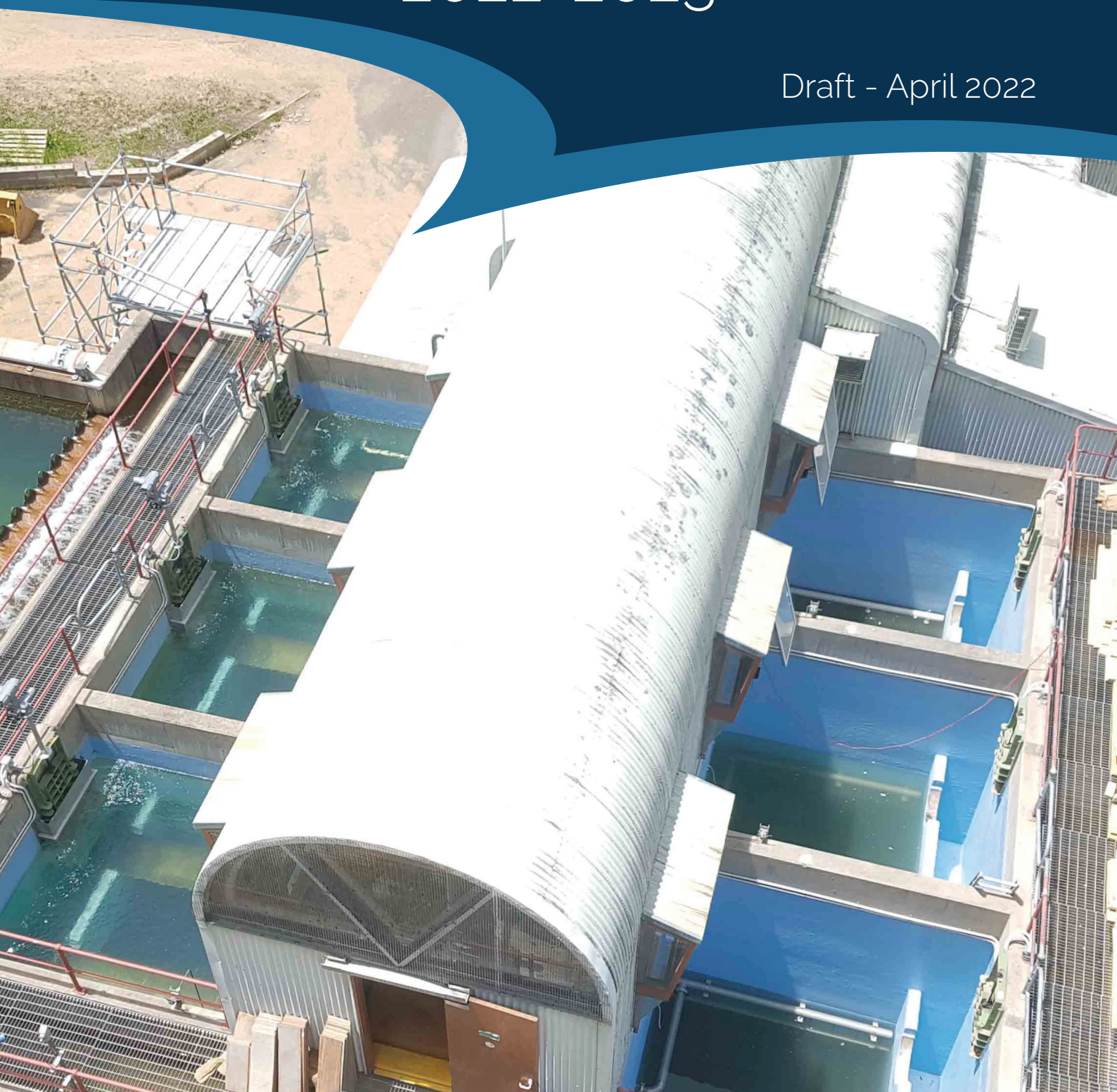


OUR PLACE OUR FUTURE

Revenue Policy 2022-2023

Draft - April 2022



2022-23 Revenue Policy

The objective of the Revenue Policy is to ensure that rates are levied in a fair and equitable manner so as to provide sufficient funds to carry out the general services which benefit all the ratepayers of the area.

