

Section 3

2020-21 Budget



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The Operational Plan must include the council's detailed annual budget, along with the council's Statement of Revenue Policy, which includes the proposed rates, fees and charges for that financial year.

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FINANCIAL FORECASTS

Assumptions

The 2020-21 estimates of income and expenditure in this document have been prepared using the following financial assumptions:

General Rates

- Ordinary rates are increased by 2.6% comprising the full amount of the rate peg limit.

Domestic Waste Management Charges

- Domestic Waste Management Charges have increased by 1.87%.

Interest Rates

- Interest on new loans of 3.5% (3.5% in 2019-20) and interest on investments of 1.125% (2.5% in 2019-20).

Inflation

The 2020-21 annual budget has been based on a 2.5% award increase in salaries and wages (2.5% in 2019-20). Inflation of 1.9% has been generally applied to materials and contracts in the 2020-21 budget.

Risks

This operational plan incorporates assumptions and judgments based on the information available at the time of publication. Unexpected changes in a range of factors could influence the outcomes in the current and future years.

General Risks

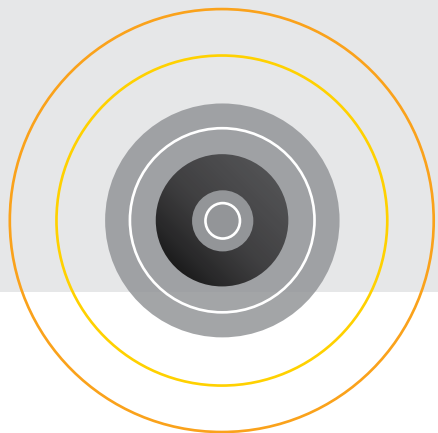
A major influence on expected revenues and expenses in any year is the economy. The level of economic activity will impact demand for some of Council's services, while changes in inflation rates and interest rates will be reflected in the costs Council pays for materials and services and the return on its investments.

Many of Council's maintenance and construction activities are impacted by the weather; extreme weather conditions can impact on priorities (because of road deterioration, cleaning of debris etc.) and result in programmed works being postponed.

Significant changes in government legislation, particularly in the areas of planning, resource management and local government framework/ services, could result in additional costs being borne by Council. Council, as a multi-purpose organisation, providing a large range of buildings, parks, playgrounds and other facilities accessible to the public, could possibly face insurance claims at any time.

Council is the planning consent authority under the Environmental Planning & Assessment Act 1979. Pursuant to that Act, certain persons aggrieved by a planning decision of Council may appeal to the Land & Environment Court. It is the Court's normal practice that parties bear their own legal costs, however the amount of costs cannot be known until an appeal is determined.

On the revenue side, grants are a material component of Council's source of funds and are subject to political decisions by other levels of government.



Specific Risks

Climate

Climate variability is the way climate fluctuates (in the short-term) above or below a long-term average value. Common drivers of climate variability include El Nino and La Nina events.

Climate change is a long-term continuous change (over centuries and millennia) to average weather conditions. Climate change is slow and gradual, and unlike year-to-year variability, is very difficult to perceive without scientific records. Climate change occurs because of changes to the Earth's environment, the changes in its orbit around the sun or human modification of the atmosphere.

The Garnaut Report (2008) found that, as a result of past actions, the world is already committed to a level of warming that could lead to damaging climate change. The continuing growth in greenhouse gas emissions is expected to have a severe and costly impact on agriculture, infrastructure, biodiversity and

ecosystems in Australia. The report concluded that every Australian would have to adapt to climate change... for the maintenance of their livelihoods and the things that they value.

Climate change will affect rainfall, temperature and sea levels and will have consequences on flooding, soil moisture, bushfire intensity and storm events. It will cause the re-evaluation of Council activities and priorities, as well as significantly impacting on future plans.

Council has taken some initial measures to mitigate the broader risk of climate change.

Council's response to date has included initiatives to improve the coordination and effectiveness of Council's response to climate change. However, the extent of climate change impacts on the social and economic wellbeing of our community is yet to be comprehensively assessed.

