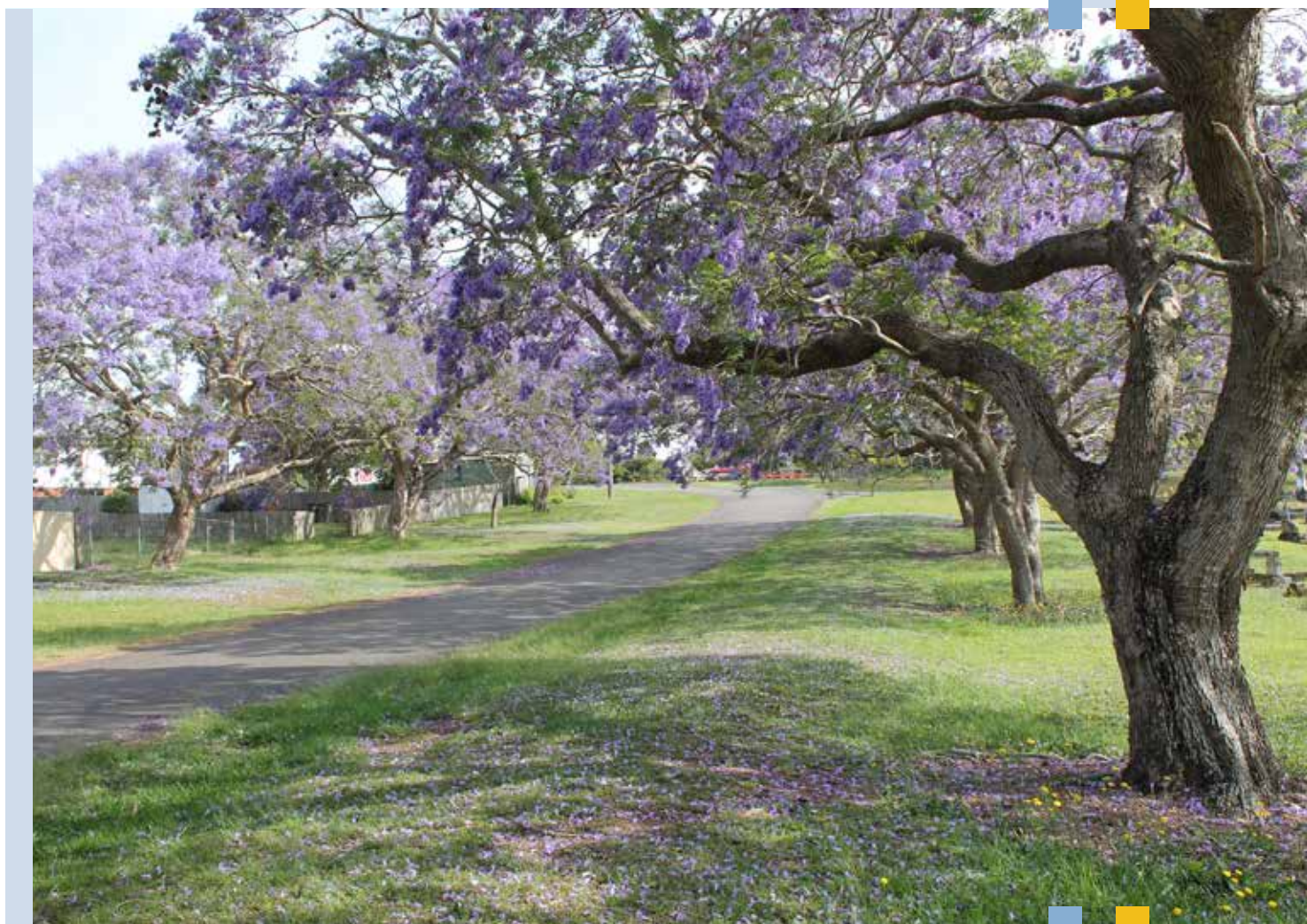


# REVENUE

# POLICY



2019- 2020

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# Revenue Policy

Kempsey Shire Council's (KSC) Revenue Policy is developed in response to its legislative reporting requirements under the Local Government Act 1993. The Policy provides the community with an indication of the type and breakdown of revenue sources available to Council to support its Operational Plan.

