



**KEMPSEY**  
Shire Council



# **Revenue Policy**

# 2020 – 2021

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## Table of Contents

Estimated Income and Expenditure 2020/21 .....	2
General Fund .....	3
Water Fund.....	3
Sewer Fund.....	3
1. Statement of Rating Structure - Ordinary rates .....	4
2. Water Supply Access & Usage Charges.....	5
3. Sewerage Access & Usage Charges .....	6
4. Domestic Waste Management Charges.....	7
5. Stormwater Management Service Charges .....	7
6. On-Site Sewer Charges .....	8
7. Interest on Overdue Rates & Charges .....	8
8. Pricing Methodology .....	8
9. Proposed Borrowings .....	9

# 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)).

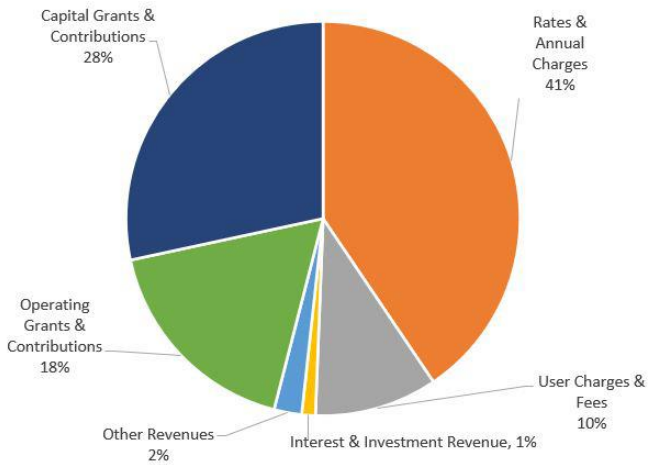
## **Estimated Income and Expenditure 2020/21**

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.

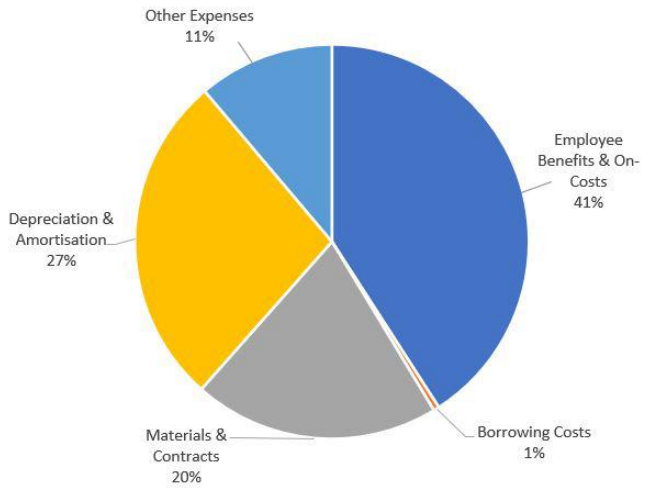
The charts provide an overview of the estimated budgeted income and expenditure for 2020/21.