Ability to Fund Asset Management

A common issue arising from recent local government reviews has been the shortfall in infrastructure maintenance and renewals expenditure

(and how it is to be funded) to ensure that infrastructure is providing the level of service expected by the community. If appropriate asset management processes are not adopted, then assets can deteriorate to the point where level of service standards cannot be met.

Council has an Asset Management Strategy and Asset Management Plans for the key infrastructure classes of roads, bridges, stormwater drainage, buildings and open space.

Development Applications

The revenue estimates for development applications (DAs) are based on ongoing residential building activity in the local government area.



Rate Pegging

Rate pegging limitations continue to constrain revenue raising capacity and place extra burden on Council when rate pegging increases are less than increases in the costs faced by Councils.

In 2020-21 the rate peg limit of 2.6% was in line with the forecast rate peg of 2.6% in the Long-Term Financial Plan.

Future Funding Obligations

Council has identified a substantial commitment to future works which will require funding in future years, with some of those projects requiring attention in the short to medium term.

Due to the significant amounts associated with these future commitments, the capacity of Council to provide funding within existing budgets will need to be reviewed, along with the level of funding provided to existing services.

CURRENT FINANCIAL POSITION OF COUNCIL

The long term financial position of the Council remains a significant challenge over future years. While Council still adopts a balanced budget strategy, current operations continue to exert considerable pressure on Council's capacity to manage its financial position. Also, Council has a substantial financial commitment to future capital works.

Financial Sustainability Initiative

In July 2014 Council adopted a Financial Sustainability Initiative to ensure that, in the long-term, Council generates sufficient funds to provide the levels of service and infrastructure agreed with our community.

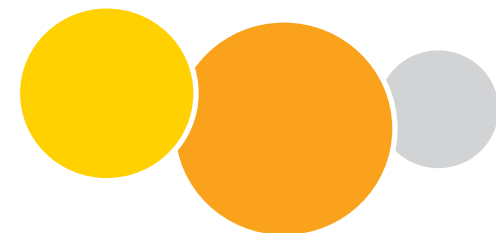
In essence, the underlying objectives of the Financial Sustainability Initiative are to:

- Reduce costs
- Increase revenues; and
- Improve value-for-money.

Nine projects were identified to achieve the Financial Sustainability Initiative objectives:

- Service review;
- Productivity improvements & cost savings project;
- Sponsorship & subsidies review;
- Strategic property review;
- Fees & charges review;
- Assets, depreciation & capital commitments review;
- Developer contributions review;
- Business opportunities framework; and
- Special rate variation strategy.

These projects have been incorporated into Council's Integrated Planning and Reporting documents.



Operational Budget						
Activity	2019-20 Budget	2020-21 Operating Expenditure	2020-21 Operating Revenue	2020-21 Capital Expenditure	2020-21 Capital Revenue	2020-21 Budget
A connected, safe and creative community						
Social Planning	30,510	31,700	-	-	-	31,700
Youth Services	259,550	284,200	(7,700)	-	-	276,500
Building Maintenance	1,531,600	1,564,500	25,900	-	-	1,590,400
Tidy Towns	67,700	40,800	(2,000)	-	-	38,800
Open Space and Community Facilities	3,943,847	3,878,757	(681,813)	2,262,187	(575,205)	4,883,926
Asset Management - Buildings	1,188,567	638,905	59,683	151,700	-	850,288
Recreation Parks	557,600	602,700	-	-	-	602,700
Cemeteries	165,800	404,100	(271,200)	30,000	-	162,900
Swimming Pools	1,535,253	1,644,900	(336,200)	525,555	(242,355)	1,591,900
Sanitary	7,380	50	7,700	-	-	7,750
Health & Building	197,100	211,100	-	-	-	211,100
Environmental Health	568,100	863,250	(251,500)	-	-	611,750
On-Site Sewage Management	(516,600)	-	(486,500)	-	-	(486,500)
Ranger/Animal Control	654,205	1,337,231	(749,100)	-	-	588,131
Rural Fire Services	578,800	848,449	(169,849)	-	-	678,600
State Emergency Services	459,067	525,726	(66,659)	-	-	459,067
Road Safety	52,700	96,800	(73,200)	-	-	23,600
Libraries	1,647,400	1,814,039	(237,550)	217,200	(47,150)	1,746,539
Cessnock Performing Arts Centre	686,350	1,043,725	(101,670)	-	-	942,055
Cessnock Regional Art Gallery	82,300	72,305	3,900	-	-	76,205
Community & Cultural Programs	388,800	434,700	(2,000)	-	-	432,700
Marthaville	21,500	22,300	-	-	-	22,300
Richmond Main	68,000	78,600	8,900	-	-	87,500
Wollombi Cultural Centre	2,000	2,000	-	-	-	2,000
Sub-Total	14,177,529	16,440,837	(3,330,858)	3,186,642	(864,710)	15,431,911
A prosperous and sustainable economy						
Economic Development	527,500	520,100	-	-	-	520,100
Visitors Information Centre	342,200	561,119	(235,900)	112,500	-	437,719
Sub-Total	869,700	1,081,219	(235,900)	112,500	-	957,819

