

Our people, our place

focus on our future



**Cessnock City Council's
Revenue Policy**

Revenue Policy

Significant Factors Affecting Future Financial Performance

- It is expected that the majority of the revenue base will experience continued growth, mainly comprising of rates, charges, and grants. Demands for additional works, services and capital projects continue to accelerate and coupled with ongoing increases in insurance, employee costs and infrastructure construction costs the ability to maintain existing services is impacted.
- Tight controls by government over rates, charges and loan borrowings will continue to be a significant factor in limiting revenue raising capabilities. Coupled with increasing costs, these factors are having an impact on service levels and potential funding of new projects.
- State and Federal Governments continue to require Local Government to undertake an increasing number of community services, which have not been traditionally recognised as the role of Local Government without the supply of adequate funding.
- The ageing asset base is placing pressure on Council finances. The rate of deterioration continues to exceed Council's ability to replace and upgrade infrastructure, although Council is endeavouring to address this in its Forward Financial Plan, Asset Management Plan and Capital Works Program.

Introduction

Council obtains income from the following sources:-

- Rates
- Charges
- Fees
- Private Works
- Grants
- Contributions
- Borrowings

In this part of the revenue statement we explain our proposals in relation to the following:-

- the policies we intend to apply to raise the necessary revenue to fund our operations for the year 2011/12.
- a financial plan covering the years 2011/12, 2012/13, 2013/14.
- budget summaries for Council's adopted principal activities.

On the following pages are a number of statements about the rates, charges and fees we intend to levy in 2011/12. Also shown are proposed borrowings, which involve a cost to ratepayers and other users for the services we provide.

Revenue Statement

A. RATING

a) Rating Structure

The amount that is required to be raised from rating is calculated to comply with the Division of Local Government's advice in relation to rate-pegging limitations and catch up provisions. Together with other sources of income, rating income is used to fund Council's expenditure requirements to meet the programmes and levels of service that have been adopted.

In accordance with Section 532 of the Local Government Act 1993, a Council must not make a rate or charge until it has given public notice of its draft Operational Plan for the year for which the rate is to be made and has considered any submissions received. In practice a Council should first adopt its final Operational Plan and then make rates and charges by resolution. (s535).

Ratepayers will be given the opportunity to pay the rates as a lump sum or by four instalments being due on 31 August, 30 November, 28 February and 31 May.

On 4 June 2010, the NSW Premier delegated the responsibility of setting the annual "rate peg" to the Independent Pricing and Regulatory Tribunal (IPART). A permissible increase to general rate income of 2.80% for 2011/12 was announced by IPART 10 December 2010.

Council currently is in the final year of a five year Special Rate Variation of 6.05% granted in 2006/07. This Special Rate Variation expires 30 June 2011. This variation has been removed from Council's proposed rating structure for 2011/12 and Council has applied for a Special Rate Variation (inclusive of the 2.8% permissible increase) for a period of two years commencing 1 July 2011. IPART on 10 June 2011 announced this application was successful with rates to be levied in 2011/12 based on 9.06% increase being a 8.85% special rate variation and a catch-up provision of 0.21%.

For 2011/12 Council continues to use the same rating methodology as in previous years, based on a combined base amount and ad-valorem charge calculated on the land value as supplied by the Valuer General. This rating methodology provides an equitable distribution of the total rate burden so that each assessment contributes a fair proportion to the management and maintenance of services and facilities. The land valuations used to calculate rates for 2011/12 are supplied by the Valuer General and have a base date of 1 July 2009.

In accordance with Section 566 of the Local Government Act 1993, Council proposes to charge interest on overdue rates and charges for 2011/12. Council proposes to apply the maximum permissible rate of interest payable on outstanding rates and charges at a simple rate calculated daily. The maximum rate for 2011/12 yet to be determined by the Minister for Local Government.

b) Categorisation of Land

All rateable land must be categorised as either farmland, residential, mining or business.

The following is a brief explanation of these categories. For more detailed information, please refer to Sections 514 to 519 of the NSW Local Government Act, 1993.

Residential

Land is categorised as residential (Section 516) if it is a parcel of rateable land valued as one assessment and:-

- Its main use is for residential accommodation (but not as a hotel, motel, guesthouse, boarding house, lodging house, or nursing home).
- It is vacant land zoned for residential purposes.
- It is rural residential land. Rural residential land is defined as being
 - a) land that is the site of a dwelling, and
 - b) is not less than 2 hectares and not more than 40 hectares in area, and is either:
 - i) not zoned or otherwise designated for use under an environmental planning instrument, or
 - ii) zoned or otherwise designated for use under such an instrument for non-urban purposes, and
 - c) does not have a significant and substantial commercial purpose or character.