Council's Revenue Policy comprises the following elements:

1. Statement of estimated income and expenditure in accordance with clause 201 (a) of Local Government (General Regulation)
2. Statement of ordinary rates and special rates in accordance with clause 201 (1) (b) and (2) of Local Government (General Regulation)
3. Statement of Fees & Charges (refer to detailed attachment) in accordance with clause 201 (c) of Local Government (General Regulation)

4. Statement of Council's pricing methodology for determining the prices of approved fees in accordance with clause 201 (e) of Local Government (General Regulation)

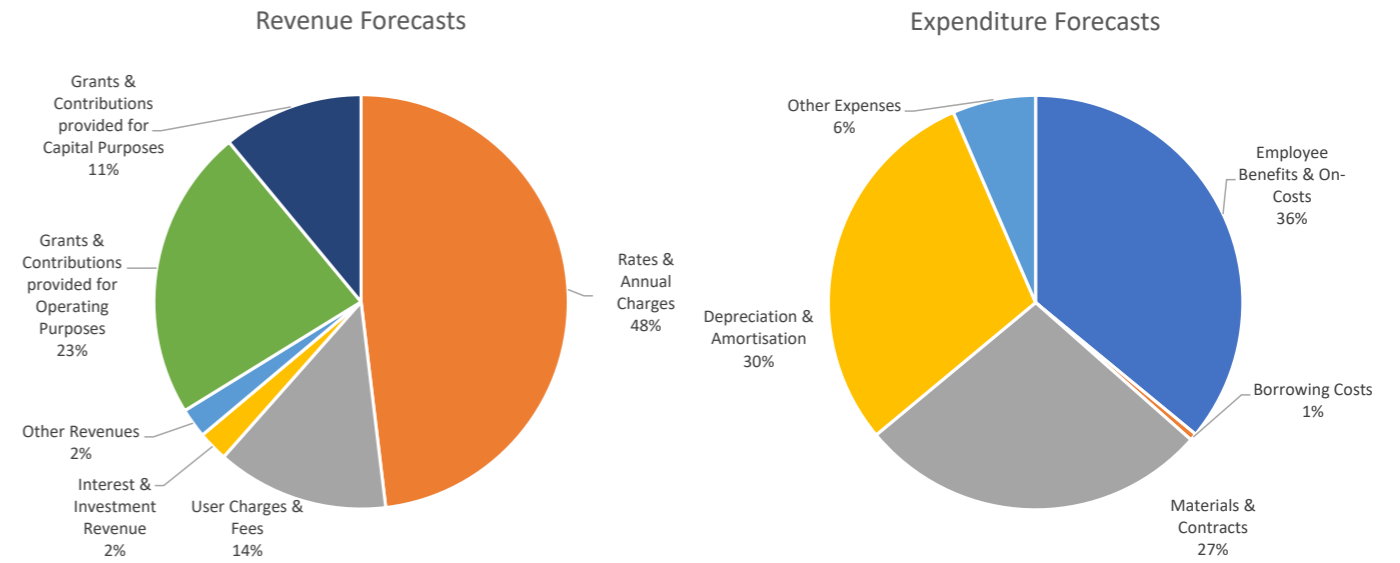
5. Statement of proposed borrowings (as per clause 201 (f) of Local Government (General Regulation))