Operational Budget						
Activity	2019-20 Budget	2020-21 Operating Expenditure	2020-21 Operating Revenue	2020-21 Capital Expenditure	2020-21 Capital Revenue	2020-21 Budget
A sustainable and healthy environment						
Drainage	349,900	445,400	(1,573,482)	1,810,399	-	426,700
Flood Management	68,000	43,000	(30,000)	-	-	13,000
Weed Programs	88,600	197,000	(95,000)	-	-	102,000
Land Use Planning	808,000	1,214,100	(229,000)	-	-	985,100
Waste and Environmental Management	369,000	312,500	(125,800)	120,000	-	306,700
Waste Services	-	14,779,500	(16,649,500)	1,870,000	-	-
Sub-Total	1,683,500	16,991,500	(18,702,782)	3,800,399	-	1,833,500
Accessible infrastructure, services and facilities						
Depot Management	199,700	182,900	21,200	16,000	-	220,100
Procurement / Contracts	(34,000)	142,350	(25,500)	15,000	-	131,850
Design	1,087,300	1,842,000	(378,000)	1,000	-	1,465,000
Fleet Management	-	(472,000)	(1,284,000)	1,756,000	-	-
Airport Operations	175,500	526,800	(390,200)	20,000	-	156,600
Asset Planning	1,347,800	1,235,487	15,600	-	-	1,251,087
Construction Program	(8,261,338)	(521,180)	(3,594,900)	8,830,556	(6,318,176)	(1,603,700)
Local Road Bridge Programs	1,141,700	682,229	(1,512,384)	4,336,033	(2,374,349)	1,131,529
Resealing Program	9,741,547	(93,600)	(1,256,000)	3,777,000	-	2,427,400
Works Delivery Administration	814,974	819,900	-	-	-	819,900
Administration - Outdoor Overheads	1,056,300	1,376,500	(275,000)	-	-	1,101,500
Works and Operations Programs	6,039,800	7,732,500	(2,080,000)	334,800	-	5,987,300
Private Works	72,700	73,800	-	-	-	73,800
Sub-Total	13,381,983	13,527,686	(10,759,184)	19,086,389	(8,692,525)	13,162,366

Operational Budget						
Activity	2019-20 Budget	2020-21 Operating Expenditure	2020-21 Operating Revenue	2020-21 Capital Expenditure	2020-21 Capital Revenue	2020-21 Budget
Civic leadership and effective governance						
General Manager	891,000	896,550	(1,000)	-	-	895,550
Directors	1,630,000	1,644,825	(6,800)	-	-	1,638,025
Vineyard Grove Development	8,300	200	(200)	-	-	-
Corporate Administration	790,800	1,045,900	(10,400)	1,000	-	1,036,500
Business Support and Customer Relations	794,400	1,110,900	(99,700)	-	-	1,011,200
Customer Service	1,021,900	1,110,600	(100)	1,000	-	1,111,500
Corporate Planning (IP&R)	196,100	155,800	-	-	-	155,800
Property (Leases and Licencing)	155,800	350,400	(97,200)	-	-	253,200
Finance	(5,213,800)	18,529,050	(6,610,000)	(14,697,600)	(2,500,000)	(5,278,550)
Rates	216,850	1,311,900	(1,098,000)	-	-	213,900
Payroll Section	84,800	88,500	-	-	-	88,500
Information Technology	2,539,528	2,825,300	(200,100)	208,408	-	2,833,608
Human Resources	2,709,340	2,919,500	(125,800)	-	-	2,793,700
Development Services	1,424,850	2,352,100	(772,600)	-	-	1,579,500
Building Assessment and Certification Services	183,354	1,217,604	(1,091,050)	-	-	126,554
Media and Communication	256,000	314,440	-	-	-	314,440
Mayor and Councillors	753,390	780,910	(6,900)	15,000	-	789,010
Sub-Total	8,442,612	36,654,479	(10,119,850)	(14,472,192)	(2,500,000)	9,562,437
Sub-Total Net Expenditures						
Rates (Income and Rebates)	(38,601,300)	-	(40,230,200)	-	-	(40,230,200)
Total (SURPLUS)/DEFICIT	(45,976)	84,695,721	(83,378,774)	11,713,738	(12,057,235)	717,833

