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STORMWATER MANAGEMENT SERVICES CHARGE GUIDELINES

This Circular is to advise councils of the release of the Stormwater Management Services Guidelines (attached).

The Guidelines have been developed to assist councils that wish to levy a stormwater management services charge. They describe in detail the requirements associated with levying the charge.

The Department of Local Government and the Department of Environment and Conservation have jointly prepared the Guidelines in consultation with the Local Government and Shires Associations of NSW, local government finance and rating professional bodies, a number of councils and a number of Catchment Management Authorities.

The Guidelines have been adopted under the provisions of section 23A as Director General's Guidelines. As such, councils are required to consider these Guidelines when levying a stormwater management services charge in accordance with section 496A of the *Local Government Act 1993* and clauses 125A, 125AA, 200A and 217 of the Local Government (General) Regulation 2005.

The aims of the Guidelines are to:

- explain the details related to levying the charge and allocating expenditure for stormwater management services to eligible privately owned land and
- outline community consultation and reporting requirements through inclusion of particulars related to stormwater management services in council's management plan and annual report.

The Guidelines replace the Frequently Asked Questions attached to the department's Circular to Councils 06-24 *Stormwater Management Services Charge – Commencement of legislation and updated FAQs*.

A handwritten signature in blue ink, appearing to be 'Garry Payne', with a long horizontal stroke extending to the right.

Garry Payne
Director General



Stormwater Management Service Charge Guidelines

Department of Local Government

July 2006

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1 Introduction

1.1 Scope and purpose

These Guidelines, adopted and issued by the Director-General of the Department of Local Government under section 23A of the *Local Government Act 1993*, are to assist councils that wish to levy a stormwater management service charge. This option has recently been made available through amendments to the *Local Government Act 1993* and the *Local Government (General) Regulation 2005* (see **Appendix A** for legislative provisions).

The Guidelines describe in detail the requirements associated with levying the charge including:

- details related to levying the charge
- the allocation of expenditure for new/additional stormwater management services provided to eligible privately owned land; and
- community consultation, management planning and reporting requirements.

The Guidelines have been divided into six main sections:

- Section 2 provides background information on stormwater management;
- Section 3 outlines the roles and responsibilities for stormwater management within New South Wales;
- Section 4 describes stormwater management services;
- Section 5 outlines the particulars relating to levying the charge;
- Section 6 briefly describes changes to planning related to stormwater management; and
- Section 7 highlights additional reporting requirements associated with the charge.

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A worked example is presented in **Appendix B** to provide councils with a model for levying the charge. **Appendix C** contains a flowchart and checklist to assist councils determine and undertake the necessary steps to implement the charge.

Councils must take into consideration these Guidelines when planning, implementing and reporting on the levying of a stormwater management service charge.

1.2 Relationship to other documents

These Guidelines should be read in conjunction with other Department of Local Government publications, which provide additional information for councils on levying a stormwater management service charge. These and other relevant policies and publications are listed in **Appendix A**.

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2 Background

2.1 Stormwater management issues

Increasing urbanisation has resulted in a significant increase in impervious surfaces and has significantly increased the volume of stormwater flowing into urban waterways. These flows contribute substantial loads of litter, sediment and chemicals to urban waterways, as well as causing flooding in some areas.

In addition, appropriate asset management (through maintenance and replacement of drains and stormwater treatment measures) and the harvesting and reuse of stormwater is becoming increasingly important.

Meanwhile, issues associated with the sustainable supply of potable water clearly demonstrate the need for robust water conservation measures across the State. Stormwater harvesting and reuse schemes, providing an alternative source of supply for non-potable uses, at least partly address this issue through their potential to augment supply. A range of pilot schemes have been implemented across New South Wales, and these are providing evidence for the feasibility of transforming stormwater, previously considered as waste, into a valuable resource.

Stormwater management involves the use of structural (eg. physical infrastructure and treatment techniques) and non-structural (eg. education programs and monitoring) measures to both improve stormwater quality and mitigate excessive flows. This contributes to pollution abatement, protection of aquatic ecosystem health and flood mitigation.

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2.2 NSW Government response

The NSW Government acknowledged the importance of urban stormwater management in the late 1990's, and introduced the *Waterways Package*. As part of this Package, the *Urban Stormwater Program*, administered by the Stormwater Trust, provided \$82 million worth of funding for local programs over a 5-year period. This approach significantly raised the profile of stormwater management, and helped to motivate councils to improve stormwater practices. The success of this program, demonstrated through the significant environmental gains achieved, identified the need to establish a sustainable funding source aimed solely at providing for improved stormwater management.

In recognition of councils' key role in stormwater management and the need for ongoing funding for stormwater management, the NSW Government amended the *Local Government Act* in October 2005 to allow councils the option of levying a stormwater management service charge. Amendments to the *Local Government (General) Regulation 2005* provide supporting detailed requirements for this charge. These amendments came into force in April 2006.

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3 Stormwater management roles and responsibilities

Councils have primary responsibility for stormwater management within their local government area. This includes managing both stormwater quality and quantity in their area and ensuring that potential negative stormwater impacts are not transferred across council boundaries.

A variety of organisations and State agencies in New South Wales share responsibility for stormwater management with local government. These include:

- water supply authorities - **Sydney Water** and **Hunter Water Corporations** hold responsibility for predominantly large (or trunk) drains within a proportion of their operational areas. They are required to maintain both the condition and hydraulic capacity of these assets. Sydney Water's stormwater assets extend across 27 local government areas in the greater Sydney metropolitan area, while 75% of Hunter Water drains are within the three major Hunter region councils - Lake Macquarie, Cessnock and Newcastle. Water supply authorities may levy charges on landowners in certain areas for trunk drain operations and maintenance. Such charges do not preclude the levying by councils of a stormwater management service charge to provide revenue to cover a proportion of councils' costs in managing the remainder of the stormwater system within a catchment.
- **RailCorp**, which has primary responsibility for railway corridor drainage systems;
- **Roads & Traffic Authority (RTA)**, with stormwater management responsibilities normally limited to drains needed to pass stormwater across State roads. The RTA contributes to the cost of drains along these roads under certain circumstances, and also has responsibility for stormwater management on its freeways;
- **Upper Parramatta River Catchment Trust (UPRCT)** has responsibilities for stormwater management within the Upper Parramatta River catchment. The Trust works closely with the four councils within the catchment – Parramatta, Blacktown, Baulkham Hills and Holroyd. The Trust is due to be incorporated within the Sydney Metropolitan Catchment Management Authority in 2006; and
- **NSW Maritime**, which is responsible for collecting litter and other gross pollutants from Sydney Harbour, as part of its Harbour Cleaning Service. Most of this material is sourced from stormwater systems.

