

5.2. 2019-2020 REVENUE GENERAL POLICY, DEBT GENERAL POLICY AND RESERVES GENERAL POLICY

REPORT AUTHOR Tara Killeen, Chief Financial Officer

DEPARTMENT Finance, Procurement and ICT

RECOMMENDATION

That Council adopts the:

- 1. 2019/20 Revenue General Policy**
 - 2. 2019/20 Debt General Policy**
 - 3. Reserves General Policy**
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EXECUTIVE SUMMARY

In accordance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012* Council is required to adopt a Revenue Policy and Debt Policy each financial year. Section 193(3) of the Regulation states that the Revenue Policy must be reviewed in sufficient time to allow an annual budget that is consistent with the policy to be adopted for the next financial year. The Reserves General Policy is due for revision.

BACKGROUND

The Revenue General Policy is a strategic document that sets out the principles used by Council for:

- The levying of rates and charges
- Granting concessions for rates and charges
- Recovering overdue rates and charges
- The establishment of cost-recovery methods (fees)

The policy also addresses:

- The purpose of concessions
- The extent to which physical and social infrastructure costs for a new development are to be funded by charges for the development.

The Debt General Policy provides Council with a debt management strategy based on sound financial management guidelines and has been developed in conjunction with Council's long-term financial forecast.

The Reserves General Policy establishes an accounting policy for reserves for Council, in line with Council's Budget and Operational Plan

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PROPOSAL

The 2019/20 Revenue General Policy, 2019/20 Debt General Policy and Reserves General Policy are presented to Council for adoption.

ATTACHMENTS

1. Revenue General Policy **[5.2.1 - 2 pages]**
2. Debt General Policy **[5.2.2 - 1 page]**
3. Reserves General Policy **[5.2.3 - 3 pages]**

2019/20 REVENUE GENERAL POLICY

Intent

To set out the principles used by Council in 2019/20 for:

- The levying of rates and charges
- Granting concessions for rates and charges
- Recovering overdue rates and charges
- The establishment of cost-recovery methods (fees)

This policy also addresses:

- The purpose of concessions
- The extent to which physical and social infrastructure costs for a new development are to be funded by charges for the development

Scope

This policy applies to Douglas Shire Council.

Reference

Legislation:

Local Government Act 2009

Local Government Regulation 2012

Provisions

1. The Levying of Rates and Charges

In levying rates and charges the following principles will be applied:

- Consider the level of revenue that can be achieved from direct user charges, grants and subsidies, contributions and other sources.
- Consider the level of the cost of maintaining existing facilities and necessary services and the need for additional facilities and services.
- Make clear what is Council's and each ratepayer's responsibility to the rating system.
- Timing the levy of rates to ensure a sustainable cash flow for the operation of Council and to spread the cost to the ratepayer over the financial year.
- Equity through flexible payment arrangements.
- Transparency in the making of rates and charges.
- Having in place a rating regime that is simple and inexpensive to administer.
- Flexibility to take account of changes to the local economy.

Council will distribute the rates burden by use of differential rating categories with banding applied in relevant residential rating categories. Council will consider the lowest and highest rating outcomes for each differential category.

Council will separate categories for Strata Title Units and Flats. These categories will enable Council to make strategic decisions as to the appropriate level of revenue required from these two differential categories.

Council may consider levying special and separate rates and charges when appropriate, to recover the costs associated with a particular service, project or facility that provides direct or additional benefit to the ratepayers or class of ratepayer.

2. Concessions for Rates and Charges

In considering the application of concessions, Council will be guided by the principles of:

- The same treatment for ratepayers with similar circumstances.
- Transparency by making clear the requirements necessary to receive concessions.
- Flexibility to allow Council to respond to local economic issues.

Council may give consideration to granting a concession to a class of landowner without the need for an individual application (*s122 (4) of the Local Government Regulation 2012*).

3. Recovery of Overdue Rates and Charges

Council will exercise its rate recovery powers in order to reduce the overall rate burden on ratepayers. It will be guided by the principles of:

- Transparency by making clear the obligations of ratepayers and the processes used by Council in assisting them to meet their financial obligations.
- Making the processes used to recover outstanding rates and charges clear, simple to administer and cost effective.
- Equity by having regard to providing the same treatment for ratepayers with similar circumstances.
- Flexibility by responding where necessary to changes in the local economy.

Council will charge interest on all overdue rates and charges (*s133 of the Local Government Regulation 2012*).

4. The establishment of cost-recovery methods

Section 97 of the Local Government Act 2009 allows Council to set cost-recovery fees.

Council recognises the validity of fully imposing the user pays principle for its cost-recovery fees, unless the imposition of the fee is contrary to its express social, economic, environmental and other corporate goals. This is considered to be the most equitable and effective revenue approach and is founded on the basis that the rating base cannot subsidise the specific users or clients of Council's regulatory products and services.

However, in setting its cost-recovery fees, Council will be cognisant of the requirement that such a fee must not be more than the cost to Council of providing the service or taking the action to which the fee applies.

5. The purpose of concessions

Statutory provision exists for Council to rebate or defer rates in certain circumstances. In considering the application of concessions, Council will be guided by the principles set out in section 2 above.

6. The extent to which physical and social infrastructure costs for a new development are to be funded by charges for the development

Council requires developers to pay reasonable and relevant contributions towards the cost of physical and social infrastructure required to support the development. Specific charges are detailed in the policies and other material supporting Councils' town planning schemes.