Budget by Function/Activity - Note 2(a)

Functions/Activities	Income from continuing operations 2020-21 budget	Capital Income from continuing operations 2020-21 budget	Expenses from continuing operations 2020-21 budget	Operating result from continuing operations 2020-21 budget
Governance				
Administration	(1,567,300)	(2,500,000)	31,425,322	27,358,022
Public Order & Safety	(1,041,208)	-	2,577,031	1,535,823
Health	(1,128,300)	-	833,250	(295,050)
Environment	(16,768,850)	-	15,294,977	(1,473,873)
Community Services & Education	(7,700)	-	319,200	311,500
Housing & Community Amenities	(1,098,300)	-	6,844,489	5,746,189
Recreation & Culture	(741,827)	(864,710)	8,212,358	6,605,821
Mining, Manufacturing & Construction	(1,040,750)	-	1,326,500	285,750
Transport & Communication	(5,447,799)	(7,185,649)	9,706,197	(2,927,251)
Economic Affairs	(247,550)	(1,506,876)	1,262,419	(492,007)
Total Functions & Activities	(29,089,584)	(12,057,235)	77,801,743	36,654,924
General Purpose Income ¹	(47,967,460)	-	-	(47,967,460)
Operating result from continuing operation	(77,057,044)	(12,057,235)	77,801,743	(11,312,536)

1. Includes: Rates & Annual Charges (incl. Ex-Gratia), United General Purpose Grants & Unrestricted Interest & Investment Income.

Budget by Function/Activity - Note 2(a)

Functions/Activities	Capital Expenditure 2020-21 budget	Loan Repayments 2020-21 budget	Loan Income 2020-21 budget	Transfer to Restricted Asset 2020-21 budget	Transfer from Restricted Asset 2020-21 budget	Combined 2020-21 budget
Governance						
Administration	(12,700,192)	561,453	-	4,586,000	(1,786,600)	18,018,683
Public Order & Safety	-	98,375	-	-	-	1,634,198
Health	-	-	-	-	-	(295,050)
Environment	3,800,399	-	(255,617)	-	(1,690,432)	380,477
Community Services & Education	-	-	-	-	-	311,500
Housing & Community Amenities	30,000	74,715	-	55,000	(34,700)	5,871,204
Recreation & Culture	3,156,642	63,680	-	205,289	(832,013)	9,199,419
Mining, Manufacturing & Construction	-	-	-	-	-	285,750
Transport & Communication	17,314,389	929,466	-	320,000	(1,977,985)	13,658,619
Economic Affairs	112,500	-	-	-	-	(379,507)
Total Functions & Activities	11,713,738	1,727,689	(255,617)	5,166,289	(6,321,730)	48,685,293
General Purpose Income ¹	-	-	-	-	-	(47,967,460)
Balance Sheet and Reserve Movements	11,713,738	1,727,689	(255,617)	5,166,289	(6,321,730)	717,833

