



# 2020/2021 REVENUE POLICY



# STATEMENT OF REVENUE POLICY

## Introduction

The Local Government 1993 (the Act) requires Council, under section 405, to include a Statement of Revenue Policy in its annual Operational Plan. In compiling this statement, significant factors have been considered in conjunction with the projected Operational Budget. In the current economic climate, Council is continuing to face cost pressures while being relatively constrained with static revenue base. The 2020-21 Operational Budget has been formulated within these income and cost constraints. The Revenue Policy is a key component of the Operational Plan and lists Council's Rates, Fees and Charges for 2020-21, including all areas that support the generation of Council's income. Revenue categories include:

- Rates
- Annual charges for services
- Fees for services
- Commonwealth and State Government Grants
- Earnings on investments
- Borrowings
- Other revenues, including income from the sale of assets

Council adopts its Revenue Policy on an annual basis.

The following sections provide information regarding how Council will levy ordinary land rates, charges and fees in the 2020/21 financial year and the anticipated revenue that will be derived from each separate rate, charge and fee.

## Rates

Rates are levied on the land value (as determined by the Valuer General) of the property and in accordance with the Act.

### Categorisation of Land for the purposes of ordinary rates

Council has categorised all rateable properties in accordance with section 514 of the Act to be within one of the following rating categories.

- Farmland
- Residential
- Mining
- Business

Before making an ordinary rate, a council may determine a sub-category or sub-categories for one or more categories of rateable land in its area. A sub-category may be determined for the category:

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

### Rating Methods

The Act provides Council with the following three alternative methods for levying rates:

- Solely ad valorem rating
- Minimum rate plus ad valorem rate
- A base amount of up to 50 per cent of the total yield required to be raised from a category or sub-category plus an ad valorem rate.

The ad valorem amount of a rate is an amount in the dollar determined for a specified year by the council and expressed to apply, in the case of an ordinary rate, to the Land Value of all rateable land in the council’s area within the category or sub-category of the ordinary rate.

## Land Valuations

Land valuations are supplied to Council by the NSW Valuer General's Office (VG) and are based on the unimproved capital value (ignore any developments) on the land. Land valuations are used by Councils to levy ordinary land rates. For equity purposes, the VG usually provides Council with updated land valuations every three years. July 2020 base date valuations were supplied by the VG and are used for rating in the 2020-21 financial year. The next general land valuation will be issued in 2023. Council uses land values to equitably levy ordinary land rates by applying a rate in the dollar to an individual property's land valuation. A different rate in the dollar applies to different rating categorisations. Effectively rates are an asset tax, the higher a property's land value, the more rates they will contribute based on the "ability to pay" taxation principle. An increase in total land valuations received from the VG does not increase Council's total permissible annual income; they simply redistribute the rate burden between individual properties based on that property's change in comparison to others. More information about land valuations and their use by councils is available from the Property NSW website at [http://www.valuergeneral.nsw.gov.au/council\\_rates](http://www.valuergeneral.nsw.gov.au/council_rates).

## Total Permissible Revenue – Rate Pegging and Special Rate Variation

The rate peg is a percentage determined by the Independent Pricing and Regulatory Tribunal (IPART) each year that limits the maximum general income NSW councils can collect above the income it collected in the previous year. The rate pegging limit for 2020/21 determined by IPART is 2.6 percent. General income comprises income from ordinary land rates and special rates.

Council applied for an increase above the rate peg limit under section 508 of the Local Government Act 1993, which was determined by IPART in 2017/18, for a 10% increase each year for a period of seven years and is currently levying rates based on a Special Rate Variation (SRV) approved by IPART. The SRV is in place for 7 years and commenced on 1 July 2018 for a 10% increase inclusive of any rate peg amount during this timeframe.

Total Permissible Revenue does not include income derived from fees or charges for water, sewer, waste management, stormwater, on-site sewage management fees etc. The rate peg applies to total income, and therefore individual property rates may fluctuate depending upon their rating categorisation, Council's adopted rating structure and their land valuation.