This policy is to remain in force until otherwise determined by Council.

Manager Responsible for Review:

Chief Financial Officer

ORIGINALLY ADOPTED: 24/01/2014

CURRENT ADOPTION: 18/06/2019

DUE FOR REVISION: 30/06/2020

2019/2020 DEBT GENERAL POLICY

Intent

To provide Council with a debt management strategy based on sound financial management guidelines.

Scope

This policy applies to all borrowings of Douglas Shire Council.

Reference

Legislation: *Local Government Act 2009*
Local Government Regulation 2012

Provisions

The following sets out the Debt General Policy for the year ended 30 June 2020 as required by Section 192 of the *Local Government Regulation 2012*.

Principles

1. Council aims to finance capital works and new assets to the greatest extent possible from revenue, grants and subsidies or any specific reserves primarily established to fund capital works.
2. It is Council's intention to fully fund depreciation (when possible) which requires a significant source of funding.
3. Long term borrowings for capital works and new assets should be limited, where possible, to assets that will provide an intergenerational benefit.
4. Council will review the projected ratios of interest and redemption as a percentage of rates revenue to set a target range.
5. Council will not use long-term debt to finance operating activities or re-current expenditure of Council.
6. The repayment period for new borrowings will be set at 10 years or less, except in the case of borrowings for major long-life infrastructure assets or for capital works which have been levied to ratepayers as a special charge, where a repayment period will be determined on a case by case basis.
7. Detailed capital works and asset acquisition programs for the next 5 years together with the 10 year financial forecast will provide the basis for the determination of funding options.

Borrowings for the ten years ending June 2029

At this stage, Council's 10 year financial forecast does not include any planned borrowings, however this will be reviewed on an annual basis.

The repayment term of existing and new borrowings will be in accordance with the repayment schedule relevant to each loan.

This policy is to remain in force until otherwise determined by Council.

Manager Responsible for Review:

Chief Financial Officer

ORIGINALLY ADOPTED: 24/01/2014

CURRENT ADOPTION: 18/06/2019

DUE FOR REVISION: 30/06/2020

RESERVES GENERAL POLICY

Intent

To establish an accounting policy for reserves for Douglas Shire Regional Council, in line with Council's Budget and Operational Plan.

Scope

This policy applies to the Douglas Shire Council budget and audited financial statements.

Reference

Legislation:

Local Government Act 2009

Local Government Regulation 2012

Provisions

The purpose of creating reserves is to provide a source of funds for anticipated future capital works projects and any operational expenditure related to the associated reserve. The amount in each reserve relates to an anticipated future requirement which is not currently a liability.

Each reserve approved by Council must have the following identified:

- The name of the reserve;
- The purpose of the reserve;
- The source of funds of the new reserve;
- The use of funds in the reserve;

Once the new reserve has been approved, appropriate funds must be debited against retained funds and credited against the new reserve.

In accordance with this policy, transfers to and from a reserve can only be made by Council resolution or by inclusion in Council's annual budget. Transfers to and from reserves must be made for the stated purpose of the reserve, as outlined in this policy.

All reserves are to be cash backed. Cash representing the reserves will be held in Council's operating bank account or authorised investment.

If the purpose for which the reserve was created no longer exists, Council may close the reserve. In the event that this occurs, the funds held in the reserve must be credited to retained funds.

The utilisation of reserve funds for capital funding purposes will be managed via the Capital Works Program Source of Funds. The utilisation of reserve funds for operational purposes will be managed through the operational budget.

This policy provides for the establishment of the following reserves (refer Appendix A for more details):

- Constrained works reserve
- Daintree Ferry reserve
- Public art reserve

This policy is to remain in force until otherwise determined by Council.

Manager Responsible for Review:

Chief Financial Officer

ADOPTED: 27/06/2014

CURRENT ADOPTION: 18/06/2019

DUE FOR REVISION: 30/06/2022

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APPENDIX A

The following reserves have been established by Council:-

Constrained Works Reserve

Introduction:

State/Federal grants and developer contributions are constrained for the purpose of ensuring that funds are available for capital works projects such as roadways, drainage and parks etc.

Source of Funds:

This capital reserve sources funds from developer contributions, state and federal grants and other sources which have been provided for the purpose of funding specific capital expenditure.

Use of Funds:

The funds held in this reserve will be utilised through infrastructure works for the identified purpose.

Officers responsible for reserve: Management Team

Daintree Ferry Reserve

Introduction:

The purpose of this reserve is to constrain revenue generated from Daintree Ferry operations to ensure that future capital and operational expenditure will be funded.

Source of Funds:

At the end of each financial year, Council will transfer the net operating position of the Daintree Ferry operations into this reserve.

Use of Funds:

Funds in the reserve will be used to cover any costs associated with providing the Daintree Ferry Service.

Further details are available in Council’s Daintree Ferry Revenue Policy.

Officer responsible for reserve: Executive Manager Infrastructure

Public Art Reserve

Introduction:

The purpose of this reserve is to build up a public art “bank” to support streams of the public art program and all ancillary costs.

Source of Funds:

Funds allocated to this reserve will be as determined by Council.

Use of Funds:

Funds from this reserve will be used on public art projects and associated ancillary costs.

Officer responsible for reserve: Manager Community Development