Profit & Loss Statement

	2018-19 Actual Profit & Loss	2019-20 Adopted Budget Profit & Loss	2020-21 Forecast Profit & Loss	
Revenue				
Rates & Annual Charges	(50,122,000)	(52,766,760)	(55,226,960)	
User Charges & Fees	(10,493,000)	(8,426,050)	(8,024,810)	
Interest & Investment Revenue	(1,165,000)	(836,300)	(456,800)	
Other Operating Revenues	(1,805,000)	(1,709,022)	(1,773,650)	
Operating Grants & Contributions	(11,688,000)	(10,999,106)	(11,574,824)	
Capital Grants & Contributions	(18,067,000)	(16,236,955)	(12,057,235)	
Sub-Total	(93,340,000)	(90,974,193)	(89,114,279)	
Expenses				
Employee Benefits & On-costs	33,931,000	34,664,444	36,636,759	
Borrowing Costs	402,000	380,500	406,043	
Materials & Contracts	19,489,000	14,065,362	14,176,381	
Depreciation & Amortisation	11,061,000	12,177,000	12,160,000	
Other Expenses	10,980,000	12,301,432	11,422,560	
Net loss from Disposal of Assets	1,744,000	700,000	3,000,000	
Impairment	713,000	-	-	
Sub-Total	78,320,000	74,288,738	77,801,743	
Operating Result - (Surplus)/Loss	(15,020,000)	(16,685,455)	(11,312,536)	
Less Capital Grants & Contributions	(18,067,000)	(16,236,955)	(12,057,235)	
Overall Result Before Capital Grants- (Surplus)/Loss	3,047,000	(448,500)	744,699	
	Fit for the Future Benchmark	2018-19 Actual	2019-20 Adopted Budget	2020-21 Forecast
Operating Performance	>0	-0.78%	1.86%	-0.01%
Own Source Revenue	>60%	67.45%	69.62%	86.47%
Infrastructure Renewals	>100%	69.50%	160.00%	74.00%
Infrastructure Backlog	<2%	4.62%	4.31%	4.50%
Asset Maintenance	>1	1.09	1.09	1.09
Debt Service	>2	6.06	8.08	5.50

Balance Sheet			
	2019 Actual Balance Sheet	2019-20 Adopted Budget Balance Sheet	2020-21 Forecast Balance Sheet
Current Assets			
Cash & Investments	39,521,000	43,500,000	37,000,000
Receivables	2,814,000	5,456,000	2,900,000
Inventories	2,029,000	339,000	2,030,000
Other	78,000	168,000	80,000
Sub-Total	44,442,000	49,463,000	42,010,000
Non-Current Assets			
Investments	800,000	-	800,000
Receivables	-	-	-
Inventories	-	900,000	-
Infrastructure, Property, Plant & Equipment	852,855,000	790,259,000	886,705,000
Sub-Total	853,655,000	791,159,000	887,505,000
Current Liabilities			
Payables	(6,222,000)	(7,193,000)	(6,200,000)
Income Received in Advance	(68,000)	-	-
Borrowings	(1,511,000)	(1,752,000)	(1,727,000)
Provisions	(9,471,000)	(9,495,000)	(9,510,000)
Sub-Total	(17,272,000)	(18,440,000)	(17,437,000)
Non-Current			
Payables	(3,982,000)	(4,745,000)	(4,300,000)
Income Received in Advance	(813,000)	-	-
Borrowings	(5,349,000)	(6,550,000)	(6,257,000)
Provisions	(11,447,000)	(11,386,000)	(11,500,000)
Sub-Total	(21,591,000)	(22,681,000)	(22,057,000)
Equity	859,234,000	799,501,000	890,021,000