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A number of other State agencies carry responsibility for establishing the policy framework for environmental and natural resource management, including stormwater management. These are:

- **Department of Environment & Conservation (DEC)**, which has supported the Stormwater Trust since its inception, and coordinates the policy direction for stormwater management in New South Wales. Additionally, the DEC is developing a suite of documents under the *Managing Urban Stormwater* theme, published to provide guidance to councils and developers on issues ranging from treatment techniques to stormwater planning.
- **Department of Natural Resources (DNR)**, which holds ultimate responsibility for management of natural resources within the State. Of particular relevance to stormwater management is the integral role the Department has in coordinating Floodplain Management Plans (FMPs);
- **Catchment Management Authorities (CMAs)**, which are responsible for overseeing natural resource management within their respective catchments. Generally, they also play a major role in determining distribution of Commonwealth and State funding to local government natural resource management projects.

In relation to stormwater management specifically, the CMAs may identify potential stormwater management related projects of regional significance through Catchment Action Plans. **For the purpose of administering the stormwater management service charge, councils need to consider these plans prior to determining which stormwater management activities will be funded by the charge.**

Through consulting with CMAs during the project/activity planning phase involved with levying the charge, councils have the opportunity to both:

- meet the needs of their own communities, which is particularly important for a service charge; and
 - adopt partnership approaches towards addressing stormwater issues of regional or catchment-wide significance.
- **Department of Energy, Utilities & Sustainability (DEUS)**, which promotes integrated water cycle management by water utilities to manage water systems in a sustainable way that benefits the community and local environment. The Department also provides guidance and support to local water utilities that operate under the *Local Government Act*.

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4 Council stormwater management services

4.1 Stormwater management services

Stormwater management can be broadly defined as managing the quantity and quality of stormwater runoff from a catchment with the aim of:

- minimising stormwater impacts on aquatic ecosystems;
- minimising flooding impacts; and
- utilising stormwater as a water resource.

The *Local Government Act* defines a stormwater management service as “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”.

Closely related to stormwater management is the restoration or rehabilitation of creeks and other waterways degraded by past stormwater runoff impacts.

The land within a catchment can be broadly categorised for stormwater management purposes as:

- public land owned by council (eg parks and roads);
- private land (eg private residential properties and commercial/ industrial premises); and
- non-rateable land that is not council owned public land.

Council stormwater management activities can therefore be split as follows:

- stormwater management services to private land;
- stormwater management services to public and other non-rateable land; and
- restoration activities (ie restoring degradation arising from past poor practices, including stream and riparian vegetation rehabilitation).

Table 1 presents an indication of potential council stormwater management activities that are usually related to each of these three categories. Some of these activities are common across both private and public/non-rateable land, in proportion to the amount of stormwater runoff from each of these land types.

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Table 1: Typical stormwater management activities

Private land related activities	Public/non-rateable land related activities	Restoration
Monitoring of water quality and aquatic ecosystem health to assess effectiveness of stormwater pollution controls		Bushcare projects or activities (unless the proposed project/ activity relates to stormwater impacts on bushland)
Cleaning up stormwater pollution incidents		Management or rehabilitation of riparian vegetation
Monitoring of flows in drains and creeks, to assess effectiveness of flow management (flooding) controls		Management/ rehabilitation of streams/ degraded waterways
Planning, construction and maintenance of drainage systems, including pipes, channels, retarding basins and waterways receiving urban stormwater		
Planning, construction and maintenance of stormwater treatment measures, including gross pollutant traps and constructed wetlands		
Planning, construction and maintenance of stormwater harvesting and reuse projects		
Implementation of local and regional stormwater-related priorities identified in Catchment Action Plans (CAPs)		
Replacement of stormwater assets (i.e., drainage channels, pipes, treatment measures, etc)		
Planning and undertaking of community and industry stormwater pollution education campaigns	Irrigation of publicly-owned parks or gardens by treated stormwater	
Inspection of commercial and industrial premises for stormwater pollution prevention purposes	Street sweeping	
	Managing stormwater flows and quality from national parks, Crown land, etc.	
	Kerb and guttering, unless required to manage stormwater runoff from private land for flood mitigation purposes	

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4.2 Stormwater management service costs

Many councils have not specifically identified their stormwater management costs. This is because many of their stormwater management activities can be related to other council activities such as:

- Environmental management
- Road construction and maintenance
- Waste management
- Land use planning

Where a council has a dedicated and inclusive stormwater management budget, the costs for these activities have not normally been attributed to managing stormwater runoff from private and other land (eg public and non-rateable land). Therefore the costs of providing a stormwater management service to private land have often not been specifically identified.

It is relatively difficult to estimate the stormwater management service costs to a specific parcel of land, particularly in comparison to other services that may be provided by council, such as water supply services where council is a water utility. It is not practical or cost-effective to measure the amount of stormwater runoff from an individual parcel of land and the associated load of stormwater borne pollutants. Councils therefore need to adopt a reasonable approach to estimating each parcel of land's contribution to council's stormwater management costs.

The overwhelming majority of annual stormwater runoff volume and pollutant load from an urban area is derived from runoff from impervious surfaces. These include roads, roofs, car parks and other paved areas. A common approach used in North America to apportion stormwater management costs is to estimate the entire stormwater management costs for a catchment and to apportion these costs based on the impervious areas within the catchment (ie derive costs per unit of impervious area). To minimise administrative costs in this approach, a constant impervious area is often assumed for single residential dwellings based on a calculated average sized residential block and the impervious area either calculated directly or as a function of the residential block area for commercial or industrial land.

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This approach forms the basis of the stormwater management service charge described in Section 5. The average impervious area of a residential lot based on data supplied to the Department of Local Government by councils is 320 m². Business and commercial lots generally have a much higher impervious surface area than residential lots. In addition, the total area of business lots is considerably more variable than for residential lots, ranging from a size equivalent to a residential lot to a number of hectares. An “equivalent residential lot” has been used to specify the upper limit of the business land charge in the *Local Government (General) Regulation*. This notional lot size is based on an impervious area of 320 m², (equivalent to that of a residential lot) and the assumption that a business lot is 90% impervious (refer to **Appendix D**). The equivalent lots sizes for business lots is therefore 350 m² (as 90% of 350 m² is approximately 320 m²).

This approach can be used by councils to apportion their stormwater management costs. Indicative impervious fractions (or discharge factors) for various land uses are presented in **Appendix D**.

A reasonable approximation of the split in impervious areas between land categories in a typical urban area is:

- approximately half of the impervious area is from private residential or business land and
- the other half of the impervious area is from public roads, reserves and other non-rateable land.

There may be individual instances where the council does not provide any stormwater management services to a parcel of land (eg for a parcel of land abutting the sea with a privately owned stormwater discharge pipe) or provides a reduced level of service. Examples include golf courses for which a much smaller than average proportion of land is impervious, or residences/businesses that can demonstrate they deal with a lot of their own stormwater privately through harvesting, private pipes etc. This is discussed further in Section 5 in relation to the stormwater management service charge.