Table 1 – Rating Structure 2020-21

## BALRANALD SHIRE COUNCIL

GENERAL RATES & CHARGES  
2020-21

	No. of Properties 20/21	Property Valuations 2020/21	Ad Valorem Rate 20/21	Ad Valorem Value	Base Rate	Base Rate Amount	Notional Income Yield	Base Rate %	Average Rate per Property
<b>Farmland - General</b>	262	\$448,695,700	\$0.001636	\$734,243	\$550	\$144,100	\$878,343	16.41%	\$3,352.45
<b>Farmland - Irrigable - Horticulture</b>	7	\$23,445,000	\$0.005735	\$134,461	\$550	\$3,850	\$138,311	2.78%	\$19,758.69
<b>Farmland - Intense</b>	121	\$32,386,300	\$0.006487	\$210,077	\$550	\$66,550	\$276,627	24.06%	\$2,286.17
<b>Farmland Total</b>	390	\$504,527,000		\$1,078,781	\$1,650	\$214,500	\$1,293,281	43%	\$25,397
<b>Residential - Balranald</b>	533	\$23,412,500	\$0.004634	\$108,491	\$180	\$95,940	\$204,431	46.93%	\$384
<b>Residential - Euston</b>	256	\$20,441,999	\$0.002592	\$52,976	\$180	\$46,080	\$99,056	46.52%	\$387
<b>Residential - Oxley</b>	32	\$118,000	\$0.041312	\$4,875	\$100	\$3,200	\$8,075	39.63%	\$252
<b>Residential - General - Rural (0-2 Ha)</b>	69	\$3,352,500	\$0.004317	\$14,474	\$190	\$13,110	\$27,584	47.53%	\$400
<b>Residential - Rural (2-40 Ha)</b>	55	\$7,201,500	\$0.002686	\$19,345	\$200	\$11,000	\$30,345	36.25%	\$552
<b>Residential - Total</b>	945	\$54,526,499		\$200,161	\$850	\$169,330	\$369,491		\$1,974
<b>Business - Balranald</b>	73	\$4,032,500	\$0.024824	\$100,102	\$450	\$32,850	\$132,952	24.71%	\$1,821.25
<b>Business - Euston</b>	16	\$2,632,000	\$0.017759	\$46,743	\$450	\$7,200	\$53,943	13.35%	\$3,371
<b>Business - Rural</b>	77	\$2,024,800	\$0.013816	\$27,974	\$190	\$14,630	\$42,604	34.34%	\$553.30
<b>Business - Mining (Gravel &amp; Sand)</b>	5	\$70,000	\$0.014614	\$1,023	\$100	\$500	\$1,523	32.83%	\$305
<b>Business - Parishes of Paika, Woolpagerie, Majenta - Mining Gypsum Extraction</b>	3	\$816,000	\$0.046175	\$37,679	\$420	\$1,260	\$38,939	3.24%	\$12,980



## How rates are calculated

### **General Rates**

The calculation used to ascertain the general rates for an individual property is:

Base Rate + (Land Value x Ad Valorem) = General Rate Payable (Unless < \$Minimum Rate which then applies)

### **Base Rates**

A set base rate applies to each property, dependent on the rating category, or sub-category.

### **Minimum Rates**

The calculation used to ascertain if the minimum rate applies to an individual property is:

\$Base Rate + \$(Land Value x Ad Valorem) = \$General Rate Payable if above the \$Minimum;

If less than the \$Minimum, then the \$Minimum applies.

## Rate Instalment dates

Section 562 (3)(b) of the Act states “If payment is made by quarterly instalments, the instalments are payable by 31 August, 30 November, 28 February and 31 May”, except as provided in subsection 4”. It has been Council’s practice to extend the payment date to the first working day after the due date if the instalment falls due on a weekend.

## Charges

Under sections 496, 496A and 501 of the Act, a council may levy annual charges for the following services:

- Water
- Sewer
- Domestic Waste Management
- Non-Domestic Waste Management
- Stormwater Management

Under section 502 of the Act, Council may levy charges for actual use for the following services:

- Water Usage
- Sewer Usage
- Liquid Trade Waste

Water, Sewer and Waste Management charges relating to non-rateable properties will be charged in accordance with sections 496, 501, and 502 of the Act. For the purposes of charging these non-rateable properties that actually use these services in accordance with section 503 (2) of the Act, the charges to be applied are the same as those charged against rateable properties as these charges are representative of use.