Reserve Balances				
	2019-20 Estimated Reserve Balance	2020-21 Transfers to Reserves	2020-21 Transfers from Reserves	2020-21 Estimated Reserve Balance
External Restrictions				
Developer Contributions	13,871,975	2,500,000	2,395,278	13,976,697
Domestic Waste Management	430,000	-	-	430,000
Stormwater Management Charge	156,512	-	461,166	(304,654)
Roads and Maritime Services	2,082,936	-	-	2,082,936
Sub-Total	16,541,423	2,500,000	2,856,444	16,184,979
Internal Restrictions				
Bridge Replacement	682,422	200,000	500,000	382,422
Computer Services	326,743	102,700	4,300	425,143
Employee Leave Entitlements	3,132,864	455,000	400,000	3,187,864
Energy Efficiency Fund	100,503	60,200	120,000	40,703
Insurance Provisions	1,415,405	50,000	62,800	1,402,605
Lawn Cemeteries	69,466	-	4,700	64,766
Miscellaneous Projects	1,267,203	205,000	320,200	1,152,003
Leverage for Matching Grant Funds	560,450	-	140,000	420,450
Operations & Programs	435,923	257,789	-	693,712
Planning Proposals	85,251	-	-	85,251
Plant & Vehicle Replacement	1,700,825	1,510,600	1,410,000	1,801,425
Property Investment Fund	280,417	10,000	129,500	160,917
Civil Works	1,130,805	270,000	1,101,524	299,281
Committed Projects (SRV)	336,605	-	356,461	(19,856)
Unexpended Loans Reserve	-	-	1,193,429	(1,193,429)
Waste Depot & Rehabilitation	3,245,840	-	517,650	2,728,190
Sub-Total	14,770,722	3,121,289	6,260,564	11,631,447
TOTAL	31,312,145	5,621,289	9,117,008	27,816,426

REVENUE POLICY

A. Rating

In accordance with Section 494 of the Local Government Act 1993, Council must make and levy rates annually on all rateable land for which a valuation has been provided by the NSW Valuer-General. Rates must be levied on the land valuations in force as at 1 July of the rating year. Newly-created parcels of land which did not exist at the beginning of the rating year are to be valued and unpaid rates are to be apportioned in accordance with the NSW Valuer-General's determination as per Section 573 of the Local Government Act 1993. In 2020-21, Council will levy rates on newly-subdivided land on a pro-rata basis from the date of registration of the deposited plan or the strata plan.

The amount that is to be raised from rating is calculated to comply with legislative requirements and rate-pegging limitations.

Together with other sources of income, rating income is used to fund Council's expenditure to implement the programs and levels of service that will, in turn, realise the community's desired outcomes in Cessnock 2027.



Rate Pegging

The Independent Pricing & Regulatory Tribunal (IPART) determined a rate peg of 2.6% for 2020-21.

Methodology

For 2020-21 Council continues to use a rating methodology comprising a base amount plus an ad valorem amount (land value multiplied by a rate in the \$).

The land valuations used to calculate rates for 2020-21 are supplied by the Valuer General and have a base date of 1 July 2019.

Payment of Rates

Ratepayers may pay their rates annually in full by 31 August, or alternatively in four instalments with the following due dates: 31 August, 30 November, 28 February and 31 May each year. Council is required to issue notices one month in advance of the due date. Council's payment options include:

- telephone payment service
- direct debit
- payments at Australia Post
- credit card, cheque, money order, or cash payments at Council Chambers
- Bpay
- Centrepay
- internet payments by Credit Card via Council's website

Interest is charged on rates not paid by the due date in accordance with Section 566 of the Local Government Act 1993. The applicable interest rate is set each year by the Minister for Local Government. Council will adopt the maximum rate applicable as set by the Minister for 2020-21 which is 7.5%

Statutory Pensioner Rebate

Eligible pensioners receive a statutory reduction of 50 per cent of the combined rates and domestic waste management charge to a maximum of \$250. Council receives a subsidy of 55 per cent of the total statutory rebate. To be eligible for a full year rebate, the date on which the person becomes eligible must be on the date rates and charges are levied in any rating year. Pensioners who become eligible after the date on which rates and charges are levied will receive a rebate proportionate to the number of full quarters remaining in the rating year after the day on which the person becomes an eligible pensioner in accordance with Section 575 of the Local Government Act 1993. Those pensioners who are uncertain of their status should contact Council for assistance and advice. The granting of the Statutory Pensioner Rebate to eligible pensioners is limited to the current year and previous year only.

Voluntary Pensioner Rebate

In addition to the Statutory Pensioner Rebate, Council will grant a voluntary pensioner rebate, which will be 1.6 per cent of the combined rates and domestic waste management charge. This voluntary rebate will apply to pensioners who are eligible for the Statutory

Rebate. It will be granted to all eligible pensioners on the same basis as the Statutory Pensioner Rebate for 2020-21. The granting of the Council's Voluntary Pensioner Rebate to eligible pensioners is limited to the current year and previous year only.