5 Levying a stormwater management service charge

Key Points

- *The upper charge limit is set at \$25 for urban residential land, and \$25 per 350m², or part thereof, for urban business land.*
- *The level of the charge must not exceed the anticipated cost of providing a new/additional stormwater management service to land subject to the charge.*
- *A council cannot levy the charge where an existing special rate or drainage charge providing **primarily** for stormwater management is in place, **regardless** of whether the council received a special variation to implement the special rate or charge.*

5.1 Purpose of the charge

The purpose of the charge is to allow councils the option to raise additional revenue to cover some or all of the costs of providing new/additional stormwater management services within a catchment, suburb, town or local government area (LGA). This is to cover costs additional to those attributed to the level of service provided to the area in previous years, which has been funded by council's general income (ie excludes services provided by external ad-hoc grant funds). Council's stormwater management service costs may vary between years, hence an average cost over recent years would be appropriate (eg 3-5 years – the longer the time the more representative the average would be as significant variations would be smoothed out). The cost of continuing to provide the level of service equivalent to that provided in recent years must be met from other income sources (eg general income).

Certain land is exempt from the charge (see section 5.2) and the charge cannot be levied when a council has a stormwater-related special rate or special variation granted primarily for stormwater management or a drainage charge in place. The charge must not exceed the estimated cost of implementing the new/additional stormwater measures (see section 5.4) and the *Local Government (General) Regulation* caps the maximum amount of the charge for both residential and business properties (see section 5.3).

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The stormwater management service charge cannot be used for dealing with stormwater run-off from public land. A broad analogy to this is the domestic waste management charge. Councils levy this charge on domestic premises to recover the costs of providing domestic waste management services. However, the cost of collecting waste from public areas and restoration of old landfills is recovered from ordinary rate or other income. A difference between the two charges is that the stormwater charge is to be for new/additional activities, rather than for fully recovering the costs of providing the stormwater management service.

Example:

A council has spent an average of \$10 million/year on stormwater management services within its LGA on capital and recurrent expenditure over the last 5 years. The council wants to increase its expenditure to \$12 million, to provide additional stormwater services, focused on flood mitigation and stormwater harvesting. There are 100,000 residential properties within the LGA, and the council wants to raise the extra \$2 million by levying a \$20 stormwater management service charge on each property.

Council then needs to check that:

- 1) properties are eligible to be charged (section 5.2) and they are within an eligible rating category (ie. residential, business)
- 2) the proposed \$20 charge is less than the regulated upper limit (section 5.3); and
- 3) the proposed charge is no more than the cost of providing stormwater management services (section 5.4).

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Figure 1 illustrates how the cost of new/additional stormwater works can be met through the stormwater management service charge.

The costs of the new/additional stormwater management services can be recovered using the stormwater management service charge up to the regulated upper limits and where the costs of the new/additional services are less than the costs of providing the service to chargeable land.

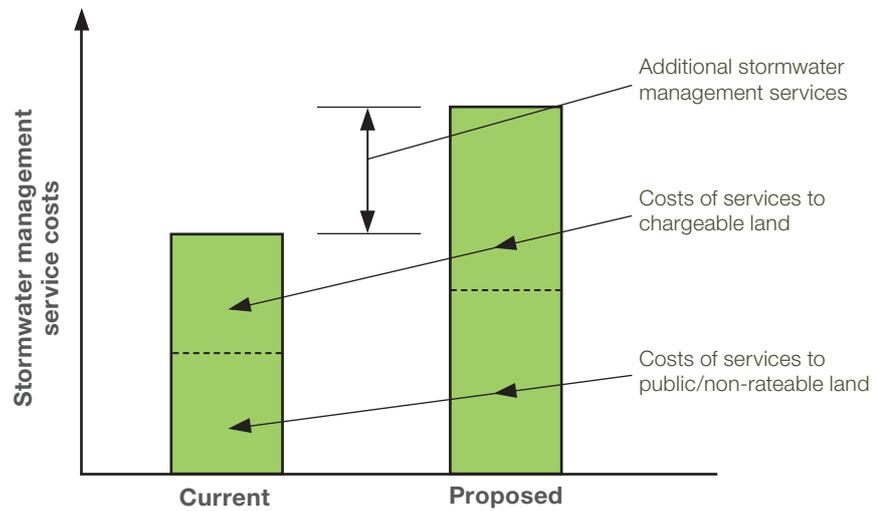


Figure 1 – Relationship between stormwater service costs and additional costs

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5.2 Land eligible to be charged

Councils may apply the charge to parcels of rateable land categorised as residential or business under the *Local Government Act* within an urban area, that benefit from the proposed new/additional stormwater management services. These urban land-use categories are deemed most likely to contribute to increased stormwater flows and pollutant loads, as they contain a greater proportion of impervious area related to total land area. For this purpose, “urban” means land within a city, town or village. This may differ from the definition of urban contained in council’s local environmental plan.

Urban land exempt from the charge includes:

- public land, such as:
 - Crown land,
 - council-owned land, and
 - land held under a lease for private purposes granted under the *Housing Act 2001* or the *Aboriginal Housing Act 1998*;
- vacant land, as in land containing no buildings, car parks or large areas of material such as concrete (i.e., no impervious surfaces); and
- rural residential or rural business land (i.e., land not located within a village, town or city)
- land belonging to charities and public benevolent institutions.

Councils may not levy the charge if they have a drainage charge or a special rate or special variation where the primary purpose is stormwater management – this is discussed further in section 5.5. A council is also not to levy a stormwater management service charge if it is a water supply authority and levies a stormwater charge under the *Water Management Act 2000*. These charges are regulated by the Independent Pricing and Regulatory Tribunal (IPART) – this provision applies to Gosford and Wyong Councils.

Councils are not to levy the charge on land where they do not provide a stormwater management service.

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Councils may not have immediate access to information about properties to help determine if a parcel of land is exempt from the charge, and should determine appropriate mechanisms for identifying land as vacant or urban. This will involve identifying criteria for both vacant and urban land. It will also involve an appeals mechanism, such as including information with rates notices about a process where ratepayers can apply for an exemption, should they believe their land should not be subject to the charge.

If a parcel of land is vacant at the start of the rating period and a building is constructed on the land during the year, council could levy a pro-rata charge. However, to keep the administrative costs reasonable, council could decide to defer levying the charge until the following rating period. In the less likely circumstances of a parcel of land becoming vacant during a year, council could offer a rebate to the ratepayer on application. Council could charge a fee to cover any administrative costs associated with reimbursement.

If a council is concerned about stormwater quality from rural-residential or other rural land, an option to fund associated stormwater management activities would be to apply a special rate. This could be levied with or without a special variation approval.