The introduction of best-practice pricing for water, sewer and trade waste services is essential for the effective and sustainable management of Council's water supply and sewerage businesses and minimisation of customer bills. The Guidelines for Best-Practice Management of Water Supply and Sewerage have been published by the Minister for Water Utilities pursuant to section 409(6) of the Local Government Act 1993. The Minister for Local Government has concurred with these guidelines. The guidelines encourage continuing improvement in performance and identify 6 criteria for best-practice management of water supply and sewerage. They also set out the outcomes local government Local Water Utilities (LWUs) need to achieve in order to be eligible for payment of a dividend from the surplus of their water supply or sewerage businesses. LWUs which achieve the outcomes required by these guidelines will have effective and sustainable water supply and sewerage businesses and will have demonstrated best-practice management of these businesses as well as their compliance with National Competition Policy and the National Water Initiative. The purpose of best-practice management is:

- to encourage the effective and efficient delivery of water supply and sewerage services; and
- to promote sustainable water conservation practices and water demand management throughout NSW.

With increasing demands on the limited water resources of NSW, it is vital that these resources are managed in an efficient and sustainable manner.

Best-practice management is essential for efficient and sustainable management of water resources and the environment. It enables Council to achieve sustainable water supply and sewerage businesses and comply with the Australian Government's National Competition Policy (NCP) and National Water Initiative (NWI).

Best-practice water supply pricing requires that the usage charge recover those costs that vary with demand in the long-term (i.e. long-run marginal cost), through a usage charge.

Section 552 (1)(b) of the Act prescribes that Council may levy a special rate or charge on land that is situated within 225 metres of a water pipe of the council whether the land has a frontage or not to the public road (if any) in which the water pipe is laid, and although the land is not actually supplied with water from any water pipe of the council.

Section 552 (3)(a) of the Act prescribes that Council may levy a special rate or charge relating to the sewerage on all land except land which is more than 75 metres from a sewer of the council and is not connected to the sewer. This section of the Act has been enacted by Council and is currently incorporated into the sewer charges.

## **Water access and usage charges**

The water access charge is an annual charge, under section 501 of the Act, levied to customers and is independent of the level of consumption. The annual access charges for water are estimated to yield \$753,376 for the 2020-21 financial year.

Set out in Table 2, below, are the annual water access and water usages charges for 2020-21

## BALRANALD SHIRE COUNCIL

## Water Charges 2020-21

<b>Raw &amp; Filtered Water Residential &amp; Non Residential</b>	<b>Actual 2019-20</b>	<b>Proposed 2020-21</b>
Access Charges based on pipe size:-		
20mm connection	\$291.00	\$315.00
25mm connection	\$426.00	\$492.20
32mm connection	\$780.00	\$806.40
40mm connection	\$1,144.00	\$1,260.00
50mm connection	\$1,778.00	\$1,968.75
80mm connection	\$4,482.00	\$5,040.00
100mm connection	\$7,103.00	\$7,875.00
<b>Raw Water Usage – Residential &amp; Non-Residential</b>		
Usage Charges up to 600kl per annum per kilolitre	\$0.80	\$0.90
Usage Charges from 601kl or greater per kilolitre	\$1.20	\$1.30
<b>Filtered Water Usage – Residential &amp; Non-Residential</b>		
Usage Charges up to 400kl per annum per kilolitre	\$1.30	\$1.45
Usage Charges from 401kl or greater per kilolitre	\$2.00	\$2.20
Raw Water Usage Community Land per kilolitre	\$0.40	\$0.40

Residential Flats, Units and Multiple Dwellings up to 10 Dwellings for Raw and Filtered Water	Connection Charge + 50% of Connection per dwelling thereafter	Connection Charge + 50% of 20mm Access Charge per dwelling thereafter
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## Sewerage access charges

The sewer access charge is an annual charge, under section 501 of the Act, levied to customers and is independent of the level of usage. The annual access charges for sewer are estimated to yield \$505,090 for 2020-21 financial year.

