

## Purpose

The establishment of this policy is consistent with the *Local Government Act 2009 (Qld)* in regard to the principles of the National Competition Policy reform.

National Competition Policy reform in the area of commercialisation requires that activities established as Significant and Prescribed business activities operate similarly to businesses in the private sector.

In line with the commercialisation of these business activities, this policy provides guidelines for the dividend (*return to ratepayer*) from each significant and prescribed business activity that the National Competition Policy applies to.

## Scope

To establish parameters for determining the actual dividend (return to ratepayer) payable by each significant and prescribed business activity each year.

## Policy Statement

### 1 Philosophy

- 1.1 Significant & Prescribed Business Activities of Council may return a dividend (return to ratepayer) to Council in recognition that these business units have been established to provide a return on investment to the General operations of Council reducing the overall reliance on rates and charges revenue.
- 1.2 Funds earned by Council from the General fund through dividends (return to ratepayer) can be utilised to provide enhanced services and infrastructure to the people of the Whitsunday Region.
- 1.3 This policy will be reviewed annually to consider the needs of individual business units (including projected capital investment requirements) and the general economic and environmental conditions impacting on the performance of the business units.

### 2 Principles

- 2.1 Enhance transparency and hence, accountability around the performance of Council's Business Activities management in maximising efficiencies.
- 2.2 Allow Council to determine how to best use its return on investment rather than simply retaining it within a Business Activity.
- 2.3 Promote efficient financing of capital expenditure.
- 2.4 To be consistent with competitive neutrality and National Competition Policy ensuring a target of Upper Bound pricing to allow price setting to recover the cost of capital using a Weighted Average Cost of Capital calculation.

### 3 Methodology

- 3.1 The declaration of dividends (return to ratepayer), dependent upon the earnings and financial requirements of the business activities to fund future growth as outlined in their performance plan, the debt redemption requirements, the financial condition of the business activities, and such other factors the Council may consider appropriate in the circumstances.

3.2 The formula for calculating the dividend is **DP** = DPR x NRE

Where:

- The dividend payout [\$] is **DP**
- The dividend payout ratio [%] is DPR
- The net result (after other agreed exclusions) [\$] is NRE

- 3.3 Reviewing each year with Council, the dividend payout ratio (%) to Council, following collaboration between Council and the Business Activity.
- 3.4 In conjunction with the review, consideration will be given to the implication of future financial forecasts.
- 3.5 Approving the dividend payout ratio for each business activity annually as part of the approval process for the annual performance plan and budget.
- 3.6 Including a budget estimate for business activities for the current year's dividend based upon the dividend payout ratio agreed in the annual performance plan review. The dividend will therefore relate directly to the earnings result for the budget year.
- 3.7 The transfer of dividends, through monthly journals and recognition, to Council by the business activities will be reflected in the final, audited financial position. The final transfer will be processed once earnings for the year have been finalised, based upon the application of the agreed dividend payout ratio.

## Related Polices and Legislation

*Local Government Act 2009 (Qld) (Act)*

*Local Government Regulation 2012 (Qld) (Regulation)*

Council's 2025/26 Budget

Business Activity Policy

Annual Performance Plans

Council's Long Term Financial Forecast

## Definitions

**Council** refers to the Whitsunday Regional Council.

**Competitive Neutrality Principle:** As per s33 of the Local Government Regulation 2012

**Lower Bound Pricing:** As per s41 (6) of the *Local Government Regulation 2012* excluding s41 (6) (e).

**National Competition Policy:** Refers to the Policy provided by the National Competition Council Australia.

**Return to Ratepayer:** A percentage of either capital investment, net profit or a fixed amount per Business Activity as determined by Council.

**Significant and Prescribed Business Activities** Business activities of a local government that are conducted in competition, or potential competition, with the private sector and meet expenditure thresholds prescribed under the Regulation. Those that are identified in the Business Activities Policy of Council

## STRATEGIC POLICY: Finance

### Dividend Policy – Business Activities

Endorsed by Council

18 June 2025

**Upper Bound Pricing:** As per s41 (6) of the *Local Government Regulation 2012*.

**Weighted Average Cost of Capital (WACC):** the general form of the opportunity cost of capital (or discount rate) most commonly used and accepted in regulatory practice in Australia, and is the weighted sum of the costs of debt and equity finance where: the weights are the market values of debt and equity expressed as shares of the entity's funding mix; the cost of debt is based on a 'benchmark' capital structure, and the cost of equity is estimated using the Sharpe-Lintner Capital Asset Pricing Model (CAPM)

| COUNCIL POLICY          |                            |                    |                 |
|-------------------------|----------------------------|--------------------|-----------------|
| Date Adopted by Council | 18 June 2025               | Council Resolution | SM2025/06/18.16 |
| Effective Date          | 1 July 2025                | Next Review Date   | 30 June 2026    |
| Responsible Officer(s)  | Manager Financial Services | Revokes            |                 |