5.3 Limits to the charge

Specified limits

Under the *Local Government (General) Regulation* the upper charge limit for urban residential land is \$25. Urban business land can be charged up to \$25 per 350m² of land area, or part thereof. This acknowledges the often greater area, proportionately, of impervious surfaces on urban business land as compared to urban residential land.

The charge amount levied by a council must also not exceed the anticipated cost of providing the new/additional stormwater management service to land subject to the charge. If the anticipated cost is estimated to be less than the \$25 cap, then councils may only levy this lesser amount (as this reflects the cost of service provision).

Appendix C contains a flowchart and checklist that councils may use when levying the charge.

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In most council areas, the greater percentage (over 90% on average) of rateable properties subject to the charge are residential (based on the Department of Local Government's council comparative information) and the administration of charges for these properties is relatively straightforward. Charging of business properties and strata lots, however, is more complex (see below).

While the Regulation sets maximum limits for the charge, councils may choose to levy a lower charge. This gives councils the flexibility to levy the charge in a manner that minimises administration costs for business properties and strata lots. However, councils need to ensure that the charge remains as equitable as possible across all land uses.

Calculating the Business land charge limit

Councils should have access to land area and unit entitlement information in valuation lists provided by the Valuer General or in their GIS. Councils will need to ensure that this data is integrated with data in existing rating programs to enable the upper charge amount for urban business land to be calculated.

Councils may choose to implement a simple charge approach in the first year of application that balances administrative costs, income received, and the gap between the capped amount and the charge amount (as councils will need to recover these costs from other income). Potential interim options for applying the charge could include:

- charging all businesses a flat \$25 and all business strata units a flat \$12.50 or
- charging all small-medium sized businesses a flat \$25 (eg, up to 1,200m²) and charging larger businesses (eg, over 1,200m²) either a higher flat charge (eg, \$100) or an area-based charge. Large businesses are relatively rare, and the extra effort required for collecting area data in these circumstances may be warranted due to the potential for additional income.

During the first year of implementation councils should ensure they collect the data necessary to refine the application of the charge in later years. It is expected that after the first year of implementing the charge councils will charge business properties based on actual land area data.

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Example

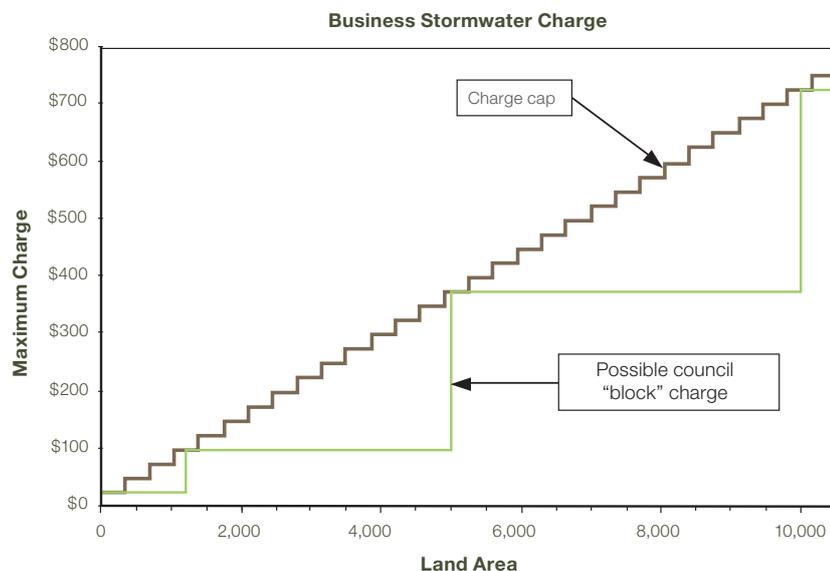
A council wants to achieve a reasonable balance between the administrative costs of levying the stormwater management service charge on business land and the revenue from the charge. Council is aware of the need for the charge to also be reasonably equitable relative to the charge for residential properties, to ensure that there are no community concerns about households effectively subsidising stormwater management service costs from businesses.

Council decided that the most appropriate approach was a relatively simple “block charging approach”. This involved levying the charge on the following basis:

- \$25 for all lots with an area below 1,200 m²
- \$100 for lots with an area greater than or equal to 1,200 m² and below 5,000 m²
- \$375 for lots with an area greater than or equal to 5,000 m² and below 10,000 m²
- \$725 for lots with an area greater than or equal to 10,000 m²

These charges are below the regulated cap of \$25 per 350 m² for business land. The relationships between the cap and these “block charges” is illustrated in **Figure 2**.

Figure 2 – Example business land “block charge”



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Calculating the charge for strata lots

Note that regulations governing the charging of strata lots for stormwater management services are yet to be made under the Local Government (General) Regulation 2005. An amendment to the Regulation is expected to occur in the latter half of 2006. In the meantime, policy on levying the stormwater management service charge on strata lots is provided in these Guidelines (below).

Calculating the charge for residential strata lots

Councils may only charge the actual cost of providing a stormwater management service to residential strata lots. The cost of managing stormwater runoff from impervious surfaces is usually substantially less per residential strata lot than per standard residential property.

Councils may adopt any reasonable approach to determining the charge for strata lots, provided the charge does not exceed the lower of the cost of providing the service or half (50%) of the residential upper limit (ie. \$12.50). Residential strata lots may only be charged up to **50% of the adopted charge as applied to standard residential properties**. This effectively caps the charge to residential strata units at \$12.50 per unit.

For example, if the cost of providing a stormwater management service to standard residential properties is calculated to be \$20 per property, strata lots would be levied at up to \$10 per strata lot. In certain circumstances, such as for high-rise strata properties, councils may determine that the cost of providing the stormwater management services is less per strata lot than \$10. In such circumstances councils may levy a lesser amount again, for example \$5 per high-rise strata lot.

Calculating the charge for business strata lots

As discussed under 5.3, councils may adopt a simple approach for calculating the charge for business strata lots in the first year. However, the charge may not exceed the lower of the cost of providing the service or the business upper limit (\$25 per 350m² of land area then divided between the strata lots). One option would be to charge \$25 per 350m² of the land area occupied by the strata scheme (or part thereof), which is then divided on a pro-rata basis between the lots.

In the event that this approach results in individual contributions of less than \$5, the council may adopt a minimum amount of \$5 to be levied on each strata lot.

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Example

A building containing 10 business strata lots has a land area of 1,250m². If the cost of providing the stormwater management service to the building is estimated to be \$120, but the cap for a land area of 1,250m² is 4 x \$25 = \$100, each of the 10 units would then be levied an amount of \$100 ÷ 10 = \$10. The gap between the capped amount and the service amount for the building, in this case \$20, must be funded from other income sources. As an alternative, a council may choose to apportion the charge according to the unit entitlement as determined by the Valuer General.