Table 3 – Sewer Charges for 2020-21

<b>Sewer Access Charges</b>	Charge 2019-20	Proposed Charge 2020-21
<b>Description</b>		
20mm connection	\$458.00	\$510.00
25mm connection	\$702.00	\$796.85
32mm connection	\$1,135.00	\$1,305.60
40mm connection	\$1,757.00	\$2,040.00
50mm connection	\$2,733.00	\$3,187.50
80mm connection	\$6,940.00	\$8,160.00
100mm connection	\$10,814.00	\$12,750.00
<b>Volumetric Sewer Discharge Rate</b>		
Volumetric Sewer Discharge Rate per kilolitre	\$1.00	\$2.20
<b>Pedestal Charges</b>		
Non Residential Pedestal Charge for every dwelling with more than two Pedestals per Pedestal	\$100.00	\$100.00
Pedestal Charge for Accommodation and Mining Camps per Pedestal	\$200.00	\$200.00

## Stormwater Management Service Charge

Council will levy a stormwater management service charge, under section 496A of the Act, against rateable properties for which the service is available in order to establish and sustain a funding source for improved storm water management. This charge appears as a separate charge on the rate notice.

The charging methodology used by Council was established under the guidelines released by the Office of Local Government. The guidelines provide Council with the opportunity to levy charges on a catchment area or global basis while ensuring that the total income generated does not exceed the level of expenditure for new and additional stormwater management services. Council will be developing a stormwater capital works program and as a result, a global approach will be used to enable significant works to be funded at a given time using all the revenue levied.

Table 4 – Stormwater Management Service Charges for 2020-21

Description	Charge 2019-20	Proposed Charge 2020-21
Residential Property per annum	\$25.00	\$25.00
Residential Strata Property per annum	\$12.50	\$12.50
Business Property per annum	\$25.00	\$25.00
Business Strata Property per annum	\$12.50	\$12.50

Funds derived from the Stormwater Management Service Charge must be spend on transparent works and the community must be advised of the proposed works and project as part of the Operational Plan consultation process. For 2020-21 financial year the estimated gross yield is \$24,025.

## Domestic Waste Management Charge

Council cannot apply income from ordinary rates towards the cost of providing Domestic Waste Management services. Therefore, Council levies a Domestic Waste Management Charge under section 496 of the Act. The charge applies uniformly to each separate residential occupancy of rateable land (including vacant land) for which the service is available (i.e. properties that are along the route of the waste collection truck). In determining the annual Domestic waste Management Charge, Council must include all expenditure that relates to the delivery of this service and may include provision for the future increases to allow for equalisation of pricing from year to year. This is considered a prudent approach as the waste management subject to changing industry regulation and cost and operational requirements that have a potential for significant variations in the future. The Domestic Waste Management Charge for 2020-21 is to yield \$307,140.

Table 5 – Domestic Waste Management Charges for 2020-21

Description	Charge 2019-20	Charge 2020-221
Residential Domestic Waste Charge per property per annum	\$338.00	\$345.00
Domestic Waste Charge Vacant Land per property per annum	\$50.00	\$55.00
Commercial Waste Collection Euston – 1 Collection per week per approved bin	\$389.00	\$390.00
Commercial Waste Collection Balranald and Euston – 2 Collections per week per approved bin	\$389.00	\$490.00
Domestic Waste Management Access Charge for Vacant blocks per property per annum	\$50.00	\$55.00

## Sundry

### Interest on Overdue Rates and Charges

Council has been notified by the Office of Local Government of the interest rate payable, under section 566 of the Act, for the 2019-20 financial year. The interest rate for 2019-20 was 7.50 per cent. The interest rate for the 2020/21 financial year has been set at 0% for the period 1 July 2020 to 31 December 2020 and 7% for the period 1 January 2021 to 30 June 2021 inclusive as per the Minister of Local Government's Determination.