Council aims to set rates and charges at a level that provides a sustainable income but does not impose undue hardship on property owners. Council is committed to a rates and charges process that is ethical, transparent, open, accountable and compliant with legal obligations (including the NSW Local Government Act 1993 and the Local Government (General) Regulation 2005 (NSW)). The administration of rates will be honest, diligent and applied consistently and fairly across all properties.

The range of services provided by Council to the community is diverse and requires different considerations when determining the associated fee or charge. The level of the fee or charge was determined having regard to the following categories:

Code	Description
A	Economic Cost <i>Total cost of providing services for private good.</i>
B	Community Service Services considered to have a level of benefit to the community. Generally benefits are not solely confined to users. Partially funded by rates.
C	Regulated Charges Federal or State Government set charges.
D	User Pays Principal Services under this category are such that individual costs can be determined and met by the user of the service.
E	Market Forces Services that Council operates in a competitive market and needs to fix charges similar to other providers.
F	Cost Plus Services provided on a commercial basis with an amount of risk profit included.
G	Section 7.11 (Developer Contributions) <i>Items are priced at the level determined by the adopted Council's Developer Contributions Plan. The plans provide for quarterly increases in these fees based on Consumer Price Index (CPI) increases.</i>

Council's full suite of documents within the Integrated Planning and Reporting Framework can be viewed on Council's website www.council.ithgow.com/ipr

Rates and Annual Charges Revenue Strategy

Council's Revenue Policy takes into account a number of factors including:

- the benefit or user pays principle – some ratepayers have more access to, make more use of, and benefit more from the council services paid for by rates
- the capacity to pay principle – some ratepayers have more ability to pay rates
- the incentive or encouragement principle – some ratepayers may be doing more towards achieving community goals than others in areas such as environmental or heritage protection and town beautification
- the principle of intergenerational equity –future ratepayers should enjoy the same, or improved standard of infrastructure and services at an equivalent future cost

Council's objectives in the development of this rates structure are to:

- progressively align the ad valorem amount with the provision of infrastructure so that all properties pay a share of the cost of maintenance, renewal, upgrade and debt servicing of infrastructure in proportion to their land values.
- progressively align the base amount with the net cost of service provision, incorporating funding of council's community service obligations (CSOs).
- explore opportunities to assist ratepayers experiencing financial hardship, such as deferring of interest.

Capacity to Pay and Hardship Policy

The 'benefit or user pays' principle often conflicts with the 'capacity to pay' principle; and, in setting the rates structure, Council has been mindful of both equity considerations.

An individual ratepayer's ability to pay rates at a particular time may be impacted by external economic factors that create a sustained financial burden, such as drought, bushfires and the global pandemic.

Council has a Hardship and Assistance Policy and will support all ratepayers who are experiencing financial hardship and are struggling to pay their rates. Council will work with individual ratepayers to consider their circumstances and provide them with options and assistance such as deferred and interest free payment arrangements.

Statutory Requirements

In accordance with the *Local Government Act 1993* the following statutory requirements are included in this document:

- Statement containing a detailed estimate of the council's income and expenditure;
- Statement of ordinary and special rates;
- Rating structure;
- Statement of charges to apply to rateable and non-rateable properties;
- Statement of fees to be charged and pricing policy of goods and services; and
- Statement of borrowings;

2022/23– 2024/25			
Budget – Income and Expenditure Funds Consolidated (\$'000)			
	2022/23	2023/24*	2024/25*
Operating income	58,584	56,531	57,840
Operating expenditure	50,400	51,686	52,804
Operating result	9,184	4,845	5,036
Operating result before capital	(2,328)	815	914

Capital Budget 2021/22 – 2023/24*			
	2021/22 \$'000	2022/23* \$'000	2023/24* \$'000
General Fund			
Buildings & Infrastructure			
Asset Renewals	12,416	13,977	14,331
New Assets	2,051	-	-
Other Assets			
Asset Renewals	-	850	867
New Assets	-	-	-
Water Fund			
Asset Renewals	504	950	974
New Assets	330	-	-
Sewer Fund			
Asset Renewals	911	2,400	2,460
New Assets	5,619	-	-
Total Capital	21,841	18,177	18,632