Business

Land is categorised as business (Section 518) if it cannot be categorised as farmland, residential or mining. The main land uses in the business category are commercial and industrial.

Farmland

Land is categorised as farmland (Section 515) if it is a parcel of rateable land valued as one assessment and its dominant use is for farming (that is the business or industry of grazing, animal feedlots, dairying, pig farming, poultry farming, viticulture, orcharding, beekeeping, horticulture, vegetable growing, forestry, oyster or fish farming, or growing crops for profit) and:-

- has a significant and substantial commercial purpose or character, and
- is engaged in for the purpose of profit on a continuous or repetitive basis.

Rural residential land can not be categorised as farmland.

Mining

Land is categorised as mining (Section 517) if it is a parcel of rateable land valued as one assessment and its dominant use is for a coal or metalliferous mine.

Sub-Categories

A sub-category for rating may be determined:-

- for the category “Residential” - according to whether the land is rural residential land or is within a centre of population; or
- for the category “Business” - according to a centre of activity; or
- for the category “Farmland” - according to the intensity of land use or economic factors affecting the land; or
- for the category “Mining” - according to the kind of mining involved;

Council has elected to utilise the following rating sub-categories:-

Rural Residential - to provide a separate category for rural residential land where there is a residential dwelling and the land area is between 2 & 40 hectares.

Farmland Low Intensity - to provide a separate category for Farmland which meets the Farmland criteria under Section 515 with a lower intensity of land utilisation.

Farmland – Mixed Use - to provide a separate category for Farmland with both rural and business use.

Farmland – Business Rural – to provide a separate category for Farmland which has a low intensity of land utilisation with predominantly business activity.

For 2011/12 Ordinary rates are proposed under the following categories/sub categories.

- Residential
- Rural Residential
- Business
- Farmland
- Farmland - Low Intensity
- Farmland – Mixed Use
- Farmland – Business Rural
- Mining

The percentage of rate income estimated to be raised from each category is:-

Residential	69.27%
Business	16.50%
Farmland	11.43%
Mining	2.80%

c) Details of Proposed Rates

Council intends to take up the full permissible increase of 2.80% as announced by IPART and has been successful in a special rate variation application under Section 508(2) for a 9.06% (inclusive of 2.8% and 0.21% catch-up) variation for two years only. Details on the rates proposed is provided on the following pages.

The additional rates income raised from the special rate increase will be approximately \$1,432,000 and will be utilised in 2011/12 on the rehabilitation and resurfacing of the existing Local and Regional (Urban and Rural) road network.

Statement of Rates Proposed to be Levied - Section 405(2) Local Government Act, 1993

ORDINARY RATES

Rates are assessed by levies on the value of land. Land values are determined by the Valuer General. Increases in rates are subject to the specification of a percentage variation by the Independent Pricing and Regulatory Tribunal (IPART). Following the determination by IPART of the Special Rate Variation, Council has proposed the rating structure for 2011/12 to be:

Two Year Special Rate Variation Inclusive of 2.8% Permissible Increase

The following table shows the proposed ad valorem and base rate amounts for 2011/12, based on the approval of a Special Rate Variation Application of 8.85% (inclusive of the general increase of 2.80% as advised by IPART), and a catch-up provision of 0.21%.

Rate Type	Category	Sub-Category	Ad Valorem Amount in Cents in \$	Base Amount		Rate Yield \$
				\$	% of Total Rate	
Ordinary	Residential		0.438923	410.00	43.61	17,215,074
Ordinary	Residential	Rural	0.396298	410.00	25.25	2,661,431
Ordinary	Business		1.381846	520.00	16.40	4,733,658
Ordinary	Farmland		0.291317	410.00	18.54	1,866,825
Ordinary	Farmland	Low Intensity	0.361347	410.00	34.06	1,066,518
Ordinary	Farmland	Mixed Use	0.760219	520.00	8.67	167,852
Ordinary	Farmland	Business Rural	0.760219	520.00	10.52	177,948
Ordinary	Mining		3.656521	1,000.00	0.62	804,699
						28,694,005

B. CHARGES

Waste Charges

Weekly services for kerbside collection of mixed solid waste and alternate fortnightly collections of recyclable waste are provided by Council to residential and non-residential properties in the Cessnock Local Government Area.

Where new services are commenced throughout the year, charges are calculated as a proportion of the annual charge.

Under Section 496 of the Act, Council is required to levy a charge on all rateable land that is situated within the area in which a domestic waste management service is available, whether occupied land or vacant land.

The Local Government Act, 1993 Section 504 (1) provides:

- A Council must not apply income from an ordinary rate towards the cost of providing domestic waste management services.
- Income to be applied by a Council towards the cost of providing domestic waste management services must be obtained from the making and levying of a charge.
- Income obtained from charges for domestic waste management must be calculated so as to not exceed the reasonable cost to the Council of providing those services.