## General Fund

### Revenue Forecasts

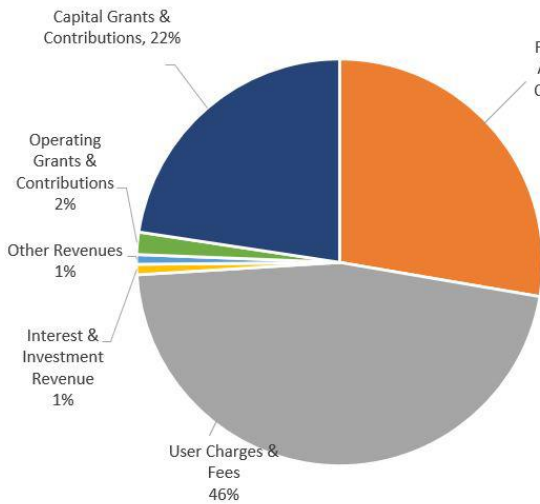


### Expenditure Forecasts

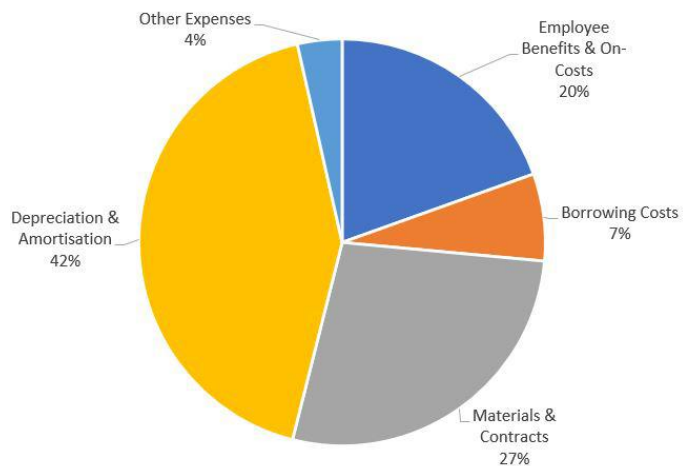


## Water Fund

### Revenue Forecasts

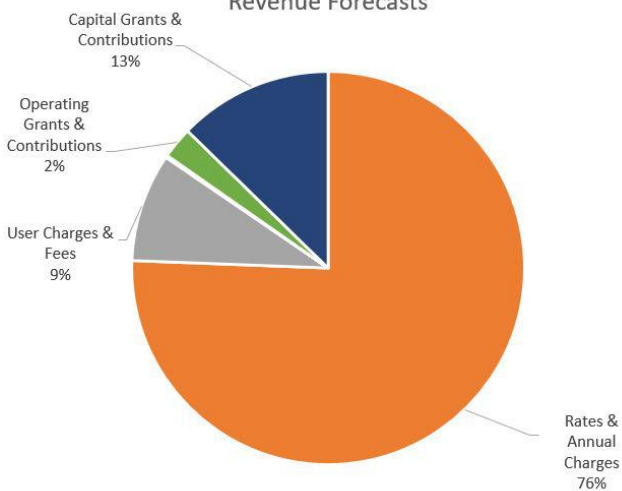


### Expenditure Forecasts

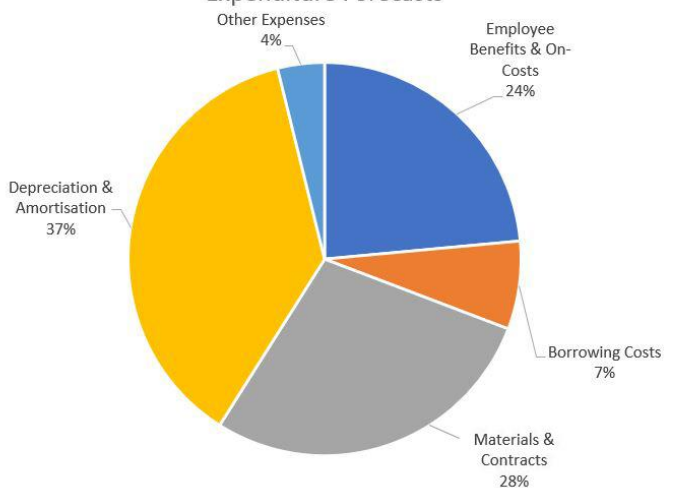


## Sewer Fund

### Revenue Forecasts



### Expenditure Forecasts



## 1. Statement of Rating Structure - Ordinary rates

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

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

### Ordinary rates

The following rates are proposed for 2020/21 in respect of each category of ordinary rate levied by Council, as increased by the allowable rate peg percentage of 2.6%.

**Residential:** Will be levied a base amount of \$591 and an ad valorem rate of 0.003959 cents in the dollar.

**Farmland:** The rates for Farmland will be levied a base amount of \$641 and an ad valorem rate of 0.004733 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 \$694 with an ad valorem rate of 0.010833 cents in the dollar. All other Businesses outside of these marked areas will be charged a base rate of \$630 with an ad valorem rate of 0.008909 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 \$847,584 is proposed to be raised during the 2020/21 year.

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

**Table 1: Council's Proposed 2020/21 Rating Structure**

Category	No. of Assessments	Land Value	Ad Valorem	Base Rate Amount	Yield Base Rate	Yield Ad Valorem	Total Rate Yield
Residential	12,629	\$1,887,216,707	\$0.003959	\$591	\$7,463,739	\$7,471,491	\$14,935,230
Farmland	1,472	\$465,976,698	\$0.004733	\$641	\$943,552	\$2,205,468	\$3,149,020
Business Urban	631	\$143,370,850	\$0.010833	\$694	\$437,914	\$1,553,136	\$1,991,050
Business Other	173	\$33,118,040	\$0.008909	\$630	\$108,990	\$295,049	\$404,039
Environment	14,905	\$2,529,682,295	\$0.000264	\$12	\$178,860	\$668,724	\$847,584
<b>Totals</b>	<b>29,810</b>				<b>\$9,133,055</b>	<b>\$12,193,868</b>	<b>\$21,326,923</b>



## 2. Water Supply Access & Usage 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 & Usage Charges**

Description	Annual Charge	Services Charged	Total Annual Income	Total Usage Income <sup>1</sup>	Total Income
20mm water meter (including vacant land)	\$341	10,670	\$3,638,470		\$3,638,470
Strata	\$341	816	\$278,256		\$278,256
25mm	\$528	1,108	\$585,024		\$585,024
32mm	\$858	84	\$72,072		\$72,072
40mm	\$1,336	75	\$100,200		\$100,200
50mm	\$2,083	67	\$139,561		\$139,561
80mm	\$5,308	13	\$69,004		\$69,004
100mm	\$8,290	24	\$198,960		\$198,960
100mm half charge	\$4,145	1	\$4,145		\$4,145
150mm	\$18,640	3	\$55,920		\$55,920
Fire Services	\$929	38	\$35,302		\$35,302
Water Usage				\$8,151,860	\$8,151,860
<b>Total</b>		<b>12,899</b>	<b>\$5,176,914</b>	<b>\$8,151,860</b>	<b>\$13,328,774</b>

