

POLICY NUMBER: CHRC0018

DEPARTMENT: Corporate Services

EFFECTIVE DATE: 01 July 2017

UNIT: Finance

1.0 Purpose and Scope

To ensure Competition and Water Reform are incorporated within Council's business operations.

2.0 Reference

Local Government Act 2009

Local Government Regulation 2012

3.0 Definitions

Council refers to Central Highlands Regional Council

The Act shall mean the Local Government Act 2009 (as amended).

The Regulation shall mean the Local Government Regulation 2012 (as amended).

4.0 Policy Statement

Central Highlands Regional Council is committed to ongoing compliance with National Competition Policy (NCP) principles and also National Water Commission and Council of Australian Governments (COAG) water reform initiatives. This Competition and Water Reform Policy aims to provide a summary of Council's ongoing commitment in meeting its legislative obligations.

Business activities

Each financial year, Council is required to identify those activities that are business activities and determine whether competition reform needs to be applied to assist in removing anti-competitive conduct, encourage greater transparency in the operation of Council's business activities and improve the allocation of Council's limited resources.

Activities of Council will be identified as business activities if they trade in goods and services to clients, and could potentially be delivered by a private sector firm for the purposes of earning profits in the absence of Council's involvement. They do not include activities of Council considered non-competitive.

Each year, Council is required to identify those activities that are business activities and determine whether competition reform needs to be applied to assist in removing anti-competitive conduct, encourage greater transparency in the operation of such activities and improve the allocation of Council's limited resources.

The following activities are identified as business activities in 2017/2018:

- Waste Management.
- Airport.
- Saleyards.
- Water Supply
- Sewerage; and
- Quarry Operations.

Council is committed to applying the Code of Competitive Conduct to the above business activities in 2017/18. This means that the pricing practices for each business activity will comply with the principles of full cost pricing such that total revenue, inclusive of identified and measured community service obligations and net of any advantages and disadvantages of public ownership, should aim to cover the following cost elements:

- Operational and resource costs.
- Administration and overhead costs.
- Depreciation.
- Tax and debt equivalents.
- Return on capital/return on cost.

The Code of Competitive Conduct will not be applied to the following activities in 2017/18 due to the reasons stated:

Activity	Reason
Plant Operations	The business operates as an internal service provider and low levels of competition exist.
Land Development	Property sale prices are determined by the market rather than the application of full cost pricing principles. The costs of applying competition reforms to the activity outweigh any realisable benefits.
Private Works	The business is not a core part of Council's operations and the costs of applying competition reforms to the activity outweigh any realisable benefits.

Community Service Obligations

Community Service Obligations (CSOs) arise when a government specifically requires a public enterprise to carry out activities relating to outputs or inputs which it would not elect to do on a commercial basis or, alternatively, would only provide at higher prices or via some other form of compensation. Pursuant to the requirements of the *Local Government Regulation 2012*, CSOs are to be funded by the general fund and provided as revenue to the business activity to which they relate.

The following Community Service Obligation has been applied for the 2017/18 financial year:

CSO Description	Costing Method	CSO Amount 2017/18 (Rounded)	Council Corporate Plan Outcome	Key Performance Indicator (KPI)	KPI 2017/18
Aerodrome Operations - Rural					
Public Provision of Airstrip Facilities in Springsure, Rolleston, Capella, Dingo and Duaringa	Provision of community airstrip facilities to the general public in outlying smaller communities.	\$166,196	Provide airstrip facilities to maintain accessible community services and facilities that meet the needs of our diverse communities and offer value for money for all stakeholders.	Compliance with regulations is ensured through technical inspections. Cost per capita (population 31,000)	\$5.36

5.0 Policy Review

All policies will be reviewed annually or when any of the following occurs:

- Relevant legislation, regulations, standards and policies are amended or replaced; and
- Other circumstances as determined from time to time by the Chief Executive Officer / Executive Leadership Team / Managers.

This policy is nominated to be reviewed on 1st July, 2018.