Calculating the charge for company title properties

The charge for company title properties is calculated in the same manner as strata title properties, according to the land category (residential or business). That is, if a parcel of land under company title is categorised as residential, the charge that applies to other residential strata lots would be levied on each individual shareholder. If the parcel of land under company title is categorised as business, the charge would be calculated according to the land area and divided among the shareholders, either equally or proportionately at the council's discretion.

In the event that this approach results in individual contributions of less than \$5, the council may adopt a minimum amount of \$5 to be levied on individual unit entitlement or share holders.

Calculating the cost for mixed development

Councils may adopt any reasonable method of calculating the charge for mixed developments. Two possible approaches are:

- adopt the dominant rating category as applying to the total parcel of land, using data provided by the Valuer General. The methods described above would then be used to determine the charge for this dominant use; or
- calculate a pro-rata charge for each portion of the mixed development. This is a more equitable arrangement, although the levying the charge on this basis will require more administrative effort.

In the event that a mixed development is 50% residential and 50% business, council has the discretion to determine whether to charge the property as a residential or business property.

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Calculating the cost for stratas with multiple categories

Councils may adopt any reasonable method of calculating the charge for strata schemes with multiple categories (ie strata schemes with both residential and business strata lots). Councils should use their discretion in determining the most appropriate charge as long as the charge does not exceed the service provided to the property.

One possible approach would be for councils to adopt the dominant category as applying to the total strata scheme.

5.4 Anticipated cost of service provision

Councils may adopt any reasonable approach to estimating the costs of providing new/additional stormwater management services to land subject to the charge. This may be determined on a project-by-project basis, or across the whole catchment or local government area. Importantly, councils cannot levy a charge that exceeds the anticipated cost of providing a stormwater management service to a property subject to the charge. This means that councils must determine the cost of providing such a service before introducing the charge.

A suggested simple and justifiable method of determining the cost of offering such a service is to estimate the total cost of the stormwater management service to an area (i.e. a suburb, catchment or LGA) and pro-rata the costs to individual parcels of chargeable land based on their impervious area (as discussed in Section 4.2)

Councils should aim to demonstrate that properties are levied a charge according to the stormwater management services provided to them. In practice, it is difficult to directly link all stormwater management services back to the individual properties levied (eg. education, water quality testing). To overcome this problem, councils may choose to take a 'global' approach in providing stormwater management services across their local government area rather than on a catchment-by-catchment basis. However, in doing so, councils still need to ensure equitable distribution of stormwater management services over time.

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Example

A council is proposing to spend an additional \$2 million annually to provide stormwater management services to its council area. The council area contains 20,000 residential lots, 2,000 strata lots and 500 businesses. Based on the approach to charging strata lots in section 5.3, the 2,000 strata lots can be considered to be equivalent to 1,000 residential lots. Council has calculated the area of the 500 businesses to be equivalent to that of 1,000 residential lots. Hence the number of actual and equivalent residential lots is 22,000.

Council has estimated that half of the land within the area is chargeable land, hence \$1 million in additional costs can be attributed to 22,000 lots, or \$45 per lot. This represents the cost of additional service provision for a residential lot. For a strata lot, the additional service provision cost can be estimated at \$22.50. The cost for business lots is \$45 per 350 m² or part there of.

Note: These figures represent total **cost** rather than the amount that can be **charged**, which is capped at \$25 for a residential lot and \$25 per 350 m² for a business lot.

5.5 Relationship between charge and special rate/special variation

Difference between charge and special rate

Table 2 outlines the differences between a special rate for stormwater management and a stormwater management service charge.

Table 2: Stormwater management special rate vs service charge

	Special rate for stormwater management	Service charge for stormwater management
Calculation method	Structure must include an ad valorem component	The lower of a specified cap (\$25 for residential lots) or the anticipated cost per lot of providing new/additional stormwater services.
Payees	Specific group of ratepayers who benefit from, contribute to need for, or have access to service	All eligible ratepayers in the LGA receiving a stormwater management service
Rate pegged	Yes	No
Approval/consultation process	Ministerial approval required if special rate causes council to exceed permissible general income limit	Community consultation through draft management planning process
Reporting process	In annual report if subject to special variation approval	In annual report

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Existing drainage charge, stormwater special rate or special variation

A council cannot raise the stormwater management service charge if the council has in place a special variation approval **primarily** for stormwater management activities that would apply for the period when the service charge is proposed. Regardless of the method employed to raise additional income for stormwater management activities, the use of this income combined with revenue raised from levying the charge for stormwater management purposes would be considered to be 'double-charging'.

If a council has received a special variation that includes a stormwater component, the council will be required to determine whether the stormwater component was incidental or primary to the overall purpose of the application.

If the council determines that stormwater was only an incidental component, it would be able to retain the income derived from the special variation and implement the new stormwater management service charge.

If the council determines that the application was primarily for stormwater related activity, it cannot continue to collect the special variation revenue and also levy the new stormwater management service charge. If the council wanted to implement the new stormwater charge it would be required to discontinue collecting the revenue being raised from the special variation before levying the new charge. In these circumstances, council would still be expected to fund the works previously done from the special variation out of a funding source other than the new stormwater management service charge. This would create a catch-up in general income which would be forfeited after 2 years.

If the council determines that stormwater is only an incidental component of a special variation approval, it may wish to determine the exact proportion of the special variation that relates to stormwater and adjust its rating structure accordingly to ensure there is no perception of 'double-charging'. However, this is not a requirement under these Guidelines.

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In circumstances where a council has not received Ministerial approval to raise its general income limit to include income from a special rate or drainage charge, councils would still need to discontinue any special rate or drainage charge raised primarily for the purposes of stormwater management before implementing the stormwater management service charge. The requirement for allocation of funding from general income to be equivalent to that previously allocated to stormwater management still applies.

In summary, a council may only levy the stormwater management service charge after discontinuing any stormwater special rates or charges that are raised either within its general income limit or via a special variation to its general income level. This is to prevent the perception of 'double-charging'.

Examples:

Council C has in place an approved special variation which funds the council's water quality monitoring program. As stormwater management could be considered to be a primary component of this program, Council C would not be permitted to introduce the stormwater management service charge.

Council D has an existing special variation that funds the upgrade of local roads, including construction of stormwater infrastructure to convey runoff from the roads. As the stormwater management component of the program could be considered to be incidental to the primary program purpose, Council D would be able to levy the stormwater management service charge. The ongoing costs of managing stormwater runoff from the road would be met from Council D's general income.

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Need for additional revenue for stormwater management

In circumstances where a council determines that the revenue needed to address local stormwater issues is above the amount that could be raised through levying the charge, the council could apply to the Minister for a special variation as an alternative to levying the charge. If a council was considering submitting a variation application, it would need to have either already implemented the stormwater management service charge or be able to substantiate why it has not done so.