Categorisation of Land

Council has determined that the rates will be applied across seven categories:

- residential
- rural residential
- business
- farmland
- farmland – mixed use
- farmland – business rural
- mining

Those properties that are subject to a Mixed Development Apportionment Factor (MDAF) as supplied by the NSW Valuer-General in accordance with the Valuation of Land Act 1916 are rated as part Residential and part Business on the basis that MDAF are not categorised according to dominant use.



COVID-19 impacts

Council will be able to offer assistance to ratepayers whom may be experiencing challenges in payment of their rates by the due date.

Assistance may be in the form of an extended payment arrangement, deferral of due date or holding of interest. Council's hardship policy was extended to cover all assessments.

Council also did not commence new legal action during the pandemic and with any ongoing legal action Council reviewed the next steps.

Category	Reference	Definition
Residential	<i>Section 516 Local Government Act 1993</i>	<p>Land is categorised as residential if it is a parcel of rateable land valued as one assessment and:-</p> <ul style="list-style-type: none"> • 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 <ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> 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 significant and substantial commercial purpose or character.
Rural Residential	<i>Section 516 Local Government Act 1993</i>	A sub-category of residential for rural residential land where there is a residential dwelling and the land area is between 2 and 40 hectares.
Business	<i>Section 518 Local Government Act 1993</i>	Land is categorised as business if it cannot be categorised as farmland, residential or mining. The main land uses in the business category are commercial and industrial.
Farmland	<i>Section 515 Local Government Act 1993</i>	<p>Land is categorised as farmland 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:-</p> <ul style="list-style-type: none"> • has a significant and substantial commercial purpose or character, and • is engaged in for the purpose of profit on a continuous or repetitive basis. <p>Rural residential land can not be categorised as farmland.</p>
Farmland - Mixed Use	<i>Section 515 Local Government Act 1993</i>	A sub-category of farmland with both rural and business use.
Farmland - Business Rural	<i>Section 515 Local Government Act 1993</i>	A sub-category of farmland which has a low intensity of land utilisation with predominantly business activity.
Mining	<i>Section 517 Local Government Act 1993</i>	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.

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

Rates are assessed by levies on the value of land. Land values are determined by the Valuer General. Increases in rates are in line with the rate peg determined by the Independent Pricing & Regulatory Tribunal (IPART).

In June 2014 the Independent Pricing & Regulatory Tribunal (IPART) approved a special rate variation that allowed for an increase of 7.25% (\$2,160,000) for road infrastructure renewal to remain permanently in the rate base. This special rate of \$2,160,000 is applied proportionately across all rate categories shown in the table below.

Rating Structure

The NSW Government introduced 'rate pegging' in 1977. Each year the NSW Government approves a maximum percentage increase in the total income a council can receive from rates, known as the 'rate peg'. In 2020-21, the rate peg has been determined by IPART at 2.6 % and this percentage increase has been applied to Council's rates.

The following table shows the ad valorem and base rate amounts for 2020-21, based on the approved general increase of 2.6%.

RATE TYPE	CATEGORY	SUB-CATEGORY	AD VALOREM AMOUNT IN CENT IN \$	BASE AMOUNT \$	BASE AMOUNT % OF TOTAL RATE	RATE YIELD \$
Ordinary	Residential		0.441367	430.00	35.74%	\$27,443,325
Ordinary	Residential	Rural	0.368085	430.00	21.20%	\$3,560,191
Ordinary	Farmland		0.313980	430.00	16.12%	\$2,360,413
Ordinary	Farmland	Mixed Use	0.807279	535.00	7.11%	\$203,090
Ordinary	Farmland	Business Rural	0.807279	535.00	8.61%	\$236,091
Ordinary	Business		1.718220	535.00	13.83%	\$5,830,809
Ordinary	Mining		3.723874	1500.00	0.53%	\$1,410,060
		TOTAL				\$41,043,979

Please note: These figures have not been finalised and will be subject to change during the draft process.

