

WATER AND SEWERAGE FUNDING PROGRAM AND MAYORAL AND COUNCILLOR DISCRETIONARY FUNDING PROGRAM

- File No:** ECM 15 November 2012
- Author:** Executive Director Community Services
Community Services
- Appendices:** [App A - Water and Sewerage Funding Program Strategic Policy](#) (Pg 13/21)
[App B - Councillor Emergent Capital Works Amended Policy](#) (Pg 16/21)
- Attachments:** [Att 1 - Council Support for Not for Profit Groups](#) (Pg 21/21)
-

PURPOSE

This report seeks to address an appropriate policy framework and budget allocation that complies with the *Local Government Act 2009* and *Local Government (Financial, Plans and Reporting) Regulations 2010* for the provision of:

- a) a Water and Sewerage Funding Program for not for profit community and sporting groups; and
- b) a Mayoral and Councillor Discretionary Funding Program for not for profit community and sporting groups.

EXECUTIVE SUMMARY

The matter of a Water and Sewerage Funding Program and Mayoral and Councillor Discretionary Funding Program was discussed at a Councillor workshop held on Monday 12 November, 2012 (in accordance with Council resolution OM12/156). At this workshop it was requested that a late report be provided to the November 2012 Ordinary Meeting for Council's consideration regarding a Water and Sewerage Funding Program and Mayoral and Councillor Discretionary Funding Program.

Water and Sewerage Funding Program

To date Council's Leasing and Assets Unit has a total of \$520 000 in invoices from Unitywater for the 2012/2013 financial year for community organisations. Council is also aware that Unitywater has invoiced other community organisations directly and as such is not able to quantify the full impact of the invoicing for all community groups utilising Council owned or controlled land.

There has been a considerable concern expressed at a recent public meeting and to Council from organisations that have received water and sewerage invoices, either directly from Unitywater or passed on from Unitywater via Council, regarding the increased cost of water and sewerage services. A presentation was made to Council by community group representatives on 24 September, 2012 regarding this matter. At the presentation, Council was advised that these community and sporting organisations are seeking financial assistance from Council to alleviate the financial pressure that will be placed on the groups by paying the water and sewerage invoices.

This report addresses the policy and budgetary framework for assisting community and sporting groups with water and sewerage invoices from Unitywater.

Mayoral and Councillor Discretionary Funding Program

At the Ordinary Meeting 18 October 2012 (OM12/156) the following resolution was supported by Council:

“That council request the Chief Executive Officer bring forward a legitimate means to achieve council’s objective in relation to funding of community groups for operational and capital purposes regardless of tenure for discussion on 12 November 2012”

This report, within the current financial context of Council proposes a policy and budgetary response to the above resolution.

OFFICER RECOMMENDATION

That Council:

- (a) receive and note the report titled “Water and Sewerage Funding Program and Mayoral and Councillor Discretionary Funding Program”;
- (b) adopt the Water and Sewerage Funding Program Policy (Appendix A);
- (c) request the Chief Executive Officer to establish a Water and Sewerage Funding Program in accordance with the attached Policy (Water and Sewerage Funding Program Policy) and adopt a 70% council funding contribution of the total fixed water and sewerage access charges not exceeding a maximum of \$1 million per annum in the 2012/2013 financial year;
- (d) delegate authority to the Chief Executive Officer to fund eligible applications in accordance with (c) above;
- (e) request Chief Executive Officer to report back to Council at the end of the 2012/2013 financial year with a summary of grants provided to not-for-profit community organisations and sporting groups funded under the Water and Sewerage Funding Program;
- (f) to fund a Water and Sewerage Funding Program in the 2012/2013 financial year:
 - (i) cancel the second round of Major Community Grants for the 2012/2013 financial year (excluding categories funded by the Heritage Levy and Environment Levy);
 - (ii) not award grants in the remaining 3 minor grant rounds for the remainder of the 2012/13 financial year; and
 - (iii) not award any further Individual Development Grants for the remainder of the 2012/13 financial year;
- (g) adopt the amended Councillor Emergent Capital Works and Minor Operational Works Policy (Appendix B);
- (h) request the Chief Executive Officer to establish a Mayoral and Councillor Discretionary Funding Program in accordance with (g) above; and
- (i) to fund a Mayoral and Councillor Discretionary Funding Program in the 2012/2013 financial year reallocate \$2,500 (pro-rata) from each Councillor's Emergent Capital Works and Minor Operational Works Budget to fund the Councillor's Discretionary Funding Program.

