditures commitments are to be acquitted over a two-year period.

- The Revenue Policy Statement includes an estimate of expenditure in year 1 (2021/2022) of \$80,000 from the grant received from Resilience NSW under the Bushfire Resilience and Recovery Program (the Simtable project). This project is due for completion in June 2023.
- The Revenue Policy assumes an estimate of expenditure in year 1 (2021/2022) of 50% of the Capacity Building Grant Round 2 which is due for completion in June 2023.

Financial Contributions by Member Councils

Financial contributions by member councils fall into two categories:

1. Annual contributions from Member Councils in order to perform the principal functions of delivering on strategic priorities, regional leadership and inter-governmental co-operation; and
2. Optional additional contributions from Member Councils for specific functions.

Member Councils have each contributed \$25,000 toward the operational costs of the MNCJO for the financial year 2021/2022.

In addition, Member Councils have each contributed \$6,000 toward the Resilience Partnership Program and Port Macquarie Hastings and Kempsey Shire Councils have made financial contributions to the Koala Recovery Project (\$90,000 and \$20,000 respectively).

Significant contributions in kind are also made by each Member Council toward the operational costs of the JO. These contributions relate to administration (including management of the JO website), IT support, attendance at meetings and Financial Management.

As outlined in the MNCJO Charter, the MNCJO member financial contributions are to be set in consultation with Member Councils and in doing this, consideration is given to:

- an annual base fee of the same amount for each Member Council;
- fees associated with the programs of works and activities; and
- the annual financial contribution required to be made by Associate Members, if fees are to be charged.

Borrowings

The MNCJO does not propose any borrowings for the 2021/2022 financial year. In the event of any future borrowings, the Revenue Policy Statement will include an amount of proposed borrowing, the sources from which they are proposed to be borrowed and the means by which they are proposed to be secured.

Factors influencing the MNCJO Statement of Revenue Policy

The following factors have influenced the MNCJO Statement of Revenue Policy:

Community Service Obligations:

A community service obligation arises where a council provides a function or service that has general community benefits beyond those received by direct users. Councils mainly exist to provide services that are considered to have community importance but are not viable or practical to be provided on a commercial basis.

Councils review their level of Community Service Obligations as they relate to fees and charges. Where such a community service obligation may exist across the membership of the Councils, the Councils may consider the community service obligations as a group.

Cost Recovery:

The MNCJO applies the principle of full cost recovery to determine the total cost of services.

The User-Pays Principle:

The User-Pays Principle involves pricing for the provision of goods, projects, services and facilities that require the user or consumer to pay the actual cost of the service provided. The MNCJO may apply this pricing policy for the provision of project works and activities to businesses or members of the community.

Corporate Overheads:

The MNCJO corporate overheads are for governance, employment, administration functions and compliance required to deliver on the Statement of Strategic Regional Priorities (SSRP).

Competitive Neutrality:

Competitive Neutrality is one of the principles of National Competition Policy applied throughout Australia at all levels of Government, including Local Government. Competitive Neutrality is based on the concept of a 'level playing field' for competitors in a market, be they public or private sector competitors. All Government business organisations should operate without competitive advantages over businesses as a result of their public ownership.

When and if the MNCJO competes in the market place with other private businesses, the MNCJO will do so on the basis that it does not utilise its public position to gain an unfair advantage over private businesses that may be in competition with the MNCJO or its member Councils.

Goods and Services Tax:

The Federal Government's Goods and Services Tax (GST) must be applied to non-exempt fees and charges. The current rate of GST is 10% and is included in the price paid by the recipient of the service. The GST indicators (GST exempt or not) in the list of fees and charges are subject to change at any time from changes that occur in the GST Act and/or regulations.

Ordinary Membership Policy:

Each member Council of the MNCJO is to contribute a monetary payment or equivalent contribution based on the following methodology:

- fixed administration and membership contribution or fee, and any
- variable project and service or delivery fees.

Member Councils will be consulted about proposed contributions by:

- undertaking and participating in annual planning, and
- an annual written proposal based on the activity determined in the business planning process

Fees for Service

Approved fees for service:

Section 608 of the Local Government Act 1993 provides that the MNCJO may charge and recover an approved fee for any service it provides.

Section 609 of the Act provides that when determining the approved fee, the MNCJO must take into account the following factors:

- the cost to the Council of providing the service;
- the prices suggested for that service by any relevant industry body or in any schedule of charges published, from time to time, by the Office of Local Government;
- the importance of the service to the community; and
- any factors specified in the regulations under the Act.

Credit Charge Surcharge:

The MNCJO imposes a Credit Charge Surcharge on all payments made via credit card in accordance with Reform of Credit Card Schemes in Australia (iv) and the Final Reforms and Regulation Impact Statement (August 2002).

Private Works:

The MNCJO may carry out any kind of work that may lawfully be carried out. Private work will be carried out on the basis of a charge representing full cost recovery of the work carried out plus a margin for profit. The profit margin is dependent on and subject to market forces.

MNCJO: Income and Expenditure Profile 2021-2022

Income	\$	\$	Forecast Expenditure	
Carry over funding		1,035,272	MNCJO Operations	127,400
<ul style="list-style-type: none"> • Koala Recovery 	396,145		Koala Recovery	565,799
<ul style="list-style-type: none"> • Local Land Service Contribution to Koala Recovery 	3,000			
<ul style="list-style-type: none"> • Bushfire Community Resilience and Recovery (BCRRF) – Simtable. 70% of grant 	157,944		Bushfire Community Resilience & Recovery (Simtable)	80,000
<ul style="list-style-type: none"> • Capacity Building Stage 1 - Biodiversity 	150,000		Capacity Building Stage 1- Biodiversity	80,000
<ul style="list-style-type: none"> • Capacity Building Stage 2 - CLT & Circular Economy 	150,000		Capacity Building Stage 2 – CLT & Circular Economy	50,000
<ul style="list-style-type: none"> • Increasing Resilience to Climate Change (IRCC) 	58,400		Increasing Resilience to Climate Change	91,000
<ul style="list-style-type: none"> • Council contributions to Increasing Resilience to Climate Change 	18,000			
<ul style="list-style-type: none"> • Admin contribution Resilience NSW 	27,918			
<ul style="list-style-type: none"> • Establishment Grant & Council Contributions 	73,865			
Council contributions to JO		75,000		
Council contributions to Koala Recovery Project		110,000		
Koala Hospital Contribution to Koala Recovery		55,000		
Income contribution for use of vehicle (Koala Project)		1,634		
Additional funding anticipated re Increasing Resilience to Climate Change		14,600		
		1,291,506		994,199

This income and expenditure profile includes reference to projects that are funded over more than one financial period (BCRRF and Capacity Building Funds 1 & 2, which are due for completion in June 2023). It also notes unspent funds associated with the Koala Recovery Project which is on hold pending resolution of resourcing issues by DPIE. Remaining funding from the Capacity Building Fund Round 1 is yet to be allocated to a follow up project.