Additionally, the variation application would need to justify why higher revenue is required than the amount that could be received from levying the charge. Effectively, the special variation application needs to include a case against the application of the levy. Should the variation be approved, the council cannot also levy the charge. This is to avoid perceptions of 'double charging'.

5.6 Discounts and rebates

The offering of discounts or rebates to owners of properties subject to the charge is at the discretion of each council. Discounts or rebates could be applied in circumstances including where:

- residents can demonstrate good stormwater management practice, particularly relating to installation of rainwater tanks, prior to introduction of the charge;
- pensioners are liable for the charge; or
- councils wish to encourage businesses to adopt improved stormwater management practices.

However, the mandatory concession that applies to ordinary rates, domestic waste management, water and sewerage charges does not apply to the stormwater management service charge.

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5.7 Expenditure of service charge income

Funds accumulated through levying of the stormwater management service charge do not have to be spent within the year they are raised, as it is recognised that these funds may be used to resource major programs spanning a number of years. Relevant financial reporting requirements apply, however, to ensure that expenditure is appropriately accounted for.

The income from the charge can be spent on both capital projects and recurrent expenditure relating to new/additional stormwater management services such as:

- planning, construction and maintenance of drainage systems, including pipes, channels, retarding basins and waterways receiving urban stormwater;
- planning, construction and maintenance of stormwater treatment measures, including gross pollutant traps and constructed wetlands;
- planning, construction and maintenance of stormwater harvesting and reuse projects;
- planning and undertaking of community and industry stormwater pollution education campaigns;
- inspection of commercial and industrial premises for stormwater pollution prevention;
- cleaning up of stormwater pollution incidents (charge can fund a proportion);
- water quality and aquatic ecosystem health monitoring of waterways, to assess the effectiveness of stormwater pollution controls (charge can fund a proportion); and
- monitoring of flows in drains and creeks, to assess the effectiveness for flow management (flooding) controls (charge can fund a proportion)
- staff specifically appointed to provide the stormwater management service associated with the charge (eg temporary project staff).

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As a rule of thumb, approximately 10 – 15% of the costs associated with stormwater capital project works should be allocated for continued maintenance of the project.

Funding from the charge **cannot** be spent on activities for which the primary purpose does not relate to providing stormwater management services to parcels of land eligible to be charged. These include:

- parks and garden activities;
- riparian restoration or management;
- bushcare (unless proposed activity specifically relates to stormwater impacts on bushland);
- street sweeping;
- kerb and guttering (unless dealing with flooding from private land); and

While some of these activities relate broadly to stormwater management, they are not normally related to managing stormwater from parcels of land eligible for a stormwater management service charge.

Councils that are also a water utility can plan their water supply, sewerage and stormwater activities on an integrated basis, through integrated water cycle management. A council can then use funds from the stormwater charge to fund new/additional stormwater services identified through such an integrated approach.

6 Additional stormwater planning requirements

Key Points

- *The particulars of proposed stormwater management services to be funded by the charge and from all other sources must be included in a council's draft Management Plan.*
- *There must be clear differentiation between expenditure on stormwater management activities related to the charge, and that related to general income or other stormwater related charges by other organisations.*
- *Catchment Action Plans must be referred to when identifying proposed stormwater management activities.*

Allocation of expenditure for stormwater management activities requires significant planning on at least two different levels:

- Economic - in the context of organisational operations, through a council's draft Management Plan, and
- Environmental - from a natural resource management perspective, in line with current environmental or sustainability objectives.

Both approaches must clearly provide information on proposed activities for the community, and allow for the integration of regional, catchment and state-based policies with local priorities.

Councils may also consider expenditure for stormwater management activities in the context of their social/community planning processes.

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6.1 Management planning

The *Local Government (General) Regulation* requires that councils must include specifics of all activities related to stormwater management in their draft Management Plans. This applies to both new/additional and existing activities proposed for land both subject to and exempt from the charge.

An ideal starting point for identifying priority projects would be to include those activities specified within a council's Stormwater Management Plan that are yet to be implemented. Alternatively, new planning processes could be introduced that are more community-oriented, based on determined social values and expectations, and aimed at achieving good environmental and economic outcomes.

In accordance with the Regulation, the following detail must be included in a council's draft Management Plan:

- particulars of the proposed stormwater management services that are to be funded by the annual stormwater management service charge;
- particulars of the proposed stormwater management services to be funded by income sources other than the charge;
- particulars of the proposed stormwater management services to be funded from both the stormwater management service charge and other sources (noting the proportion funded from other sources); and
- particulars of the proposed total expenditure for provision of stormwater management services.

Additional considerations for inclusion in the draft Management Plan may be:

- key performance indicators, allowing tracking of specific activity progress; and
- linkages with other relevant organisational plans or strategies, including Stormwater Management Plans, Asset Management Plans or any other plans considered relevant.

Certain stormwater management services are provided to some parcels of land by organisations other than councils. These services are distinctly different to those provided by councils. It is important to explain to the community the differences between any related charges, to reduce any perceptions of "double-charging".

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Councils must therefore include additional information in their draft management plan if the land subject to the charge is also subject to a related charge, being a:

- Stormwater or drainage charge levied by Sydney Water or Hunter Water.
- River management charge levied by the Upper Parramatta River Catchment Trust; or
- A catchment contribution levied by a CMA.

The draft plan is to include a summary of:

- the activities to be funded by the related charge;
- how those activities differ from those funded by the stormwater management service charge; and
- any activities jointly funded by the two charges.

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6.2 Natural resource management planning

The availability of a sustainable source of funding directed solely towards stormwater management provides the opportunity for councils to implement local actions in alignment with local, regional, catchment and state-based natural resource management (NRM) objectives. The importance of this integration is recognised in the Regulation through the requirement for councils to consider Catchment Action Plans (CAPs), produced by Catchment Management Authorities, in the determination of stormwater management activities.

Other plans that may provide synergies include:

- Local plans, such as:
 - Estuary Management Plans;
 - Total Water Cycle Management Plans;
 - Sustainability Strategies;
 - Environmental Education Plans;
 - Onsite Sewage Management Strategies;
 - Biodiversity Conservation Strategies or Plans; and
 - Other relevant NRM plans.
- Regional plans, which are particularly useful when bordering councils employ a partnership approach to stormwater management, including:
 - Floodplain Management Plans;
 - Water Sharing Plans; and
 - Integrated Water Cycle Management Plans; and
- State-based plans and strategies, including:
 - State Water Management Outcomes Plan.

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6.3 Further community consultation

Councils are required to undertake community consultation through the draft management planning process whereby the proposed stormwater management activities are included in a council's draft Management Plan.

