
Agenda Item 7(b).

Report from Interim Executive Officer.

Draft 2019/2020 Revenue Policy & Budget

Report date: 15/05/2019.

Purpose:

To provide information to the Board of the Far North West Joint Organisation (FNWJO) in respect of the draft 2019/2020 Revenue Policy & draft 2019/2020 Budget and indicative budgets for the period 2020/2021 – 2022/2023.

Background:

The initial Revenue Policy of the FNWJO being for the 2019/2020 period, is required to be adopted by the Board by 30 June 2019. The Board is also required to consider and adopt a budget for the next financial year. Given that the Board in coming months may enter into commitments for up to four years (ie 4 year air services contract), it was considered that in addition to a 2019/2020, indicative budgets budget be prepared for a further 3 year period commencing 1 July 2020 and ending 30 June 2023.

Report:

Attached herewith is a document which addresses the following matters:

FNWJO Accounting Policies: This section brings to the attention of the Board that the preparation of the JO's financial statements for the period 2 July 2018 to 30 June 2019, will be done so using the draft Joint Organisation Code of Accounting Practice and Financial Reporting Update #1.

Draft 2019/2020 Revenue Policy: At this point in the evolution of the JO there is only one fee that needs determination, that being in respect of the fee for the provision of services in respect of the Government Information (Public Access) Act.

Financial Contributions by Member Councils: The report proposes the level of financial contributions to be contributed by member Councils as per the methodology provided in the JO's adopted Charter.

Draft 2019/2020 Budget and Indicative Budgets for the period 2020/2021 – 2022/2023: This section includes the draft budget for the operation of the FNWJO in 2019/2020 and then indicative budgets through to and including, 2022/2023.

The 2019/2020 budget has been developed on the basis that grant funding that was outstanding as at the 6 May 2019 review totalling \$5,390,000 (\$5m Tourism/Cultural Grant; \$250,000 Road Planning Grant, and Year 1 of EPA Grant \$140,000) is paid by 30 June 2019, as expected.

Such payments follow the receipt of grant funds totalling \$8,750,000 (\$8m Air Services Subsidy Funding; \$500,000 in JO Establishment Funding and \$250,000 for Infrastructure Planning (PWD) paid to the JO in the current financial year and a further \$32,664 in member council contributions also paid in 2018/2019. This brings the total estimated income for the 2018/2019 year to \$14,172,664.

Estimated expenditure for the period ending 30 June 2019 is \$139,203.

Accordingly, and as detailed in the budget section of the attached document herewith, estimated carry over funds as at 30 June 2019 are \$14,033,461.

Utilising this carry over figure and having regard to the various figures contained in the draft budget, the budget shows a surplus of \$236,672 at the end of the 4-year budget period.

Notes providing assumptions in respect of various figures in the budget are referenced accordingly.

Information sourced from the Office of Local Government provides the draft Revenue Policy and Budget does not require a 28-day exhibition period like Councils are required to undertake. Accordingly, the JO can proceed to determine this matter.

Recommendation:

1. That the information in respect [FNWJO Accounting Policies](#) be noted.
2. That the level of financial contributions to the JO by Member Councils for 2019/2020 be adopted
3. That the draft 2019/2020 Revenue Policy & Budget as attached herewith be adopted.
4. That the draft 2020/2021 – 2022/2023 indicative budgets be noted.

Peter Vlatko
Interim Executive Officer

Attachment: Draft 2019/2020 Revenue Policy & Draft 2019/2020 – 2022/2023 Budget

FAR NORTH WEST Joint Organisation

FAR NORTH WEST JOINT ORGANISATION (FNWJO)

**Draft 2019/2020 Revenue Policy & Budget
& Indicative Budgets for 2020/2021 – 2023/2023**

1. FNWJO ACCOUNTING POLICIES

The Far North West Joint Organisation (FNWJO) retains its revenue and accounting policies in accordance with the Australian Accounting Standards Board. FNWJO abides by the:

- *Local Government Act (1993)*
- *Local Government (General Regulation 2005)*
- *Local Government Code of Accounting Practice and Financial Reporting*

Whilst the FNWJO was not required to prepare financial statements until 30 June 2020 (i.e. the financial statements would cover the extended period from July 2018 – 30 June 2020 “extended period”), the decision was taken to prepare financial statements for the period 2 July 2018 to 30 June 2019, using the draft Joint Organisation Code of Accounting Practice and Financial Reporting Update #1 (JO Code), to assist comparability of JOs and importantly, greatly-reduce the complexity of reporting and workload on Joint Organisation (JO) staff in future reporting periods.