Cashflow Statement 2022/23 Budget

Cash Flows from Operating Activities	
Receipts:	
Rates and Annual Charges	30,278
User Fees and Charges	7,371
Interest and Investment Revenue Received	286
Grants and Contributions	19,832
Bonds and Deposits Received	0
Other	1,466
Payments:	
Employee Benefits and On-Costs	-19,042
Materials and Contracts	-16,746
Borrowing Costs	-346
Bonds and Deposits Refunded	0
Other	-1,000
Net Cash Provided (or used in) Operating Activities	22,099
Cash Flows from Investing Activities	
Payments:	
Purchase of Infrastructure, Property, Plant and Equipment	-21,380
Net Cash Provided (or used in) Investing Activities	-21,380
Cash Flows from Financing Activities	
Payments:	
Proceeds from Borrowings & Advances	2,000
Repayment of Borrowings and Advances	-1,364
Net Cash Provided (or used in) Investing Activities	636
Net Increase/(Decrease) in Cash and Cash Equivalents	1,355
plus: Cash, Cash Equivalents and Investments - Beginning of Year	9,646
Cash and Cash Equivalents - End of Year	11,001

Statement of Ordinary and Special Rates

Strategy – ordinary rates

Council will continue to levy ordinary rates using a structure comprising a base amount to which an ad valorem (rate in the dollar) component is added. The Base Amount will vary, depending on rating category/sub-category combination.

All rateable properties within each category / sub-category, regardless of their land value, are levied the base amount. The balance of income for ordinary rates is derived by multiplying the land value of a property by a rate in dollar for the relevant category / sub- category, which is determined by Council dependent on the property's dominant use. The amount payable by ratepayers under this component is dependent on the land value of the property. In addition, the total amount collected for ordinary rates each year will take account of any approved increase advised by the Minister.

Council has 4 categories of ordinary rate, being residential, farmland, business and mining. These categories are further divided into subcategories for residential and business. An ordinary rate will be applied to each parcel of rateable land within the Local Government Area in 2022/23.

The following is the structure of Council's rates:

Type	Category	Sub-Category	Comments
Ordinary	Residential	Lithgow Portland Wallerawang	All properties categorised as residential within the localities of Lithgow, Portland & Wallerawang defined as Residential Urban.
Ordinary	Residential	Other	All other properties classified as residential within the Council area and are not located within the areas defined as "Residential Urban" above.
Ordinary	Farmland		Eligibility determined in accordance with <i>Local Government Act 1993</i> .
Ordinary	Mining		Eligibility determined in accordance with <i>Local Government Act 1993</i> .
Ordinary	Business	Lithgow, Portland, Wallerawang	All business properties within the Lithgow LGA which are identified on the map as Business
Ordinary	Business	Other	All business properties identified as Business Sub-Category rating that are not within the Lithgow, Portland, Wallerawang localities.
Ordinary	Business	Power Station/Mt Piper	

Rating Structure

Ordinary rates under section 494 of the *Local Government Act 1993* and special rates under section 495 of the *Local Government Act 1993*.

In accordance with Section 497 of the Local Government Act 1993, the structure of the Ordinary Rate consists of a base amount and an ad valorem amount.

- the ad valorem amount is set to recover the cost of infrastructure
- the base amount is set to recover the cost of services and operations

Residential			
Category/Sub-Category	Base Amount (\$)	Ad Valorem Amount (c in the \$)	Yield
Residential/Lithgow	340.80	0.55045	5,152,082
Residential/Portland	281.25	0.42697	535,850
Residential/Wallerawang	296.90	0.40671	562,981
Residential/Other	239.45	0.27215	2,226,977
Farmland			
Farmland	444.35	0.22322	2,171,524
Business			
Business/Lithgow	468.55	2.05739	1,807,285
Business/Portland	468.55	1.25935	57,203
Business/Wallerawang	468.55	1.24218	127,658
Business/Other	317.40	0.26756	169,978
Business/Power Station – Mt Piper	10,207.15	1.5626	48,178
Mining			
Mining	11,748.30	1.84215	1,817,714
Total Estimated Yield			14,677,432

Parking Special Rate Income		
	Ad Valorem Amount (\$)	Estimated Yield (\$ GST Exclusive)
Designated area of Lithgow	0.76626	267,764

Rate Pegging

The rate peg determined by the Independent Pricing and Regulatory Tribunal (IPART) sets the maximum percentage by which a council may increase its general income for the year, excluding the addition of new properties.