FINANCE AND RESOURCING

There are four critical issues that create the current financial context for Council:

- In June 2012 the Federal Government pre-paid half of the 2012/2013 Financial Assistance Grant. In the past, one quarter of the grant has been pre-paid and the adopted budget anticipated this practice to continue. Since half of the grant was pre-paid into 2011/2012 there is a potential shortfall of \$2.6 million in the current budget;
- The expected full year growth in rateable properties is less than forecast, with lower revenue than budgeted of \$1.5 million;
- The achievement of the \$5 million savings target that is now included in the budget; and
- The preparation of long-term asset management plans and associated budget availability for required asset maintenance and renewal.

The financial reserves position for Council at 30 June 2012 along with a summary of reserves movements for the period 1 July 2011 to 30 June 2012 was provided to Council at the October 2012 Ordinary Meeting (*Report 7.2.2 - Financial Reserves For Period Ending 30 June 2012*). The funding of adequate reserves is critical to the ongoing financial management and funding of future capital and operational works of council. As identified in the report to Council there are significant expenditure of reserves forecast over the next five years which will impact on key financial ratios.

With regard to borrowings, it is not appropriate to use debt to fund operational expenditure and that local government should only borrow to invest and not to fund current spending.

Against this financial background the funding proposal in this report does not seek to increase the budget, but rather proposes to reallocate the 2012/2013 Community Grants budget within the context of the proposed support to not for profit community groups.

The proposal for funding is a reallocation of current budget allocations associated with Council's funding cycles for the provision of financial assistance to not for profit community organisations and individuals.

In order to fund in the 2012/2013 financial year a Water and Sewerage Funding Program (at 70%) and a Mayoral and Councillor Discretionary Funding Program (at \$5,000 per annum per councillor pro rata over the remaining 6 months) it is proposed to:

- cancel the second round of Major Community Grants for the 2012/2013 financial year (excluding categories funded by the Heritage Levy and Environment Levy) which were scheduled to be announced in January 2013 (estimated savings \$499,975);
- do not award grants in the remaining 3 minor grant rounds for the remainder of the 2012/13 financial year (estimated savings \$171,713);
- do not award any further Individual Development Grants (part of the Community Grants Program) (estimated savings \$60,000); and
- reallocate \$2,500 (pro-rata) from each Councillor's Emergent Capital Works Budget to fund the Councillor's Discretionary Funding Program (total reallocation \$32,500).

This should provide approximately \$764,188 to fund:

- An amount of \$32,500 for Mayoral and Councillor Discretionary Funding Program (based on 6 months pro-rata of annual amount of \$65,000).
- An amount of \$700,000 for funding approximately 70% of the Water and Sewerage Funding Program for the 2012/2013 financial year.

CORPORATE PLAN

Corporate Plan Theme: *Social Cohesion*

Emerging Priority: 5.2 Strong community groups and networks
Strategy: 5.2.1 Value and support community organisations and volunteers across the region
5.2.2 Encourage community organisations and local communities to be self sufficient
5.2.3 Support community initiatives through appropriate provision of information, expertise and resources

CONSULTATION

Internal Consultation

- Mayor and Councillors in attendance at the Corporate Workshop on the 12 November, 2012
- Chief Executive Officer
- Executive Director Infrastructure Services
- Executive Director
- Manager Finance
- Acting Manager Community Development
- Manager Community Facilities
- Plumbing Services Manager
- Senior Management Accountant
- Community Sports and Facility Planning Manager
- Community Leasing Officer

External Consultation

The Local Government Association of Queensland was consulted regarding the application of legislation and interpretation of the applicable regulations to this issue

Discussions have been held with Unitywater who have indicated that the review of tariffs for not-for-profit community groups and sporting organisations will be a priority area under their tariff reform program. The outcomes of this reform process could potentially apply from 1 July 2013.

Community Engagement

A public meeting was held regarding this matter and community representatives presented the issue to council in a workshop on 24 September, 2012.