Should the FNWJO have decided to prepare accounts for the extended period, then they would not be required to comply with the new accounting standards at 30 June 2020. This would have had a number of flow on impacts for both the JO and member Councils in the future, such as:

- Lack of comparability for the 30 June 2020 financial reporting period;
- Adoption of the new standards at 30 June 2021, may require the JO to restate comparatives for 30 June 2020. Therefore, work would need to be performed to convert the financial statements to the new standards, to ensure consistency in 2021 financial statements.
- Practical expedients available in the new standards will not be available if comparatives are required to be restated, which will involve additional work for the JO's.

The JO Code prescribes the forms of financial statements approved by the Office of Local Government (OLG) and applies to each JO in respect of its general-purpose financial statements. JOs are classified as a Tier 2 entity for financial reporting purposes. Compared with Tier 1, Tier 2 significantly reduces the disclosure burden of preparing general purpose financial statements.

2. FNWJO REVENUE POLICY – DRAFT 2019/2020 FEES & CHARGES

Under the Local Government Act 1993, the FNWJO may charge and recover approved fees for its services. The JO must consider the following when establishing approved fees:

- the cost of provision of the service
- recommended prices suggested by outside bodies
- the importance of the service
- legislation that regulates certain fees
- Goods and Services Tax legislation

The only fee to be charged by the FNWJO in respect of the provision of a fee-paying service is as follows:

GIPA Government Information (Public Access) Act 2009

Details	2018/19 Fee Incl. GST
<p>NOTE</p> <p>1. Application fees covers costs of receiving applications including registration and initial discussions with applicants. Any applications requiring more than 1/2-hour file research will involve processing charges (subject to note 4). 2. An advance deposit may also be required in accordance with Section 68 and 69 of the Government Information (Public Access) Act 2009, if Council's costs are likely to exceed the application fee. 3. A 50% reduction in fees applies for eligible pensioners and non-profit organisations under financial hardship. 4. First 20 hours free of processing charge for person accessing documents relating to their personal affairs.</p>	
Research and Processing	\$30 per hour
Application for review of determination	\$40 per application

3. FINANCIAL CONTRIBUTIONS BY MEMBER COUNCILS

As outlined in the Charter of the Far North West Joint Organisation (Section 3.4 Financial Contributions), member councils must contribute a monetary payment or equivalent contribution based on the following methodology:

- *The annual financial contribution required to be made by each Member Council is to consist of:*
 - *a base fee of the same amount for each Member Council; and*
 - *a capitation fee (based on the most recent population data issued by Australian Bureau of Statistics Census data).*
- *The annual financial contribution required to be made by each Associate Member is to be based on a methodology adopted by the Board.*
- *The amount of the base fee, capitation fee and financial contribution by Associate Members for a financial year is to be determined prior to the start of that year by Resolution of the Board.*
- *Member councils will be consulted about proposed contributions by correspondence.*

The FNWJO Board resolved at its meeting held on 6 September 2018 that the three (3) member Councils pay the equivalent of their OROC fees to the Joint Organisation as membership fees for 2018/2019. From the OROC minutes such 2018/19 member contributions were a flat fee of \$8972 plus 54c per capita, based on the 2016 Census.

For some reason the actual per capita fee applied by OROC to each Council was in the vicinity of 44c as opposed to the 54c as above.

Such fees equated to and were paid as follows:

- Bourke Shire Council: \$8972 (Flat Fee) plus \$1147.24 (per capita fee - being 2634 population x 43.555c per capita) = \$10,119.24.
- Cobar Shire Council: \$8972 (Flat Fee) plus \$1773 (per capita fee - being 3990 population x 44.44c per capita) = \$10,745
- Walgett Shire Council: \$8972 (Flat Fee) plus \$2827.73 (per capita fee - being 6412 population x 44.10c per capita) = \$11,799.73

The total amount of contributions in 2018/2019 equalled \$32,663.97

In respect of the Financial Contributions for Member Councils in 2019/2020, the proposed methodology is:

- a flat fee of \$9215, being the 2018/2019 flat fee plus 2.7%, being the NSW rate peg increase for 2019/2020 rounded up; and
- a per capita fee of 45c.