This does not mean that each individual rate assessment will increase by that percentage but does mean that Council's total income from ordinary rates cannot exceed this percentage increase, excluding new properties created through subdivision during the year.

IPART's allowable increase for NSW Councils for the 2022-23 financial year has been set at 0.7%. Council has also allowed for IPART approval of its Additional Special Variation application, which brings the total permissible increase in rate to 2.5%. The rates increase has been applied in full to all rating categories.

The rate peg is determined by measuring changes in IPART's Local Government Cost Index (LGCI). The LGCI reflects the past increase in costs experienced by the average council. In calculating the annual rate peg, IPART may also take into account a productivity factor in addition to the LGCI.

As the local community grows, NSW councils are required to provide services to new residents. A sustainable and efficient rate peg system, which recognises the additional pressures of population growth, would allow councils to recoup the cost increases they face.

The rate peg allows for the general revenue of councils to increase with price increases each year. However, the rate peg does not expressly account for the increase in the volume of services that need to be provided to service population growth or to maintain new local infrastructure.

Under the current approach to the rate peg, councils can raise revenue to service the costs associated with population growth through developer contributions and special variations.

Land Valuations

The ad valorem component of the rate is calculated with reference to the unimproved land valuations issued by the NSW Valuer General every three years. The proportionate share of rates charged to each assessment is dependent on the land value of the property as compared with all other properties within the same rating category, and the rating structure determined by Council.

The valuation process occurs independently of Council and is something that Council cannot influence. Lithgow City Council properties were last revalued in 2019, and the next revaluation is due in 2022 for rating from 1 July 2023 to 30 June 2026.

Increases in land values do not necessarily lead to similar increases in rates, rather, changes to land valuations do cause a redistribution of the rate levied across all properties.

Special Rate Variation

Councils use the Special Rates Variation (SRV) process to apply for an increase in their total rate revenue, above the rate peg.

Interest

In accordance with section 566(3) of the *Local Government Act 1993*, the Minister for Local Government determines the maximum rate of interest payable on overdue rates and charges. The maximum rate of interest payable on overdue rates and charges for the period 1 July 2022 to 30 June 2023 (inclusive) will be 6.0% per annum.

Statement of Fees and Charges

In accordance with Sections 496, 496A, and 501 of the Local Government Act, Council will levy annual fixed charges to each parcel of land for the following services, provided or proposed to be provided:

- Water
- Sewerage (Waste Water)
- Domestic Waste Management
- Non-Domestic Waste Management
- Stormwater Management

In accordance with Section 502 of the Local Government Act, Council will levy charges for actual use for the following services:

- Water
- Sewerage
- liquid trade waste.

Water, sewerage and waste management charges relating to non-rateable properties will be charged in accordance with Sections 496, 501 and 502 of the Local Government Act. For the purpose of charging these non-rateable properties that actually use these services, the charges to be applied are the same as those charged against rateable properties as these charges are representative of use.

Waste Management Charges

The charges to apply to domestic waste management are determined in accordance with the Reasonable Cost guidelines issued by the NSW Office of Local Government. The charges determined using these guidelines will apply to domestic as well as non-domestic properties.

Domestic waste management services

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*.

The charge for multiple services is calculated by the "type of service" multiplied by the "number of services" provided.

The applicable charges for 2022-23 are outlined in the schedule below.

Waste Charges		
Type of Service	Charge (\$) (GST ex)	Estimated Yield (\$) (GST ex)
Residential	474	4,107,020
Business	474	291,301
Non-Rateable	474	61,004
Unoccupied Urban (GST applies)	206.36	114,862
Rural (GST applies)	157.27	411,211
Additional Waste and Recycling	474	2,370
Additional Waste	237	2,368
Additional Recycling	82.5	11,631
Total Estimated Yield		5,001,767

Water Charges

The residential or business water availability charge will be levied on all rateable and non-rateable properties which are connected to Council's reticulated water supply system. Water usage charges will be levied to all properties using Council's reticulated water supply system.