## Estimated Income and Expenditure 2019/20

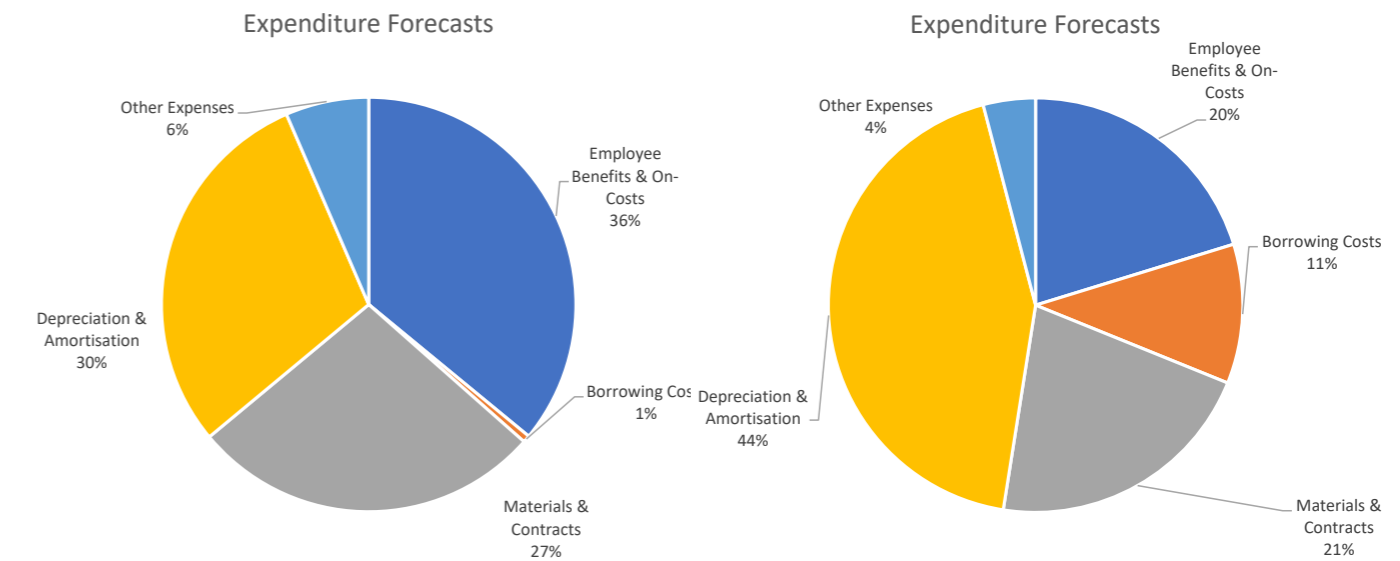
In 2010, the Independent Pricing and Regulatory Tribunal of New South Wales (IPART) was delegated responsibility for determining the allowable annual increase in local government general rates income.

The charts provide an overview of the estimated budgeted income and expenditure for 2019/20.

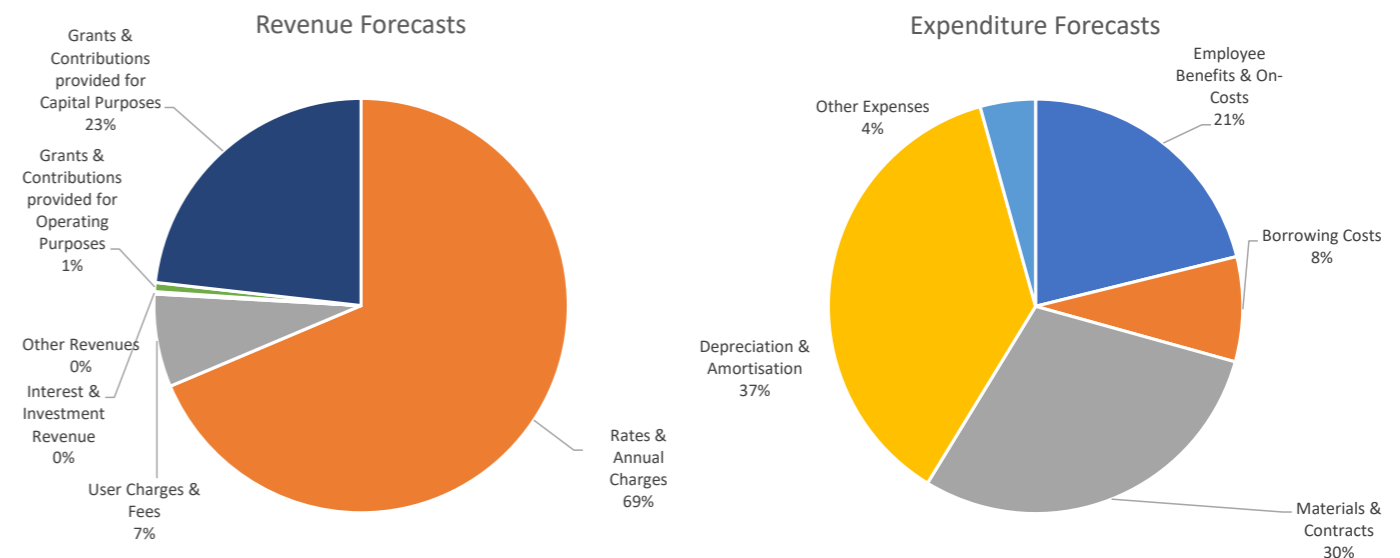
## General Fund



## Water Fund



## Sewer Fund



## 1. Statement of Rating Structure - ordinary rates

The Local Government Act 1993 makes provision for rates to comprise:

- An ad valorem amount
- A base amount to which an ad valorem amount is added

### Ordinary rates

The following rates are proposed for 2019/20 in respect of each category of ordinary rate levied by Council, as increased by the allowable rate peg percentage of 2.7%.