Based on this methodology, the following contributions result:

- Bourke Shire Council: \$9215 (Flat Fee) plus \$1185 (per capita fee - being 2634 population x 45c per capita) = \$10,400
- Cobar Shire Council: \$9215 (Flat Fee) plus \$1795 (per capita fee - being 3990 population x 45c per capita) = \$11,010
- Walgett Shire Council: \$9215 (Flat Fee) plus \$2885 (per capita fee - being 6412 population x 45c per capita) = \$12,100

The total amount of contributions in 2019/2020 would equal \$33,510 with this amount included in the initial year of the draft Budget and then increased 2.5% in the each of the following 3 years.

3. DRAFT 2019/2020 – 2022/2023 FNWJO BUDGET

The actual income position of the FNWJO as at 6 May is \$8,782,664. On the assumption that the Road Planning Grant (\$250,000), the Tourism/Cultural Grant (\$5m) and Year 1 of the EPA Grant (\$140,000) are all paid prior to 30 June 2019, the total income estimate for the 2018/2019 year will be \$14,172,664. Conversely actual expenditure as at 6 May 2019 was \$69,205. Assuming further expenditure of \$70,000, in the remaining months leading up to 30 June 2019, as detailed in the Budget Review as at 6 May 2019, then total estimated expenditure for the year will be \$139,203. This results in estimated carry over funds of \$14,033,461 as at 30 June 2019. This figure is reflected below as the initial estimated funds carried forward. The estimated surplus at the end of the 4 year budget is \$236,672.

FAR NORTH WEST JOINT ORGANISATION FOUR (4) YEAR BUDGET

INCOME	2019/2020	2020/2021	2021/2022	2022/2023
Contributions - Member Councils (1)	33,510	34,350	35,200	36,090
Investment Income - Air Funds (2)	170,000	120,000	70,000	20,000
Investment Income - Cultural Funds (3)	43,000			
General Bank Interest	5,000	5,000	5,000	5,000
EPA Grant (4)	140,000	140,000		
EPA Grant - Council Contributions (5)	60,000	60,000	60,000	
Tourism Grant: Admin Income (6)	150,000	100,000		
Air Services - Admin Income (7)	100,000	100,000	100,000	100,000
Total Income	\$701,510	\$559,350	\$270,200	\$161,090

EXPENDITURE	2019/2020	2020/2021	2021/2022	2022/2023
Administration Expenses				
• Advertising	3,000	3,000	3,000	3,000
• Audit fees	5,000	5,500	6,000	6,500
• Printing and Stationery	1,000	1,000	1,000	1,000
• Bank Charges	200	200	200	200
• Board Meetings Catering	800	800	800	800
• Cobar Shire - Financial Management Services	5,000	5,250	5,500	5,750
• Conferences and Forums - Travel/Accommodation: Chair (8)	5,200	5,328	5,461	5,597
• Insurance/Work Comp	5,000	5,250	5,500	5,750
• IT Equipment purchases	2,500	2,500	2,500	2,500
• Legal Expenses	5,000	5,000	5,000	5,000
• Probity Auditors Fees	3,000			
• Regional Priorities Plan (consultant)		10,000		
• Sundry Expenses	5,000	5,000	5,000	5,000
• Website Maintenance/Hosting	1,000	1,000	1,000	1,000
• Website Upgrades	1,500	1,500	1,500	1,500
Sub Total: Administration Expenses	\$43,200	\$51,328	\$42,461	\$43,597

Employment Costs - Executive Officer				
• Salary - Executive Officer 21 hours pw (9)	80,000	110,000	113,300	116,130
• EO Salary on costs - AL, LSL, FBT, Super (10)	21,600	29,700	27,900	28,730
• Travel within JO Costs (11)	5,000	5,056	5,180	5,311
• Accommodation within JO Costs (12)	2,400	2,464	2,520	2,576
• Executive Officer Network Meetings - Sydney (13)	5,200	5,328	5,461	5,597
• Mobile Phone (14)	2,100	600	600	600
• Sundry Expenses	5,000	5,000	5,000	5,000
Sub Total: Employment Costs	\$121,300	\$158,148	\$159,961	\$163,944

Program Expenditure				
• Tourism and Culture Grant Expenditure				
• Payment to Bourke Council	1,425,000			
• Payment to Cobar Shire Council	1,425,000			
• Payment to Walgett Council		1,425,000		
• Cross Border Signage Project		475,000		
• Grant Administration Expenses (15)	150,000	100,000		
Air Services Subsidy Expenditure				
• Air Services Tender Expenses	5,000			
• Payments to Air Services Operator (16)	1,900,000	1,900,000	1,900,000	1,900,000
• Air Services Administration Expenses (17)	100,000	100,000	100,000	100,000

