



## **MINUTES OF THE EXTRAORDINARY MEETING OF KEMPSEY SHIRE COUNCIL**

Tuesday 24<sup>th</sup> February 2004 commencing at 12.36p.m.

### **PRESENT:**

Councillors J A C Hayes, (Mayor and Chairman), J H Howell, R J Bowen, T Hunt, P J Parkinson, B R Sowter and J Sproule.

General Manager, A V Burgess; Acting Director Environmental Services, R B Pitt; Director Corporate and Community Services, T I Hannam; Director Business Enterprises, G B Snape, Ken Woods and Donna Pearson.



### **APOLOGY:**

2004. 135

### **RESOLVED:**

*Moved: Cl. Hunt  
Seconded: Cl. Bowen*

That the apology submitted by Councillor N Joukhadar for non-attendance at the meeting be accepted and leave of absence granted.



### **ADOPTION OF AGENDA ORDER OF BUSINESS**

2004. 136

### **RESOLVED:**

*Moved: Cl. Sowter  
Seconded: Cl. Sproule*

That the Agenda Order of Business be adopted.

## **DIRECTOR CORPORATE AND COMMUNITY SERVICES REPORT**

**DCCS1**

**REVIEW OF THE RATING STRUCTURE**

**FILE: R1-2 APC (NRN)**

**{Folio No.270265}**

### **SUMMARY:**

Reporting on the introduction of a differential rating model and the impact upon ratepayers.



Council at its meeting of the 20 January reviewed the impact of the new general valuations together with a number of alternative rating models.

Council resolved to receive a further report on the ramifications of implementing a differential rating system similar to that proposed in option 4.

### **Residential and Farmland Rating Models**

Attached at [\(Appendix A\)](#) is a summary of the proposed Options, detailed calculations are attached at [\(Appendix B\)](#).

The following comments are provided in respect of the Options.

#### **Option 4**

The option is based upon:

- Obtaining a yield from the respective rating categories comparable with the proportion currently obtained
- Introduction of differential rating for the coastal villages of Hat Head, South West Rocks and Crescent Head so as to obtain a similar proportion of revenue as is currently obtained from the respective villages.
- The use of differential base amounts and in particular a higher base charge of \$500 per Farmland assessment. The higher base is required for Farmland in order to satisfy the requirements of the Local Government Act whereby the ad valorem rate for farmland must be the lowest.

#### **Option 5**

This option is based upon:

- This option provides for the use of a uniform base amount (\$228) to apply to all residential properties with the exception of Hat Head (\$100). Farmland properties continue to have a higher base amount applied as in option 4 (\$500).
- Differential ad valorem rates are used.

As a result of the application of a uniform base amount the yield from the residential sectors at SWR, Crescent Head and Hat Head increase by some \$85,000 whilst the yield from the Farmland and Non-Urban Residential sectors decline by \$39,000 and \$44,000 respectively.

#### **Option 6**

This option is based upon:

- This option provides for the use of a lower uniform base amount (\$130) to apply to all residential properties with the exception of Hat Head (\$30). Farmland properties continue to have a higher base amount applied (\$475).
- Differential ad valorem rates are used.

As a result of the application of a lower uniform base amount the yield from the residential sector at Hat Head increase by some \$17,000 whilst the yield from the Farmland sector declines by \$17,000. The proportion of rates from the remaining categories/sectors are comparable to that obtained in the current year.

### **Option 7**

This option is based upon:

- This option provides for the use of a higher differential base amounts for residential assessments at Crescent Head, SWR (\$300), Hat Head (\$150) and Other Residential (\$240) whilst the ad valorem rate is reduced.
- Farmland assessments attract a higher base charge of \$620 in order to maintain its revenue share and as a result of the requirement to have the ad valorem rate lower than that applied to other categories.

As a result of the application of a higher base amounts the yield from the residential sector at SWR, Crescent Head, Hat Head and other Residential Urban increase by some \$60,000 whilst the yield from the Farmland and Non-Urban Residential sectors declines by \$11,000 and \$43,000 respectively.

### **Impact Analysis**

Attached, as [\(Appendix C\)](#) is a summary of the ramifications to the ratepayers of each of the Options proposed.

A detailed analysis of the impact of the respective options supported by notes is attached as [\(Appendix D\)](#).

The impact analysis discloses the wide variances in respect of the rates payable within each category as a result of the variations in the new land valuations. The use of differential rating provides Council with a tool by which it is able to address in part valuation movements within rating categories, centres of population or in the case of business category a centre of activity.

Individual valuation fluctuations occurring within the aforementioned areas are unable to be factored into the rating model.

## **Conclusion**

### **Residential and Farmland Categories:**

Option 5 and 6 most adverse impact upon the residential sectors and also significantly impact the farmland sector.