**Residential:** Will be levied a base amount of \$568 and an ad valorem rate of 0.004480 cents in the dollar.

**Farmland:** The rates for Farmland will be levied a base amount of \$625 and an ad valorem rate of 0.005200 cents in the dollar.

**Business:** Urban businesses in the Kempsey Shire areas marked on the Rate Categories Maps (in yellow) will utilise the same base amount of \$713 with an ad valorem rate of 0.011870. All other Businesses outside of these marked areas will be charged a base rate of \$633 with an ad valorem rate of 0.010140 cents in the dollar. The different charges and ad valorem charges have been applied due to the different levels of service provided in each area.

**Environment Levy:** this 4.20% levy was approved in 2018 by IPART in order to allow the continuation of the levy in place since 2008-09 to fund significant environmental restoration projects and manage and protect waterways and natural environment. An amount of \$812,617 is proposed to be raised during the 2019-20 year.

The following table provides further information on the ordinary rates and charges for the area.

**Table 1: Council's Proposed 2019/20 Rating Structure**

Category	No of Assessments	Land Value (\$)	Ad Valorem (cents)	Base Rate Amount (\$)	Yield Base Rate (\$)	Yield Ad Valorem (\$)	Total Rate Yield (\$)
Residential	12,593	1,604,638,808	0.00448	568	7,152,824	7,188,782	14,341,606
Farmland	1,470	423,077,881	0.00520	625	918,750	2,200,005	3,118,755
Business Urban	631	132,190,165	0.01187	713	449,903	1,569,097	2,019,000
Business Other	173	28,137,780	0.01014	633	109,509	285,317	394,826
Environment	14,867	2,188,044,634	0.00029	12	178,404	634,533	812,937
<b>Totals</b>	<b>29,734</b>	<b>4,376,089,268</b>			<b>8,809,390</b>	<b>11,877,734</b>	<b>20,687,124</b>

## 2. Water Supply Access Charges

Water supply access and usage charges under sections 501 and 502 of the Local Government Act will be charged with yields as per the following table.

**Table 2: Water Supply Access Charges**

Description	Annual Charge	Services Charged	Total Annual Income	Estimated Usage (kl)*	Total Usage Income**	Total Income
20mm water meter (including vacant land)	\$325	10,641	\$3,458,325	2,194,811	\$5,816,249	\$9,274,574
Strata	\$325	816	\$265,200			
25 mm meter	\$503	1,095	\$550,785	392,225	\$1,039,396	\$1,590,181
32mm	\$818	84	\$68,712	56,336	\$149,290	\$218,002
40mm	\$1,273	76	\$96,748	125,501	\$332,578	\$429,326
50mm	\$1,984	66	\$130,944	127,815	\$338,710	\$469,654
80mm	\$5,056	13	\$65,728	234,911	\$622,514	\$688,242
100mm	\$7,896	24	\$189,504	17,055	\$45,196	\$234,700
100mm half charge	\$3,948	1	\$3,948			
150mm	\$17,753	3	\$53,259	25,624	\$67,904	\$121,163
Fire Services	\$885	39	\$34,515			
<b>Subtotals</b>		<b>12,858</b>	<b>\$4,917,668</b>	<b>3,174,278</b>	<b>\$8,411,837</b>	<b>\$13,329,505</b>
Less Pension rebates						-\$271,029
<b>Totals</b>			<b>\$4,917,668</b>		<b>\$8,411,837</b>	<b>\$13,058,476</b>