Charges for Consumption:	Usage charges
Residential	
Tier 1: 0-250	\$2.78
Tier 2: 250+	\$4.02
Non-Residential	\$2.78
Large Commercial Users	\$2.78
0-10000 kl per annum	\$2.78
10000+ kl per annum	\$2.21
Recycled & Reclaimed Water	\$1.11
Reclaimed Water	\$0.10

<sup>1</sup> 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	Total Usage Income	Total Income
Residential	\$1,204	8508	\$10,243,632	N/A	\$10,243,632
Residential - Vacant	\$745	294	\$219,030		\$219,030
Non-Residential – Vacant	\$759	42	\$31,878		\$31,878
Non-Residential – 20mm	\$1,112	384	\$427,008		\$427,008
Non-Residential – ½ Access Church	\$556	5	\$2,780		\$2,780
Non-Residential – 25mm	\$1,748	164	\$286,672		\$286,672
Non-Residential – 32mm	\$2,564	54	\$138,456		\$138,456
Non-Residential – 40mm	\$3,964	51	\$202,164		\$202,164
Non-Residential – 50mm	\$6,268	40	\$250,720		\$250,720
Non-Residential – 80mm	\$16,077	9	\$144,693		\$144,693
Non-Residential – 100mm	\$25,080	12	\$300,960		\$300,960
Non-Residential – 150mm	\$59,724	1	\$59,724		\$59,724
Liquid Trade Waste Inspection	\$162.93		\$34,052		\$34,052
Non-Residential Usage				\$1,089,443	\$1,089,443
LTW				\$265,858	\$265,858
<b>Totals</b>		<b>9,564</b>	<b>\$12,341,769</b>	<b>\$1,355,301</b>	<b>\$13,697,070</b>

Charges for Consumption:	Usage charges
Non-Residential	\$2.91

#### 4. Domestic Waste Management Charges

All properties with a domestic waste management service available to their property will be charged an annual charge under Section 496 of the Local Government Act 1993.

**Table 4: Domestic Waste Management Charges**

Description	Charge	No. of Services	Total Annual Income
Domestic Waste Charge (Standard Service)	\$403	9,940	\$4,005,760
Domestic Waste Charge (Standard Service with 360L Recycle)	\$413	557	\$230,041
Domestic Waste Charge (Small Service)	\$351	962	\$337,662
Domestic Waste Charge (Small Service with 360L Recycle)	\$361	20	\$7,220
140 Litre Mixed Waste Service	\$134	14	\$1,876
240 Litre Mixed Waste Service	\$175	554	\$96,950
240 Litre Recycling Waste Service	\$105	147	\$15,435
360 Litre Recycling Waste Service	\$117	260	\$30,420
140 Litre Green Waste Service	\$128	5	\$640
240 Litre Green Waste Service	\$140	176	\$24,640
Vacant	\$43	428	\$18,404
<b>Totals</b>		<b>13,063</b>	<b>\$4,769,048</b>

#### 5. Stormwater Management Service Charges

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 5: Stormwater Management Service Charges**

Description	Charge	No. of Assessments	Total Annual Income
Stormwater Manager services charge Urban per assessment	\$25	7,569	\$189,225
Stormwater Manager services charge Urban per strata unit	\$12.50	1,007	\$12,587.50
<b>Totals</b>		<b>8,576</b>	<b>\$201,812.50</b>



## 6. On-Site Sewer Charges

Properties with an on-site sewerage management system will be charged an annual charge based on whether the property is Residential or Commercial.

**Table 6: On-Site Sewer Charges**

Description	Charge	No of Assessments	Total Annual Income
On-site Sewer Management Fee - Residential	\$82.50	5,172	\$426,690
On-site Sewer Management Fee – Commercial, Small	\$185	117	\$21,645
On-site Sewer Management Fee – Commercial, Large	\$350	36	\$12,600
<b>Totals</b>		<b>5,325</b>	<b>\$460,935</b>

## 7. 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, will be 0% for the six months 1 July 2020 to 31 December 2020. For the six-month period 1 January 2021 to 30 June 2021, the interest rate will be 7% per annum.

## 8. 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.

## **9. 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 2020/21 is as follows:

<b>Fund</b>	<b>\$'M</b>
General	6.0
Water	2.5
Sewer	0
<b>Total</b>	<b>8.5</b>

The loans are to fund capital works mainly related to landfill cell, Corporate Business System, bridges, foreshore works, airport and water augmentation works.