Option 7 provides the least impact upon residential properties however is most adverse in terms of impact upon Farmland.

Option 4 provides a more balanced result in terms of impact upon the Farmland and Residential sectors.

### **Business Rating Models**

Attached at [\(Appendix E\)](#) is a summary of the proposed Options.

The following comments are provided in respect of the Options.

#### **Option 4**

The option is based upon:

- The same proportion of revenue is recovered from the business category as is obtained under the current model.
- Lower differential ad valorem rates for SWR, Crescent Head and Hat Head so as to achieve a yield in line with current level of income.
- A common ad valorem rate is applied to all other business assessments within the shire.
- Uniform base charge for all business assessments (\$28) being the environmental levy approved in the 2003 year.

As a result of the application of a common ad valorem rate to all business assessments with the exception of SWR, Crescent Head and Hat Head, the yield from the Central and West Kempsey CBD's decreases by \$26,000, the reduction is offset by an increase in the yield from other business assessments in Kempsey and the villages.

#### **Option 5**

Option 5 allows for a higher ad valorem rate to be applied to the Central and West Kempsey CBD's so as to achieve a level of income proportionate to the current year, thus addressing the concern raised in Option 4.

#### **Option 6 & Option 7**

These options explore the impact of the introduction of a higher base charge and in turn a reduction in reliance upon the ad valorem rate for the business sector. Option 6 provides for a \$100 base charge whilst Option 7 base charge is \$200.

## Impact Analysis

Attached, as [\(Appendix F\)](#) is a summary of the ramifications to the ratepayers of each of the Options proposed.

A detailed analysis of the impact of the respective options supported by notes is attached as [\(Appendix D\)](#).

Option's 5, 6 and 7 obtain the same yields from the various business sub categories as achieved under the current rating model.

**Option 5** continues to rely on the use of the ad valorem rate based upon the valuation of the property as the principle determinate in the rating process, the base charge of \$28 as outlined earlier was only introduced during the 2003/04 year to ensure that all ratepayers contributed at the same rate towards the environmental works for which Council was allowed a special rate variation.

The movement in rate liability between ratepayers within the various sub-categories under Option 4 is thus dependent upon the percentage change in the valuations of the individual ratepayers property. For example under Option 5 for SWR the properties that receive a reduction in rates experienced average valuation increases of 136%, properties experiencing rate increases to \$100 p.a. experienced valuation increases of 206% whilst properties paying in excess of \$101 experienced average valuation increases of 292%.

**Option 6 and 7** provide for the introduction of a higher base charge of \$100 and \$200 respectively. The use of a higher base charge in turn reduces dependence upon the ad valorem rate necessary so as maintain the same yields from the respective sub categories as is currently the case.

The move to a higher base with less reliance on the ad valorem rate benefits the more highly valued properties at the expenses of properties of lesser value, this trend is particularly evident in Option 7 SWR, the value of the 61 properties experiencing a reduction in rates is \$28 million (average value \$459,000) whereas the 84 properties which pay an increase in rates are valued at some \$16 million (average value \$190,500).

## Conclusion.

The wide-ranging variations in valuations for properties within the shire ensure that whatever rating model is adopted there will be winners and losers. As previously stated Council is unable to create a rating model that will duplicate the level of rates currently paid by individual ratepayers.

Options 6 and 7 are considered to be the preferred options, Option 6 provides for 41% of business assessments to receive a rate reduction, 36% to pay increases up to \$100 p.a. whilst 23% of ratepayers would pay in excess of \$100 the average increase being \$480. Option 7 provides for 36% of business assessments to receive a rate reduction, 23% to pay increases up to \$100 p.a. whilst 42% of ratepayers would pay in excess of \$100 the average increase being \$302.



Council does not currently charge anything for discharge of liquid trade waste to sewers.

It should be noted that the State Government has indicated that no funding for water or sewerage schemes will be offered to Councils that do not have a compliant best-practice pricing structure in place by 1<sup>st</sup> July 2004. There is an allowance to introduce new pricing structures in a staged manner, being fully implemented by 1<sup>st</sup> July 2007. It is proposed to introduce a new staged pricing structure for sewerage and liquid trade waste for Kempsey Shire Council commencing 1<sup>st</sup> July 2004 which will conform to Government Policy.

At the Council Extraordinary Meeting of 20<sup>th</sup> January 2004, following a workshop session, which looked at various options, it was resolved:

*“That the Director Business Enterprise report back to Council on the introduction of a fee structure for sewerage and liquid trade waste charges commencing 1<sup>st</sup> July 2004 inclusive of a sewer usage charge for non-residential customers.”*

The pricing structure set out in [\(Appendix A\)](#), Table 1 has been developed in line with this resolution. This table represents pricing for properties with 20mm water meters. Access charges will cascade according to the square of the size of the water meter supplying a property, as indicated in [\(Appendix A\)](#), Table 2. The access charge will then be reduced according to the discharge factor applied depending on the type of business being operated on a property. Some typical discharge factors are shown in [\(Appendix B\)](#).