Significant numbers of phone calls, emails and letters have been received from community organisations demonstrating a high level of concern about increased water and sewerage costs and the risk these costs pose to their organisation's ongoing viability.

PROPOSAL

In the 2011/2012 financial year Council provided approximately \$15 million to not for profit community organisations. This figure does not include foregone rental, in-kind support or staff salaries associated with the administration of these programs/initiatives. Please see **Attachment 1** for the benefits provided to not for profit community organisations by category.

Council provides support to not for profit community organisations by the adopted Council Capital Program, Development Application fee discounts, reduction in developer contributions, peppercorn rentals, payment of building insurance, rates concessions and maintenance of community buildings.

In addition to the above mentioned support processes, Council also currently offers the following funding cycles, which are funded via general revenue and levies, for the provision of financial assistance to not for profit community and sporting organisations and individuals.

1) Community Grants Program (Budget f/y 2012/2013 \$1,286,475)

There are four grant types over the financial year:

1. Minor Grants
2. Major Grants
3. Emergency Grants
4. Individual Development Grants

Categories for funding include Community Development, Economic Development, Sports Recreation and Healthy Living, Cultural Development, Environment, Heritage and History and Festive Season.

2) Regional Arts Development Fund (RADF) (Budget f/y 2012/13 \$267,071)

The RADF funding program is a partnership between Council (60% of total budget) and Arts Queensland (40% of total budget) that supports the professional development and employment of artists and arts practitioners and the development of quality art and arts practice.

There are two grant types over the calendar year:

1. Minor Grants
2. Major Grants

3) Landholder Environment Grant (LEG) (Budget f/y 2012/13 \$595,988)

The LEG provides financial assistance for private landholders to undertake on-ground projects on their properties, which protect and enhance the natural assets and biodiversity of the Sunshine Coast and promote ecologically sustainable management of the region's environmental values. Priority is given to projects with high ecological values. Applicants can apply for up to \$50,000, providing they meet the co-funding requirements.

4) Community Partnerships Funding Program (Budget f/y 2012/13 \$2,139,825)

The Community Partnership Funding Program offers up to three-year funding towards operational expenses. It is open to incorporated community organisations whose operations or services make a significant contribution to the Sunshine Coast community, and whose activities are closely aligned to council's vision for the future as described in its Corporate Plan.

5) Sportsfield Maintenance Program (Budget f/y 2012/13 \$637,000)

The Sports Field Maintenance Funding Program offers up to three year's funding as a contribution towards the cost of the maintenance of sports fields in the region. The intent of the program is for council to partner with sporting organisations to maintain their sports fields to district competition level.

6) TravelSmart Sunshine Coast Grants Program (Budget f/y 2012/13 \$731,806)

This grant provides funding for projects that encourage people out of their cars and onto bikes, public transport, carpooling or walking.

Of the \$731,806 budget only \$16,000 is available for donations to not for profit community groups. The remainder of the budget is allocated to staff salaries and materials and services.

PROPOSED WATER AND SEWERAGE FUNDING PROGRAM

Until the creation of Unitywater, in some instances Sunshine Coast Council provided reduced water and sewerage charges for various not for profit organisations. These reductions in the 2008/2009 and 2009/2010 budgets were in the form of rates concessions and community service obligations (CSOs).

On the 1st July 2010, Unitywater became responsible for providing water and sewerage services, including billing, to all residences, businesses and community organisations in the Sunshine Coast and Moreton Bay regions. Unitywater has determined that it will not provide any concessions for the not-for-profit sector. This policy stance by Unitywater has some serious consequences for Sunshine Coast based community and sporting organisations.

Unitywater has recently invoiced Council (as owner or controller of the land on which not-for-profit community organisations operate) for water and sewerage charges. Council, via the Community Leasing and Assets Unit, is currently obliged to on charge according to tenure agreements.

To date Council's Leasing and Assets Unit has a total of \$520,000 in invoices from Unitywater for the 2012/2013 financial year for community organisations. Council is also aware that Unitywater has invoiced other community organisations directly and as such is not able to quantify the full impact of the invoicing for all community groups utilising Council owned or controlled land.