Water access charges will increase at various rates depending on meter size and Tier 1 usage charges will decrease by 38.81% (from \$3.35/kl to 2.05/kl)

Water Charges - Rateable		
Annual Access Charge		
Type	Charge (\$)	Estimated Yield (\$)
20mm Connection	380	3,092,060
25mm Connection	380	32,680
32mm Connection	640	7,680
40mm Connection	1075	23,650
50mm Connection	1,445.00	82,365
100mm Connection	3,960.00	51,480
Vacant Land	400.00	-
Total Estimated Yield		3,289,915

Water Charges Non-Rateable		
Annual Access Charge		
Type	Charge (\$)	Estimated Yield (\$)
20mm Connection	380	25,840
25mm Connection	380	3,040
40mm Connection	1075	7,525
50mm Connection	1,445.00	30,345
80mm Connection	2,770.00	5,540
100mm Connection	3,960.00	39,600
Total Estimated Yield		111,890

Water Usage Charges - Residential	
Kilolitres Used	Charge (\$)
0 – 250 Residential	2.85 / kl
250+ Residential	5.03 / kl
Water Usage Charges – Business	
Kilolitres Used	Charge (\$)
0 – 500 Business	2.85 / kl
500+ Business	5.03 / kl

Sewerage Charges

Council has reviewed the sewerage access and usage charges for 2022/23.

Sewerage Access Charges

Sewerage charges are levied under the provisions of Section 501 of the Local Government Act to collect revenue from property owners who actually benefit or propose to benefit from the availability or use of a Council sewerage system and comprise of:

- Residential and non-residential properties that are connected to a Council sewer mains.
- Vacant land situated within 75 metres of a Council sewer main and is able to be connected to Council's sewerage supply, whether or not the property is actually connected to that sewerage supply.

There is a slight increase in annual sewerage access charges. The discharge usage fee (business) will increase from \$2.24 per KL to \$2.28 per KL.

Access charges are based on the size of metered water connection with usage being calculated based on water consumption and a Sewer Discharge Factor (SDF). The SDF is the ratio of water consumption to the total water consumption. A typical value is 0.95 for non-residential and may need to be calculated for business categories that have no Guideline value.

Sewerage Charges Rateable Properties		
Annual Sewerage Access Charge		
Type	Charge (\$)	Estimated Yield (\$)
Residential	936	6,853,392
Non-Residential 20mm	520	141,970
Non-Residential 25mm	520	13,364
Non-Residential 32mm	571	4,882
Non-Residential 40mm	622	7,041
Non-Residential 50mm	694	28,412
Non-Residential 80mm	766	0
Non-Residential 100mm	816	7,670
Total Estimated Yield		7,056,732
Sewerage Usage Charges		
Type	Charge (\$)	
Business (most commonly 95% of water usage)	2.28	

Sewerage Charges Non-Rateable Properties		
Annual Sewerage Access Charge		
Type	Charge (\$)	Estimated Yield (\$)
Non-Rateable 20mm	520	29,900
Non-Rateable 25mm	520	1300
Non-Rateable 32mm	571	0
Non-Rateable 40mm	622	4,105
Non-Rateable 50mm	694	10,479
Non-Rateable 80mm	766	1229.25
Non-Rateable 100mm	816	5793.6
Total Estimated Yield		52,807
Sewerage Usage Charges		
Type	Charge (\$)	
Non-Residential (most commonly 95% of water usage)	2.28	

Sewerage Trade Waste Charges

Sewerage Trade Waste means all liquid waste other than sewage of a domestic nature. Under the Best-Practice Management of Water Supply and Sewerage Guidelines, liquid trade waste pricing requires appropriate annual trade waste fees and user charges for all liquid trade waste dischargers.

Local Water Utilities (LWU) must issue a trade waste approval to each liquid trade waste discharger connected to the sewerage system, and must annually inspect the premises of each discharger. Council is the LWU.

If a liquid trade waste discharger fails to comply with Council's approval conditions by creating liquid waste which is not pre-treated and is likely to cause damage to the environment or an extra load on Council's Sewage Treatment Plant, they will be subject to a non-compliance charge.

The annual trade waste charges are shown below and have increased to reflect the actual cost of treating the liquid trade waste. The annual trade waste charge appears on the annual Rates Notice, while the usage charge is issued with the quarterly water accounts.