However, additional community consultation may be appropriate. This will enable each council to raise awareness of the charge among their respective communities, and may be useful in engaging the community in identifying potential stormwater management projects. Additional consultation could simply take the form of highlighting the charge and activities to be funded by charge revenue in the foreword to the Management Plan, in a separate media release, or through other advertising means and inviting public comment.

Councils may choose to establish a committee with a variety of stakeholder representatives to plan for allocation of charge funds, or add this responsibility to an existing representative committee.

7 Additional stormwater reporting requirements

Key Points

- *Details of actual stormwater management services provided compared to those proposed in the draft management plan, and an explanation of any difference between the two, must be included in a council's Annual Report.*
- *Additional reporting of stormwater management activities should be included in a council's State of the Environment Report.*

The introduction of the stormwater management service charge carries with it the responsibility for council to report on both expenditure and stormwater management related activities. This provides a valuable method of informing the community and other stakeholders of improvements made to local stormwater management.

The Regulation requires that councils report on activities and expenditure through the Annual Report. Specifically, councils are required to report on implementation of each of the stormwater management services proposed in the Management Plan. This will involve comparison between the services proposed in the Management Plan with the services actually provided, and inclusion of a statement explaining any differences between them.

In addition, relevant changes will be made to the *Local Government Code of Accounting and Financial Practice* and the *Council Rating and Revenue Raising Manual* to guide councils through altered financial reporting requirements.

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7.1 Other reporting mechanisms

A further means of reporting is through incorporating stormwater management, particularly progress against activities included in the draft Management Plan, in Social/Community Plans, State of the Environment Reports, or any other documentation deemed relevant.

While inclusion of relevant information in the State of the Environment Report is not mandatory, it is recommended as this will specifically allow councils to demonstrate:

- proactive responses to an important environmental issue;
- linkages to regional, catchment and state policy initiatives; and importantly
- real sustainability outcomes, potentially building the community's confidence in the allocation of charge funds.

Example: State of the Environment Reporting

Water Quality Management

Indicator: Tonnes of gross pollutants removed from Gross Pollutant Traps (GPTs) in local watercourses

Response 2005/2006

- A total of 10 GPTs are installed within the local area. These treatment measures typically remove pollutants in stormwater flows from local sporting fields and major roads. During 2005/2006, GPTs were cleaned every 6 months, with a total of 200 tonnes of waste material (comprising leaf litter, general litter and trapped sediment) collected this year.

Projected Actions 2006/2007

- The advent of the stormwater management service charge has allowed Council to significantly improve stormwater management on private land. As a result, during 2006/2007, Council plans to:
 - install 10 additional GPTs in watercourses receiving run-off from residential areas;
 - introduce a water quality monitoring program; and
 - increase the frequency of GPT maintenance to quarterly.

Policy/Strategy Links

- Council's Asset Management Plan
- Council's Total Water Cycle Management Strategy

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8 Glossary

Drainage charge – a charge for the provision of drainage services under s.501 of the *Local Government Act*. The drainage service involves draining water, including stormwater, from a parcel of land.

Primary purpose – principal or main purpose.

Stormwater – rainfall that runs off all urban surfaces such as roofs, pavements, carparks, roads, gardens and vegetated open spaces.

Stormwater management – the management of the quantity and quality of stormwater that flows off a parcel of privately owned developed urban land.

Stormwater management service – a service to manage the quantity or quality, or both, of stormwater that flows off land, and includes a service to manage the reuse of stormwater for any purpose (from the dictionary of the *Local Government Act*).

Stormwater management service charge – the charge levied under s.496A of the *Local Government Act* for the provision of stormwater management services to a parcel of land.

Urban - land within a city, town or village (as per clause 125A of the *Local Government (General) Regulation*).

General income - income from ordinary rates, special rates and annual charges, other than special rates and annual charges for water supply, sewerage, waste and stormwater management services and charges made under s.611 of the *Local Government Act* (as per s.505 of the Act).

New/additional stormwater management services – stormwater management services provided to a parcel of land in addition to the average level of stormwater management service funded by council over the last 3-5 years.

Special variation - approval granted by the Minister and specified in a Ministerial instrument for a particular council to increase its general income limit by a specified % beyond rate-pegging in a specified year or years (as per ss.508(2) and 508(A) of the Act).

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Special rate - a rate consisting of an ad valorem component made by the council for meeting the costs associated with any works, services, facilities or activities provided or proposed to be provided by the council (as per section 495 of the *Local Government Act*). Examples would include water supply, sewerage services, drainage, town improvement, parking, main street, tourism, beach regeneration and loan repayment.

Vacant land - land not containing a building or impervious surfaces.

Appendix A – Legislative and policy provisions

Provisions under the Local Government Act 1993

The recent addition of section 496A to the *Local Government Act 1993* made by the *Local Government Amendment (Stormwater) Act 2005* enables councils to make and levy an annual charge for stormwater management services for each parcel of rateable land for which a stormwater management service is provided, with the exception of rateable land owned by the Crown and leased for private purposes under the *Housing Act 2001* or the *Aboriginal Housing Act 1997*.

Section 496A states:

Making and levying of annual charges for stormwater management services

- (1) *A council may, in accordance with the regulations, 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.*
- (2) *Subsection (1) does not authorise or permit a council to make or levy an annual charge for the provision of stormwater management services for rateable land that is:*
 - a) *Owned by the Crown and*
 - b) *Held under a lease for private purposes granted under the Housing Act 2001 or the Aboriginal Housing Act 1997.*

Note: *Section 555 (1) (a) provides that land owned by the Crown is not rateable land unless it is held under a lease for a private purpose.*

Provisions under the Local Government (General) Regulation 2005

Recent changes to the *Local Government (General) Regulation 2005* made by the *Local Government (General) Amendment (Stormwater) Regulation 2006* prescribe the maximum amount that a council may charge for stormwater management services and provide for the information regarding stormwater management services that must be included in a council's draft management plan and annual report.

Clause 125A provides that:

- an annual charge for stormwater management services may only be levied on land categorised for rating purposes as residential or business
- the charge cannot apply to vacant land
- the charge cannot be levied on a parcel of land subject to a special rate or charge for which the primary purpose is to provide a stormwater management service
- the charge cannot be levied by a council if it has received a special variation from the Minister for Local Government for which the primary purpose is to provide a stormwater management service
- the charge cannot exceed the anticipated cost (if less than maximum charge) or the maximum charge (if anticipated cost greater than maximum charge)

Appendix A – Legislative and policy provisions

Clause 125A states:

Annual charges for stormwater management services

(1) For the purposes of section 496A of the Act, a council may make or levy an annual charge for stormwater management services only in respect of urban land that is categorised for rating purposes as residential or business.

Note: Part 3 of Chapter 15 of the Act allows a council to categorise each parcel of land within its area.