Road Planning Grant Expenditure				
• Consulting Expenses	150,000	100,000		
Infrastructure Planning Grant Expenditure (PWD)				
• PWD Expenses	250,000			
EPA Grant				
• Employment and Operational Expenses (as per application)	200,000	200,000	200,000	
Sub Total: Program Expenditure	\$5,605,000	\$4,300,000	\$2,200,000	\$2,000,000
Regional Project Expenditure (18)				
• Project Expenses	\$150,000	\$150,000	\$150,000	\$150,000
Sub Total: Regional Project Expenditure	\$150,000	\$150,000	\$150,000	\$150,000
Total Estimated Expenditure	\$5,919,500	\$4,659,476	\$2,552,422	\$2,357,541
Surplus/(Deficit) Before Carry Over Funds	(\$5,217,990)	(\$4,100,126)	(\$2,282,222)	(\$2,196,451)
Estimated Carry Over Funds	\$14,033,461	\$8,815,471	\$4,715,345	\$2,433,123
Estimated Financial Position at End of Year	\$8,815,471	\$4,715,345	\$2,433,123	\$236,672

Notes:

1. Annual member council contributions increased 2.5% pa.
2. Assume Air Services Contract starts 1/7/19, a 2%pa investment interest rate and an air services operator receiving a subsidy payment of \$475,000 a quarter/\$1.9m pa, being Grant of \$8m less Administration Fee of \$400,000 = \$7.6m. The Operator Payment figure is a presumptive figure only based on \$7.6m being expended over 4 years for the purposes of budgeting and is subject to a final decision by the Board in respect of the air services tender. It bears no correlation to tenders received.
3. Assume that of the \$5m Grant, a total of \$2.85m in funding is paid to Bourke and Cobar in July 2019. Balance of funds (\$2.15m) invested at 2% for 12 months till \$1.425m paid to Walgett in 2020/2021.
4. Assume Yr 1 of EPA Grant Funds paid to JO in 2018/2019 with Yr 2 and Yr 3 paid in 2019/2020 and 2020/2021 respectively.
5. \$20,000 pa from each member Council for a 3-year period.
6. The Deed of Agreement for the provision of funding for the Tourism/Cultural Grant provide that 5% of the grant amount may be reimbursed for costs associated with administering such Grant. These Administration Fees @ 5% equate to \$250,000 for the tourism/cultural projects. This \$250,000 has been apportioned over 2 years on a 60/40 basis.
7. The Deed of Agreement for the provision of funding for the Air Services Grant provide that 5% of the grant amount may be reimbursed for costs associated with administering such Grant. These Administration Fees @ 5% equate to \$400,000 for the air services projects. On the assumption that the subsidy payments are made over 4 years, administration income is \$100,000 for the 4 years of the budget.
8. Assume 4 meetings in Sydney pa @ \$800/flights, \$400/accommodation & meals, \$100/taxis per meeting, with amounts indexed 2.5% per year of the budget.
9. Assume a starting Salary of \$80000 pa and 21 hours pw in 2019/2020. For 2020 the budget includes provision for the Executive Officer's position to move to a 28 hour/4 day per week position, if required. Any extension of the EO working hours is obviously a matter for the Board in due course. An annual increase of 3% pa in salary has been included.
10. Assume on costs at 27% of salary.
11. No funds have been allocated for the acquisition of a motor vehicle for the use of the EO. Assume private vehicle or car rental usage of 6400km pa @ 78c/km (Local Government Award Rate) in Yr 1, 79c/km in Yr2, 80c/km in Yr 3, 81c/km in Yr 4.
12. Assume 8 nights @ \$200/accommodation and \$100/meals per night indexed by 2.5%pa
13. Assume 4 meetings in Sydney pa @ \$800/flights, \$400/accommodation & meals, \$100/taxis per meeting, with amounts indexed 2.5% per year of the budget.
14. Assume \$1500 for purchase of mobile phone and \$50 per month plan for calls.
15. Refer note (6) above.
16. Refer note (2) above.
17. Refer note (7) above.
18. Funding provided for potential regional projects, with such projects yet to be determined by the Board.