There has been a considerable concern expressed at a recent public meeting and to Council from organisations that have received water and sewerage invoices, either directly from Unitywater or passed on from Unitywater via Council, regarding the increased cost of water and sewerage services. A presentation was made to Council by community group representatives on 24 September, 2012 regarding this matter. At the presentation, Council was advised that these community and sporting organisations are seeking financial assistance from Council to alleviate the financial pressure that will be placed on the groups by paying the water and sewerage invoices. With the creation of Unitywater any such support provided by Council will need to be in the form of a community grant.

It is noted that in the first year (2010) of Unitywater charges, Council offered a Water and Sewerage Funding Program. Two hundred and nineteen (219) not-for-profit organisations received financial assistance totalling \$350,000. The funding program was only for one year (2010/2011) and was discontinued as part of Council's budget cycle. The funding program required community organisations that received Unitywater invoices to submit these invoices and an application form to council for financial assistance via a grant.

The Water and Sewerage Funding Program is proposed as a means of providing financial assistance to not-for-profit community organisations providing services to the community. It acknowledges the contribution which community groups and volunteers make to the community and recognises the difficulties that many community organisations are facing with increased water and sewerage charges.

The proposed program is based on a philosophy of partnership and involves council contributing a percentage of water and sewerage access charges for eligible not-for-profit community organisations. The policy framework for governing the proposed program is included for Council's consideration at **Appendix A**. The program will be jointly managed between Community Services and Finance and Business and is premised on the following:

- Council's contribution is a percentage (70%) of the water and sewerage **access** costs only.
- Funding is not available for water **consumption** costs. Council seeks to encourage not-for-profit organisations to use water sustainably.
- Funding is proposed to be available to not-for-profit organisations which have a tenure arrangement (for example with council or Department of Natural Resources and Mines) or which have freehold land ownership;
- Due to council financial constraints and anticipated high demand it is proposed that community organisations and sporting groups with full liquor licences and more than 25 poker machines will not be considered eligible for funding assistance. Nor will large scale organisations who have a demonstrated financial capacity to pay for their water and sewerage charges (eg childcare centres, aged care facilities and surf lifesaving clubs with licensed supporters clubs).
- Funding is available for 2012/2013 financial year. This will enable council to consider the outcome of its plumbing audit on not-for-profit community buildings' water infrastructure, the result of which may reduce infrastructure charges to groups over time.
- Ongoing financial support post 2012/2013 to not-for-profit community and sporting groups for water and sewerage access charges will be considered in the preparation of annual budgets

PROPOSED MAYORAL AND COUNCILLOR DISCRETIONARY FUNDING PROGRAM

At the October 2012 Ordinary Meeting Council resolved:

"That council request the Chief Executive Officer bring forward a legitimate means to achieve council's objective in relation to funding of community groups for operational and capital purposes regardless of tenure for discussion on 12 November 2012"

In response to the above resolution, it is proposed to develop a Mayoral and Councillor Discretionary Funding Program with the following attributes:

- The Program will be governed by Council's Emergent Capital Works and Minor Operational Works Policy and an amendment to this Policy is included for Council's consideration at **Appendix B**.
- \$5,000 annual provision for the Mayor, and each of the 12 divisional Councillors, totalling \$65,000.
- Funding for the Program will be achieved via a reallocation of \$5,000 in each Councillor's Emergent Capital Works and Minor Operational Works budget to the Discretionary Funding Program.
- Operational Guidelines to be aligned with Council's endorsed Grants Policy as required by the *Local Government (Financial, Plans and Reporting) Regulations 2010*, providing details about priority areas, eligibility and acquittal processes.
- Administration of the discretionary program to be co-ordinated by Community Services staff and Councillor Support Officers in a manner which aligns with the administration of Council's other grants programs (via *SmartyGrants* software).

Legal

Council's power to make grants to a community organisation is governed by the *Local Government Act 2009* and *Local Government (Financial, Plans and Reporting) Regulations 2010*.

There is also specific legislation outlining how Council must manage the introduction of any Councillor discretionary funding program.