Sections 501 and 502 permits a Council to make and levy an annual charge for the following services provided on an annual basis:

- Waste Management Services (other than domestic waste management)
- Any services prescribed by the Regulations.

Domestic Waste Service Charge – Vacant

Under the provisions of Section 496 of the Local Government Act 1993, vacant rateable land categorised for rating purposes as Residential or Farmland and situated within an area in which a Domestic Waste Management Service is able to be provided is to be charged a Domestic Waste Management Service Charge – Vacant.

Domestic Waste Service Charge

Under the provisions of Section 496 of the Local Government Act 1993, rateable land categorised for rating purposes as Residential or Farmland and located in an area in which the service is provided is to be charged a Domestic Waste Management Service Charge.

This service entitles the property to a single weekly collection of mixed waste, using an approved mobile container as provided by Council and a single fortnightly collection of recyclable material using an approved mobile container as provided by Council.

For 2011/12 each service entitles the issue of four (4) Waste Depot Passes to be used at the Cessnock Waste & Reuse Centre. Each pass allows free disposal of up to 500 kilograms of domestic or general household waste. If the quantity of waste exceeds 500 kilograms per disposal, additional passes issued may be used, or a fee will apply. Waste is to be transported in passenger vehicles, utilities or small trailers only.

Additional Domestic Waste Service Charge

Under the provisions of Section 496 of the Local Government Act 1993, further to the Domestic Waste Management Service Charge, an Additional Domestic Waste Management Service Charge applies to each additional weekly collection of mixed waste, using an approved mobile container as provided by Council.

Additional Domestic Waste Service Charge – Recycling

Under the provisions of Section 496 of the Local Government Act 1993, further to the Domestic Waste Management Service Charge, an Additional Domestic Waste Management Service Charge - Recycling applies to each additional fortnightly collection of recyclable waste, using an approved mobile container as provided by Council.

Waste Management Service Charge

Under the provisions of Section 501 of the Local Government Act 1993, a Waste Management Service Charge applies to each parcel of land not categorised for rating purposes as Residential or Farmland to which the service is provided.

This service entitles the property to a single weekly collection of mixed waste, using an approved mobile container as provided by Council and a single fortnightly collection of recyclable material using an approved mobile container as provided by Council.

Additional Waste Management Service Charge

Under the provisions of Section 501 of the Local Government Act 1993, further to the Waste Management Service Charge, an Additional Waste Management Service Charge applies to each additional weekly collection of mixed waste, using an approved mobile container as provided by Council.

Additional Waste Management Service Charge – Recycling

Under the provisions of Section 501 of the Local Government Act 1993, further to the Waste Management Service Charge, an Additional Waste Management Service Charge - Recycling applies to each additional weekly collection of recyclable waste, using an approved mobile container as provided by Council.