### Part Year Adjustments to Rates and Charges

Property rates and charges will be adjusted on a quarterly basis following a change in circumstances (e.g. subdivision or change in rating categorisation), in accordance with sections 527 and 546 of the Act. Relevant adjustments to rates and charges will be made from the next rating quarter following the effective date of the charge (subdivision plan registration date or date an application for categorisation review was made). The exception to this is for waste collection charges where adjustments are made either as above or on a pro-rata basis, whichever event is earlier.

Retrospective adjustments would usually be made for the current and previous years only however, Council may decide to make adjustments for a period outside this range in certain cases at its discretion depending upon equity and specific circumstances. Council may choose not to make current year adjustments if the value of the adjustment is less than \$50 if Council considers that the account will be uneconomical to collect.

### Making the rate and charges and setting the interest rate

In accordance with sections 533, 534, 535, 543 and 566 of the Act, Council must make the rates and charges and set the interest rate annually. Council must also give a short name to each rate and charge made. A separate report is presented to Council in June annually to adopt the rates, charges and interest to satisfy these legislative requirements.

## Pensioner Concessions

Council provides concessions for eligible pensioners under section 575 of the Act as follows:

- 50 per cent of the combined ordinary land rate and domestic waste management charge up to a \$250 maximum rebate.
- 50 per cent of water fixed and usage charges up to an \$87.50 maximum rebate
- 50 per cent of sewerage fixed charge up to an \$87.50 maximum rebate

Council funds 45 per cent of the total concession granted, with 50 per cent funded by the NSW Government and the remaining 5 per cent by the Australian Government.

- Holders of a Pensioner Concession Card (PCC);
- Holders of a gold card embossed with 'TPI' (Totally Permanently Incapacitated);
- Holders of a gold card embossed with 'EDA' (Extreme Disablement Adjustment)
- War widow or widower or wholly dependent partner entitled to the DVA income support supplement.



## Borrowings

Council determines borrowing requirements in conjunction with the review of its Delivery Program each year.

The borrowing of funds if required, will be in accordance with Part 12 - Loans, Sections 621, 622, 623 and 624 of the Act and the 'Borrowing Order' issued by the Minister for Local Government, dated 27 September 1993.

Council has made a provision in the Operational Plan Budget in the Water Fund for borrowings of \$1M for Water Infrastructure upgrade if the Integrated Water Cycle Management Plan is completed and Grant funds are available for the proposed upgrade in the 2020-21 financial year.

## Pricing Policy

Council's pricing policy aims to be equitable by recognising people's ability to pay and balancing expectation that some services will be cross-subsidised for the common good of the community.

Council's key pricing strategies are to:

- develop pricing structure that can be administered simply and inexpensively and be easily understood by members of the public
- explore all cost-effective opportunities to maximise Council's revenue base,
- balance the dependences on rates and grants against other funding sources, and
- full cost attribution be applied to all business activities considered to be of a commercial nature\*
- The water programs are considered to be of a commercial nature – categorised under Competitive Neutrality as Category One Businesses (turnover of greater than \$2m per annum).

## Council's pricing principles are:

### STATUTORY

The price for goods / services are a statutory charge set by government legislation.

### FULL COST RECOVERY

The price for goods / services are set to recover the total operating costs, both direct and indirect, of providing this good / service. Indirect costs are to include taxation equivalent payments, where applicable, in accordance with the principles of National Competition Policy.

### PARTIAL COST RECOVERY

The price for goods / services are set to make a significant contribution towards the operating costs, both direct and indirect, of providing the goods / services. The remainder of the costs are met from property rates and general-purpose income.

### REFERENCE PRICE

The price for goods / services are set by reference to prices charged for similar goods / services by like councils or competitors. Council's schedule of Fees and Charges has been prepared using the best information available in relation to the GST impact on the fees and charges at the time of publication. If a fee that is shown as being subject to GST is subsequently proven not to be subject to GST, the that fee will be amended by reducing the GST to nil. Conversely, if Council is advised that a fee which is shown as being not subject to GST becomes subject to GST then the fee will be increased, but only to the extent of the GST.