Local Government Act 2009 (amended)*S109 Councillor Discretionary funds*

1. *A councillor must ensure that the councillor's discretionary funds are used in accordance with the requirements prescribed under a regulation.*
2. *Discretionary funds are funds in the local government's operating budget that are –*
 - a. *Budgeted for community purpose*
 - b. *Allocated by a councillor at the councillor's discretion.*

Local Government (Financial, Plans and Reporting) Regulations 2010*S 150 Requirements about discretionary funds – Act s 109*

1. *This section prescribes requirements for-*
 - a. *A local government for making discretionary funds available; and*
 - b. *A councillor for using discretionary funds.*
2. *A local government must, within 20 business days after adopting its budget for a financial year, publish a notice (the availability notice) stating-*
 - a. *The amount in the local government's discretionary funds for use by each councillor for the financial years; and*
 - b. *That community organisations may apply for allocation of the funds; and*
 - c. *How to apply for allocation of the funds.*
3. *The availability notice must be-*
 - a. *Published on the local government's website; and*
 - b. *Displayed in a conspicuous place in the local government's public office.*
4. *A councillor of the local government-*
 - a. *Must not allocate the councillor's discretionary funds for capital works of the local government; and*
 - b. *May allocate the funds only to community organisations that have applied for the funds in the way stated in the availability notice; and*
 - c. *Must allocate the funds in a way that is consistent with the local government's community grants policy.*
5. *As soon as practicable after an amount has been allocated from a councillor's discretionary funds, the local government must publish a notice stating-*
 - a. *The name of each community organisation to which the amount has been allocated; and*
 - b. *The amount and purpose of the allocation.*
6. *The notice under subsection (5) must be published under subsection (3)(a) and displayed under subsection (3)(b)*

Policy

The recommendations contained in this report impact on the following Council policies:

- Sunshine Coast Council Grants Policy
- Sunshine Coast Council Partnership Program Policy
- Emergent Capital Works and Minor Operational Works Policy

Risk

There are risks associated with the recommendations contained in this report.

- Reputational – risk that adverse publicity will be generated by Council's decision to reduce the grants budget and to increase the competition for funding support through council's community grants program.
- Political – risk that pressure on elected representatives will increase as the grants program is decreased and discretionary funds for the Mayor and Councillors are available.

Previous Council Resolution

Ordinary Meeting 18 October 2012 - (OM12/156)

"That council request the Chief Executive Officer bring forward a legitimate means to achieve council's objective in relation to funding of community groups for operational and capital purposes regardless of tenure for discussion on 12 November 2012"

Ordinary Meeting 25 August 2010 – (OM10/214)

That Council:

- note the report titled "Support for Not for Profit Sector – Water and Sewerage";*
- request the Chief Executive Officer to establish a draft Water and Sewer Funding Program in accordance with the Community Partnership Funding Program guidelines and up to a maximum of \$1 million in the 2010/2011 financial year;*
- request that the draft Water and Sewer Funding Program provide for its subsidies to be linked to a commitment by recipient not for profit organisations to transition to more affordable and sustainable water supply technologies at their facilities and that organisations be assisted in this task by Council through the provision of relevant information;*
- request the Chief Executive Officer to prepare a report back to Council for consideration of the draft Water and Sewer Funding Program; and*
- request the Chief Executive Officer write to Unitywater again requesting:*
- extra time for the payment of water and sewerage bills for not for profit groups and that interest not accrue on any outstanding accounts*
- amendment of the sewerage charging regime from a pedestal to a volumetric methodology; and*
- consideration of its policy with respect to financial assistance to not for profit groups to provide such assistance in the future.*

Related Documentation

- Community Grants Eligibility Guidelines 2012/2013
- Community Partnership Funding Program Guidelines 2012/2013

Critical Dates

The accounts issued by Unitywater are due for payment. Not for profit organisations affected by this matter will be notified of Council's decision as a matter of urgency.

Implementation

If Council endorses a Water and Sewerage Funding Program, applications for funding from not for profit community and sporting groups would be called as soon as possible with the results reported to Council via Council's budget review processes.

Ongoing financial support post 2012/2013 to not-for-profit community and sporting groups for water and sewerage access charges will be considered in the preparation of annual budgets

With regard to the proposed implementation of the Councillor Discretionary Funding Program, Community Services staff will work with Infrastructure Services, Councillor Support Officers and Councillors to establish an application and acquittal process that observes the requirements of the *Local Government Act 2009* and *Local Government (Financial, Plans and Reporting) Regulations 2010*.