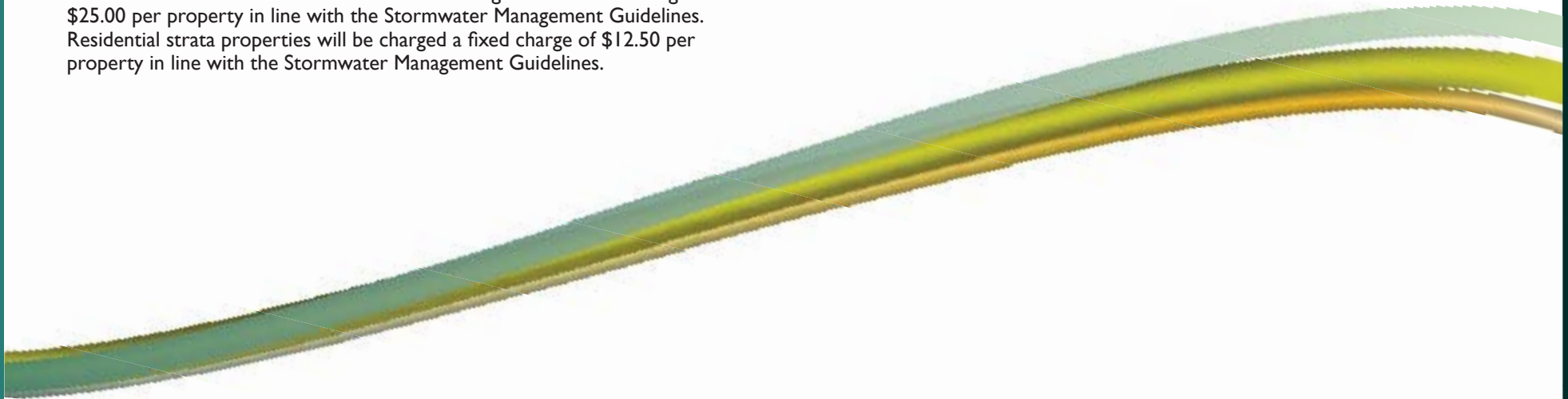
Stormwater Charges

Under the provisions of Section 496A of the Local Government Act 1993, Council may make and levy an annual charge for the provision of stormwater management services for each parcel of rateable land for which the service is available. A stormwater service is a service to manage the quantity or quality, or both, of stormwater that flows off land, and includes a service to manage the re-use of stormwater for any purpose.

In line with the Stormwater Management Guidelines, Council proposes to levy a charge calculated at \$25.00 per 350 square metres (or part thereof) up to a maximum charge of \$500.00 on business properties located within the defined stormwater area. Residential properties within the defined stormwater area will continue to be charged at the fixed charge of \$25.00 per property in line with the Stormwater Management Guidelines. Residential strata properties will be charged a fixed charge of \$12.50 per property in line with the Stormwater Management Guidelines.

Hunter Central Rivers Catchment Management Authority

Council includes on its rate notice a catchment contribution collected on behalf of the Hunter Central Rivers Catchment Management Authority. Catchment contributions are collected under Clause 33, schedule 4, Section 6 of the Catchment Authorities Act 2003, with the Authority setting the rate in the dollar each year. After receiving Ministerial approval the rate applicable to all land within the defined catchment area is 0.0108 of a cent in the dollar on the current value of land within the area.



Statement of Charges Proposed to be Levied - Section 405(2) Local Government Act, 1993

The proposed charges for 2011/12 are:-

Charge	2011/12
Domestic Waste Management Service Charge - Vacant	\$30.00
Domestic Waste Management Service Charge	\$405.00
Additional Domestic Waste Management Service Charge	\$405.00
Additional Domestic Waste Management Service Charge - Recycling	\$60.00
Waste Management Service Charge	\$480.00
Additional Waste Management Service Charge	\$480.00
Additional Waste Management Service Charge - Recycling	\$60.00
Stormwater Management Service Charge - Residential	\$25.00
Stormwater Management Service Charge - Residential Strata	\$12.50
Stormwater Management Service Charge - Business	\$25.00 per 350m ² (or part thereof) up to maximum \$500.00

C. FEES AND CHARGES

Council provides a wide range of services to the community and has adopted a number of fees and charges. Each charge or fee is reviewed annually and determined on the basis of one or more of the following criteria:-

a) Subsidisation

The cost of the service is subsidised to provide for community benefit. In some areas subsidisation levels/policies have been established.

b) Economic Cost

The cost of the service provided is estimated and the cost recovery is based upon the anticipated number of users.

c) Nominal Fee

Council adopts a minimum fee for record purposes only.

d) Regulatory Charge

Set by Government Regulations.

e) User-Pays Principle

Used where a specific individual cost can be isolated and charged to the user of that service. This principle is used whenever possible and a corporate goal is to move progressively towards this principle.

Goods and Services Tax (GST)

Council applies various fees, charges and fines. The GST status of these will depend on whether there is consideration for a supply. Some fees and charges have been exempt from GST in accordance with the Federal Treasurer's Determination under Section 81-5 of the A New Tax System (GST) Act 1999, however from 1 July 2012 these fees and charges will be required to have been assessed under the principles based regime to determine if their GST exemption status remains. From 1 July 2011 the GST exemption for new fees and charges will be self assessed following the exemption principles. Details of fees and charges subject to GST and exempt from GST are contained in the 2011/12 Fees and Charges.

A copy of the Schedule of Fees and Charges adopted by Council is available for information at Council's Administration Centre or at Council's website www.cessnock.nsw.gov.au

D. STATEMENT OF PROPOSED BORROWINGS

In an endeavour to meet the demands of ratepayers, Council currently borrows funds each year to provide facilities that are unable to be funded out of normal revenue. At this stage Council plans to borrow funds to support its budget programmes, with loan funding of \$1,890,000 factored into the budget for 2011/12.

The loans will be secured by a mortgage deed taken over Council's general revenue and normally taken over a ten year period or for the economic life of the asset acquired, whichever is the shorter.

Loans Program - 2011/12 to 2013/14

Purpose of Borrowings	2011/12	2012/13	2013/14
Drainage Improvements	\$500,000	\$500,000	\$500,000
Capital Contribution to RSPCA	\$790,000	0	0
Millfield Drainage Project	\$600,000	0	0
Total Loans Raised	\$1,890,000	\$500,000	\$500,000