Charges for Consumption:	Usage charges
Residential	
Tier 1: 0-250	\$2.65
Tier 2: 250+	\$8.83
Non-Residential	\$2.65
Large Commercial users	\$2.65
0-10000 kl per annum	\$2.10
10000+ kl per annum	\$1.33
Re-cycled & Reclaimed Water	\$1.06
Re-claimed water	\$0.10

\*Estimates are based on previous 12-month data

\*\* Usage income is based on a mix of charges per the 'Charges for Consumption table'

### 3. Sewerage Access & Usage Charges

Annual sewer charges under Sections 501 & 502 of the Local Government Act 1993 apply to all properties connected or capable of connection to the sewerage system as per the table below. In addition, properties such as shopping centres, caravan parks, flats, retirement homes, motels, clubs, hotels, schools and backpacker hostels will be required to pay an additional charge based on the amount of water consumed.

**Table 3: Sewerage Access & Usage Charges**

Description	Annual Charge	Assessments Charged	Total Annual Income	Expected Water Usage (kl)	Total Usage Income*	Total income
Access Sewerage	\$710	41	\$29,110	N/A	N/A	\$29,110
Residential	\$1,126	7772	\$8,751,272	Residential sewer usage not charged. Costs included in access charges	N/A	\$8,751,272
Commercial property sewer			N/A	1,109,331	\$3,017,380	\$3,017,380
LTW			N/A	89,456	\$243,320	\$243,320
<b>Totals</b>			<b>\$8,780,382</b>	<b>1,198,787</b>	<b>\$3,260,701</b>	<b>\$12,041,083</b>

### 4. Stormwater Management Service Charge

All urban properties except vacant land that are in the residential and business categories for rating purposes, for which Council provides a stormwater management service will be charged a stormwater levy pursuant to Section 501 of the Local Government Act 1993. This was introduced in 2017-18 to generate around \$200,000 additional funds to improve drainage, cleaning schedules and security on the stormwater system. The charge for 2019/20 will remain at \$25.00 per assessment, or per strata assessment will be \$12.50.

**Table 4: Stormwater Management Services Charges**

Description	Charge	No of Assessments	Total Annual Income
Stormwater Manager services charge Urban per assessment	\$25	7,566	\$189,150
Stormwater Manager services charge Urban per strata unit	\$13	1,007	\$12,588
<b>Totals</b>		<b>8,573</b>	<b>\$201,738</b>

### 5. Interest on Overdue Rates & Charges

Council's current policy is to adopt the maximum permissible interest rate for each year on overdue rates, charged on a simple interest basis. Council has been advised the interest rate for overdue rates and charges by the Office of Local Government, that is 7.5% per annum.

### 6. Pricing Methodology

Under the principle of "user pays", fees are introduced to offset the cost of service provision or, in the case of commercial activities, to realise a reasonable rate of return on assets employed by Council to support the provision of services and to alleviate the burden that would otherwise be unfairly placed upon ratepayers.

Council has given due consideration to the following factors in determining the appropriate price for each fee:

- Cost of providing the service
- Whether the goods or services are supplied on a commercial basis
- Importance of the service to the community
- Capacity of the user to pay
- Impact of the activity on public amenity
- Competitive market prices
- Prices dictated by legislation

In accordance with Section 608 of the Local Government Act 1993, Council determines fees and charges based on the following pricing methodologies

#### 1. Full cost recovery

Recovery of all direct and overhead costs associated with providing a service. This includes employee benefits, other direct expenses and overheads.

#### 2. Subsidised / Partial cost recovery

Council recovers less than full cost for reasons of community obligation, legislated limits on charging, etc.

#### 3. Rate of return

Council recovers the full cost of providing the service/activity plus a profit margin.

#### 4. Market

Price of the service determined by investigating alternative prices of surrounding service providers.

#### 5. Statutory & Regulatory

Price of the service is determined by legislation or regulation and may or may not recover full cost.

### 7. Proposed Borrowings

Council's borrowings are governed by the provisions of the Local Government Act 1993 and the Local Government (General) Regulation 2005.

Competitive quotations are obtained from major banks and financial institutions with the aim of securing a low interest rate.

The proposed loan program across the three funds for 2019-20 is as follows:

Fund	\$'M
General	8.0
Water	0.0
Sewer	2.0
<b>Total</b>	<b>10.0</b>

The loans are to fund capital works mainly related to Crown land, bridge replacement and sewer augmentation.

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