Sewerage Trade Waste Charges		
Trade Waste Charge		
Fee description	Charge (\$)	Category
Application Fee – category A / A2	46.11	Low risk - Includes commercial premises not preparing hot food
Application Fee – category B	69.43	Medium risk - Includes commercial premises preparing hot food
Application Fee – category C	141.97	High risk – less complex pre-treatment
Annual Charge – category A / A2	158	Low risk - Includes commercial premises not preparing hot food
Annual Charge – category B	234.72	Medium risk - Includes commercial premises preparing hot food
Annual Charge – category C	431.11	High risk – less complex pre-treatment
Discharge Fee – category A	2.10	Discharger with approved pre-treatment
Discharge Fee – category A	10.00	Discharger without approved pre-treatment
Discharge Fee – category B	2.10	Discharger with approved pre-treatment
Discharge Fee – category B	22.00	Discharger without approved pre-treatment
Discharge Fee – category B	2.10	Discharger with approved pre-treatment
Discharge Fee – category B	22.00	Discharger without approved pre-treatment
Total Estimated Yield		\$80,000

Septic Tank Charges

Properties with an on-site sewerage management system will be charged an annual charge based on the risk of the system. All on-site sewage management systems will be allocated a risk rating according to their type, location and proximity to waterways and property boundaries as follows. This risk rating may be altered where an inspection reveals additional risk factors:

High Risk Systems

Septic Systems located within 100 metres of a permanent watercourse or within 12 metres of a property boundary or another residential dwelling, or within a village.

Septic Systems located on commercial properties including cabins, caravan parks, B&Bs, hotels, mines etc.

High risk systems will be given a two (2) year Approval to Operate and will be inspected every two (2) years.

Medium Risk Systems

Septic Systems on land 5 hectares and less in size.

Medium risk systems will be given a five (5) year Approval to Operate and will be inspected every five (5) years.

Low Risk Systems

Septic systems located on rural land greater than 5 hectares provided they are not located within 100 metres of a permanent watercourse or within 12 metres of a property boundary or another residential dwelling.

All Aerated Wastewater systems (AWTS)

Low risk systems will be given a ten (10) year approval to Operate and inspected every ten (10) years.

Septic Tank Charges		
Type	Charge (\$)	Estimated Yield (\$)
High Risk Systems	106.50	34,067
Medium Risk Systems	71.50	52,780
Low Risk Systems	48.00	59,361
AWTS Charge	48.00	-
Total Estimated Yield		146,208

Stormwater 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 an annual stormwater levy under Local Government Amendment(Stormwater) Act 2005 and the Local Government (General) Amendment (Stormwater) Regulation 2006.

The stormwater levy for 2022/2023 which will remain at \$25 per residential assessment, \$12.50 per strata unit and \$25 per 350 square metres or part thereof for businesses with a cap on business properties of \$1,500.

Income raised from the stormwater charge is allocated to both capital and recurrent projects relating to new or additional stormwater management services such as the:

- Construction & maintenance of drainage systems, pipes basins & waterways
- Stormwater treatment
- Stormwater reuse projects
- Stormwater pollution education campaigns
- Inspection of commercial & industrial premises for stormwater pollution prevention
- Stormwater pollution incidents
- Water quality
- Flood management
- Stormwater Management

Stormwater Charges		
Type	Charge (\$)	Estimated Yield (\$)
Residential	25.00	157,175
Strata Unit (Residential)	12.50	1,963
Business	25.00 per 350sq metres (\$1,500 Cap)	86,876
Total Estimated Yield		246,013

Statement of Borrowings

To provide for the future needs of our community, Council borrows funds to provide infrastructure and community assets which are not able to be funded out of normal revenue sources. The loans are based on periods that represent the economic life of the facility or asset or a reasonable fixed term, whichever is the lesser. Loans are raised by Council from banks or other recognised financial institutions and secured by a mortgage deed over the revenue of the Council. Proposed new borrowings for the next four years are:

Proposed Loan Borrowings			
Purpose	2022/23	2023/24	2024/25
Cullen Bullen Sewer Scheme	2,000,000	-	-

For information on Council's debt cover ratio refer to the Annual Financial Statements available on Council's website.