It is important to keep in mind that this proposed pricing structure has been developed to soften the impact of introduction as much as possible. In the first year the residential rate has been kept the same as this year (with CPI added). The income to Council is revenue neutral, meaning that income from the non-residential sector remains neutral. The affect to the non-residential sector is that some of the larger users with large water meters will pay significantly more whilst most smaller users will pay less. The residential sector will still be cross-subsidising the non-residential sector to the same extent as in previous years.

This will change gradually over the following two years so that by the 2007/08 year there will be no cross-subsidy and fully-compliant best-practice pricing will be in place. The affect on some typical businesses is shown in [\(Appendix C\)](#) pages 1 & 2.

Council should be aware that the pricing indicated within this report is based on the 2003/04 Budget and charges except for [\(Appendix C\)](#) – Page 2 which attempts to make allowance for CPI increases. This table is indicative only of the likely affects of CPI. The actual charges for future years will need to be indexed to take account of actual cost increases and future works programmes.

**Director’s Comment:**

***The public exhibition and community consultation process which will follow adoption of the introduction of a best-practice pricing structure is***

*very important. It is imperative that business people of the Shire are made aware that this is being driven by the State Government and that any financial impacts on their businesses are being softened as much as possible by Council through staged introduction. It will also be important to explain the concepts and principals behind Liquid Trade Waste charges.*

**Report Implications:**

*Adoption of a strategy for the introduction of a sewerage and liquid trade waste pricing structure which will conform with Government policy and provide Council with a platform to continue receipt of Government funding for future water and sewerage infrastructure development.*

*There are no statutory implications as such, however it will make Council compliant with both State and Federal Government Policy.*

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G B Snape  
DIRECTOR BUSINESS ENTERPRISES

2004. 139

**RESOLVED:**

*Moved: Cl. Bowell  
Seconded: Cl. Hunt*

1. That the proposed pricing structure for Sewerage and Liquid Trade Waste be adopted for the purposes of public exhibition and community consultation.
2. That the new pricing structure be placed on public exhibition and that a series of workshops be held for the various business sectors within the community.
3. That the Director Business Enterprises report back to Council following completion of this process with recommendations for formal adoption of a pricing structure for inclusion in the 2004/05 Fees and Charges and the Management Plan.



## GENERAL MANAGER'S REPORT

**GM1**

**CORPORATE STRATEGIC PLAN**

**FILE: E3-8**

**AVB**

**{Folio No. 270267}**

**SUMMARY:**

To review changes to Council's Corporate Strategic Plan.



Council commenced the review of the Corporate Strategic Plan when it held a workshop on the 14<sup>th</sup> July 2003, facilitated by Associate Professor Dr John

Martin who is the Director of RMIT University, Centre for Regional and Rural Development. The workshop was attended by both Councillors and Senior Staff.

A number of themes were developed and changes made at the workshop and staff were asked to further develop the plan for representation to a future meeting of Council.

Attached [\(Appendix A\)](#) is a draft Corporate Strategic Plan for Councils consideration. Extensive changes have been made and they are either shown as cross outs or printed in bold type.

Both Councils Vision and Mission Statements have also been reviewed. The current Vision Statement:-

*“An area where the unspoilt beauty of the natural environment and relaxed country lifestyle are both preserved and complemented by an economy of high productivity and employment”*

Is presented as the following:-

*“The beauty of the natural environment and the country and coastal lifestyles are both preserved and enhanced by an economy of high productivity and employment”*

The Mission Statement has been altered from:-

*“Working with the Community to improve our country lifestyle through excellence in service and leadership”*

To:-

*“Working with the Community to achieve the provision of high quality services and facilities through excellence in leadership and with consideration for the needs of future generations”*

*Values are also being developed for the organisation. Jan Strom has been engaged to facilitate a Staff Team for this purpose. The values will form the basis of our dealings with our customers, determine how the Council will operate, align organisational values and individual values and will establish of a results driven organisation.*

This Council, as the developer of the Corporate Strategic Plan, in conjunction with the Community should have the opportunity to review this draft prior to it being presented to the new Council for consideration and public exhibition.

### **Report Implications**

***There are no financial, statutory or policy implications arising from this report.***

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**A V Burgess**  
**GENERAL MANAGER**

2004. 140

**RESOLVED:**

*Moved: Cl. Sproule*  
*Seconded: Cl. Bowell*

**That the draft Corporate Strategic Plan be placed on exhibition prior to presentation to the new Council.**



**CONCLUSION:**

There being no further business, the Meeting terminated at 2.55 p.m.