Estimated Activity Statement 2017/2018

National Competition Policy	<u>Airport</u>				
	2017/18 (\$)	2018/19 (\$)	2019/20 (\$)	2020/21 (\$)	2021/22 (\$)
Revenues for services provided to the Council	-	-	-	-	-
Revenues for services provided to external clients	\$7,929,300	\$7,915,261	\$7,897,625	\$7,876,258	\$7,851,018
Community service obligations	\$166,196	\$169,453.44	\$172,775	\$176,161	\$179,614
Total Revenue	\$8,095,496	\$8,084,714	\$8,070,400	\$8,052,419	\$8,030,632
Less: Expenditure	\$5,603,037	\$5,715,097.74	\$5,829,400	\$5,945,988	\$6,064,907
Surplus/(Deficit)	\$2,492,459	\$2,369,617	\$2,241,000	\$2,106,431	\$1,965,725

National Competition Policy	<u>Saleyards</u>				
	2017/18 (\$)	2018/19 (\$)	2019/20 (\$)	2020/21 (\$)	2021/22 (\$)
Revenues for services provided to the Council	-	-	-	-	-
Revenues for services provided to external clients	\$1,118,137	\$1,120,329	\$1,122,524	\$1,124,725	\$1,126,929
Community service obligations	-	-	-	-	-
Total Revenue	\$1,118,137	\$1,120,329	\$1,122,524	\$1,124,725	\$1,126,929
Less: Expenditure	\$1,112,476	\$1,118,706	\$1,124,971	\$1,131,270	\$1,137,606
Surplus/(Deficit)	\$5,661	\$1,623	-\$2,446	-\$6,546	-\$10,677

National Competition Policy	<u>Waste Management</u>				
	2017/18 (\$)	2018/19 (\$)	2019/20 (\$)	2020/21 (\$)	2021/22 (\$)
Revenues for services provided to the Council	\$212,566	\$216,605	\$220,720	\$224,914	\$229,187
Revenues for services provided to external clients	\$6,748,096	\$6,659,705	\$6,565,519	\$6,465,350	\$6,359,005
Community service obligations	-	-	-	-	-
Total Revenue	\$6,960,662	\$6,876,310	\$6,786,239	\$6,690,264	\$6,588,192
Less: Expenditure	\$5,998,418	\$6,137,631	\$6,275,157	\$6,410,882	\$6,544,688
Surplus/(Deficit)	\$962,244	\$738,679	\$511,082	\$279,382	\$43,504

National Competition Policy	<u>Quarry</u>				
	2017/18 (\$)	2018/19 (\$)	2019/20 (\$)	2020/21 (\$)	2021/22 (\$)
Revenues for services provided to the Council	\$644,000	\$656,880	\$670,018	\$683,418	697,086
Revenues for services provided to external clients	\$2,647,000	\$2,514,650	\$2,388,918	\$2,269,472	2,155,998
Community service obligations	-	-	-	-	-
Total Revenue	\$3,291,000	\$3,171,530	\$3,058,935	\$2,952,890	\$2,853,084
Less: Expenditure	\$4,460,551	\$4,237,523	\$4,025,647	\$3,824,365	\$3,633,147
Surplus/(Deficit)	(1,169,551)	(1,065,993)	(966,712)	(871,475)	(780,062)

National Competition Policy	<u>Sewerage</u>				
	2017/18 (\$)	2018/19 (\$)	2019/20 (\$)	2020/21 (\$)	2021/22 (\$)
Revenues for services provided to the Council	\$275,616	\$281,128	\$286,751	\$292,486	\$298,336
Revenues for services provided to external clients	\$7,803,023	\$8,104,499	\$8,417,530	\$8,742,558	\$9,080,040
Community service obligations	-	-	-	-	-
Total Revenue	\$8,078,639	\$8,385,627	\$8,704,281	\$9,035,044	\$9,378,375
Less: Expenditure	\$8,034,758	\$8,187,418	\$8,342,979	\$8,501,496	\$8,663,024
Surplus/(Deficit)	\$43,881	\$198,209	\$361,302	\$533,548	\$715,351

National Competition Policy	<u>Water</u>				
	2017/18 (\$)	2018/19 (\$)	2019/20 (\$)	2020/21 (\$)	2021/22 (\$)
Revenues for services provided to the Council	\$1,045,378	\$1,066,286	\$1,087,611	\$1,109,363	\$1,131,551
Revenues for services provided to external clients	\$16,255,275	\$17,064,799	\$17,913,765	\$18,804,079	\$19,737,737
Community service obligations	-	-	-	-	-
Total Revenue	\$17,300,653	\$18,131,084	\$19,001,376	\$19,913,442	\$20,869,288
Less: Expenditure	\$18,736,123	\$19,110,845	\$19,493,062	\$19,882,924	\$20,280,582
Surplus/(Deficit)	-\$1,435,470	-\$979,761	-\$491,686	\$30,519	\$588,706