B. Charges

Waste Charges

Weekly services for kerbside collection of mixed solid waste and alternate fortnightly collections for recyclable and garden organic 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 and garden organic material using approved mobile containers as provided by Council.

For 2020-21 each service includes 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 issued passes 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 & Garden Organics

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/garden organics applies to each additional fortnightly collection of recyclable and garden organic material, using approved mobile containers 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 and garden organic material using approved mobile containers 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 & Garden Organics

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/garden organics applies to each additional service of recyclable or garden organics material, using approved mobile containers 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 Catchment Contribution

Council includes on its rate notice a catchment contribution collected on behalf of Hunter Local Land Services.

Catchment contributions are collected under Clause 40, Part 4, of the Local Land Services Regulation 2014, with the Local Land Services setting the rate in the dollar each year.

The rate applicable to all land within the defined catchment area is TBA of a cent in the dollar on the current value of land within the area. The rate in the dollar is expected to be confirmed by Local Land Services in May 2020.

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

The proposed charges for 2020-21 are:-

CHARGE	2020-21
Domestic Waste Management Service Charge – Vacant	\$72.00
Domestic Waste Management Service Charge	\$599.00
Additional Domestic Waste Management Service Charge	\$599.00
Additional Domestic Waste Management Service Charge – Recycling	\$70.00
Additional Domestic Waste Management Service Charge - Garden Organics	\$75.00
Waste Management Service Charge (commercial) (including GST)	\$780.00
Additional Waste Management Service Charge (commercial) (including GST)	\$780.00
Additional Waste Management Service Charge (commercial) – Recycling	\$70.00
Additional Waste Management Service Charge (commercial) - Garden Organics	\$75.00
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 max. \$500

C. Statement of Proposed Borrowings

Council borrows funds each year to provide long-term assets and facilities that are unable to be funded out of recurrent revenues.

Council invites quotes for the provision of loan funds from lending institutions. All loans are secured by a mortgage deed taken over Council's general revenue and are normally taken over a ten-year period or for the economic life of the asset acquired, whichever is the shorter.

In 2020-21 Council proposes to borrow a total of \$1,437,046 for the following projects. Continuation of the drainage improvement program \$847,233, Bridges Hill Park Playground \$491,813 and improved walking path across from CBD to Bridges Hill Park \$98,000.



D. Fees & 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	Nil Cost Recovery - There is no charge for these types of items. All costs associated with this item are met from either general revenues, grants, contributions or various combinations of same.
B	Minimal Cost Recovery - The price for these is set to meet a small contribution towards the cost of the item. The majority of the cost of this item is met from either general revenues, grants, contributions or various combinations of same.
C	Majority Cost Recovery - The price for these items is set to make a substantial contribution towards the cost of the service.
D	Full Operating Cost Recovery - The price for these items have been set to cover the operating cost of providing the item.
E	Full Cost and Partial Capital Cost Recovery - The price of these items is set to recover annual operating costs and make a contribution to the cost of replacement of the infrastructure assets utilised in providing the item.
F	Regulatory Fees - the price charged for these items is a statutory charge set by legislation.
G	Market Competitive - a) the service provided is in competition with that provided by another Council or agency (private or public) and a price is set which will attract adequate usage of the service; and/or b) the service is a profit making activity and the price paid by users should recover an amount greater than the full cost of providing that service.

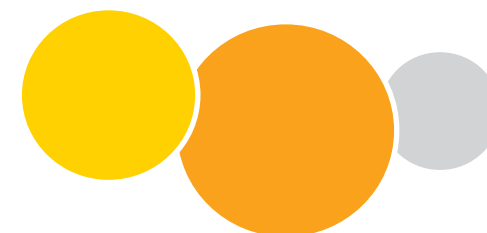
Goods and Services Tax (GST)

Council applies various fees, charges and fines. The GST status of these will depend on whether there is consideration for a supply.

Where previously some fees and charges have been exempt from GST in accordance with the Federal Treasurer's Determination under Section 81-5 of the New Tax System (GST) Act 1999; from 1 July 2012 these fees and charges have been assessed under the principles based regime to determine if their GST exemption status remains.

Fees and charges subject to GST are identified by a "Yes" in the GST column of the 2020-21 Schedule of Fees and Charges.

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





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