(2) A council may not make or levy an annual charge for the provision of stormwater management services in respect of a parcel of land if:

(a) the parcel of land is vacant land, or

(b) the parcel of land is subject to a special rate or charge that has been made for or towards meeting the cost of any works, services, facilities or activities the primary purpose of which is the provision of stormwater management services.

(3) A council may not make or levy an annual charge for the provision of stormwater management services if the council has received an instrument from the Minister under section 508 or 508A of the Act which specifies the percentage by which the council may vary its income and the instrument imposes a condition with respect to that variation to the effect that the primary purpose of the variation is to fund stormwater management services.

(4) A council may not make or levy an annual charge for the provision of stormwater management services for a parcel of land that exceeds:

(a) if the anticipated cost of providing stormwater management services to the parcel of rateable land is less than the maximum annual charge in respect of the parcel of rateable land—the anticipated cost, or

(b) if the anticipated cost referred to in paragraph (a) is equal to or greater than the maximum annual charge in respect of the parcel of rateable land—the maximum annual charge for the parcel of rateable land.

(5) In this clause:

maximum annual charge, in respect of a parcel of land, means the maximum annual charge that may be made or levied by a council in respect of the parcel of rateable land in accordance with clause 125AA.

urban land means land within a city, town or village.

Clause 125AA provides that:

The maximum charge that may be levied on rateable land is:

- \$25 for land categorised as residential
- \$25 per 350 square metres (or part thereof) for land categorised as business

Clause 125AA states:

Maximum annual charge for stormwater management services

For the purposes of section 510A of the Act, the maximum annual charge for stormwater management services that may be levied in respect of a parcel of rateable land is:

(a) for land categorised as residential—\$25, and

(b) for land categorised as business—\$25, plus an additional \$25 for each 350 square metres or part of 350 square metres by which the area of the parcel of land exceeds 350 square metres.

Appendix A – Legislative and policy provisions

Clause 200A provides that:

A council's draft management plan must include a statement about any activity relating to stormwater management services funded from the annual stormwater charge. The statement must include information about:

- stormwater management services to be funded by the charge
- stormwater management services to be funded from sources other than the charge
- stormwater management services to be funded jointly from the annual charge and from other sources, noting the proportions

If a council proposes to levy an annual charge for stormwater management services on land for which a relevant charge* is to be levied by the council to fund stormwater management activities, the management plan must additionally include information about:

- the activities to be funded from relevant charge
- how the activities differ from those to be funded by the annual charge for stormwater management services
- stormwater management services that are funded jointly from the relevant charge and the annual stormwater management service charge, noting the proportion of each.

* "relevant charge" is defined as either a rate under the *Hunter Water Act*, a river management service charge, drainage service charge or flood mitigation charge in s.10 *Water Management Act*, or a stormwater drainage area charge under the *Sydney Water Act*.

Clause 200A also provides that councils must consider any relevant catchment management plan relating to land on which they propose to levy a stormwater management service charge as part of this process.

Clause 200A states:

Additional matters to be included in draft management plans—stormwater management services

- (1) *For the purposes of the fifth dot point of section 403 (1) of the Act, any activity relating to stormwater management services in respect of which the council proposes to levy an annual charge is prescribed as a matter with respect to which a draft management plan must contain a statement.*
- (2) *The statement in a draft management plan of a council relating to any proposed activity referred to in subclause (1) must include the following:*
 - (a) particulars of the stormwater management services that are to be funded by the annual charge,*
 - (b) particulars of the stormwater management services that are to be funded from sources other than the annual charge,*
 - (c) particulars of any stormwater management services that are to be funded from the annual charge and from other sources noting the proportion funded from other sources,*
 - (d) particulars of the council's proposed expenditure for the provision of stormwater management services.*
- (3) *If a council proposes to levy an annual charge for stormwater management services on land for which a relevant charge has been, or is to be, levied to fund works or activities that have as their primary purpose the provision of storm water management services, the statement referred to in subclause (1) must also include:*
 - (a) particulars of the activities to be funded by the relevant charge, and*
 - (b) particulars of how those activities differ from those funded by the annual charge for stormwater management services, and*
 - (c) particulars of the activities that are jointly funded by the relevant charge and the annual charge for stormwater management services, noting the proportion.*
- (4) *If a council proposes to levy an annual charge for stormwater management services on land that is subject to a catchment action plan, the statement referred to in subclause (1) must indicate that the council has considered the plan when preparing the statement.*

Appendix A – Legislative and policy provisions

(5) *In this clause:*

catchment action plan has the same meaning as in the [Catchment Management Authorities Act 2003](#).

relevant charge means any of the following:

- (a) a rate within the meaning of the [Hunter Water Act 1991](#),
- (b) a river management service charge, drainage service charge or flood mitigation service charge levied under section 310 to the [Water Management Act 2000](#),
- (c) a stormwater drainage area charge within the meaning of the [Sydney Water Act 1994](#),
- (d) a catchment contribution within the meaning of Schedule 4 to the [Catchment Management Authorities Act 2003](#).

Clause 217(1) (e) provides that:

Councils that have levied an annual charge for stormwater services must make a comparison of the actual stormwater management service carried out (measured against relevant management plan criteria) with the projected stormwater management services (as outlined in management plan).

Clause 217(1)(e) states:

Additional information for inclusion in annual report

- (1) (e) *if the council has levied an annual charge for stormwater management services - a comparison of the actual stormwater management services made available by the council during the year (measured in accordance with the criteria set out in the relevant management plan) with the projected stormwater management services that were proposed to be made available (outlined in the management plan relating to the year concerned), together with a statement of the reasons for any difference between them.*

Department of Local Government Publications

These *Stormwater Management Service Charge Guidelines* are adopted and issued by the Director-General of the Department of Local Government under section 23A of the *Local Government Act 1993*.

Other relevant Department of Local Government publications include:

- *Council Rating and Revenue Raising Manual**;
- *Management Planning for NSW Local Government – Guidelines*;
- *Local Government Code of Accounting Practice and Financial Reporting*; and
- *Environmental Guidelines – State of the Environment Reporting by Local Government – Promoting Ecologically Sustainable Development*.

These documents may be found on the Department's website at www.dlg.nsw.gov.au.

Department of Environment and Conservation Publications

The Department of Environment and Conservation is preparing a suite of documents under the *Managing Urban Stormwater* theme, published to provide guidance to councils and developers on issues ranging from treatment techniques to stormwater planning.

These documents will be located on the Department's website at www.environment.nsw.gov.au/stormwater

* The *Council Rating and Revenue Raising Manual* will incorporate details of the stormwater management service charge when it is next revised.

Appendix B - Worked example for estimating costs

A council spends \$2 million annually to provide stormwater management services to its council area. The council area contains:

- 20,000 residential lots eligible for the charge
- 3,000 residential lots ineligible for the charge
- 2,000 residential strata lots
- 500 businesses
- other non-rateable land (schools, hospitals etc) and
- roads and public open space

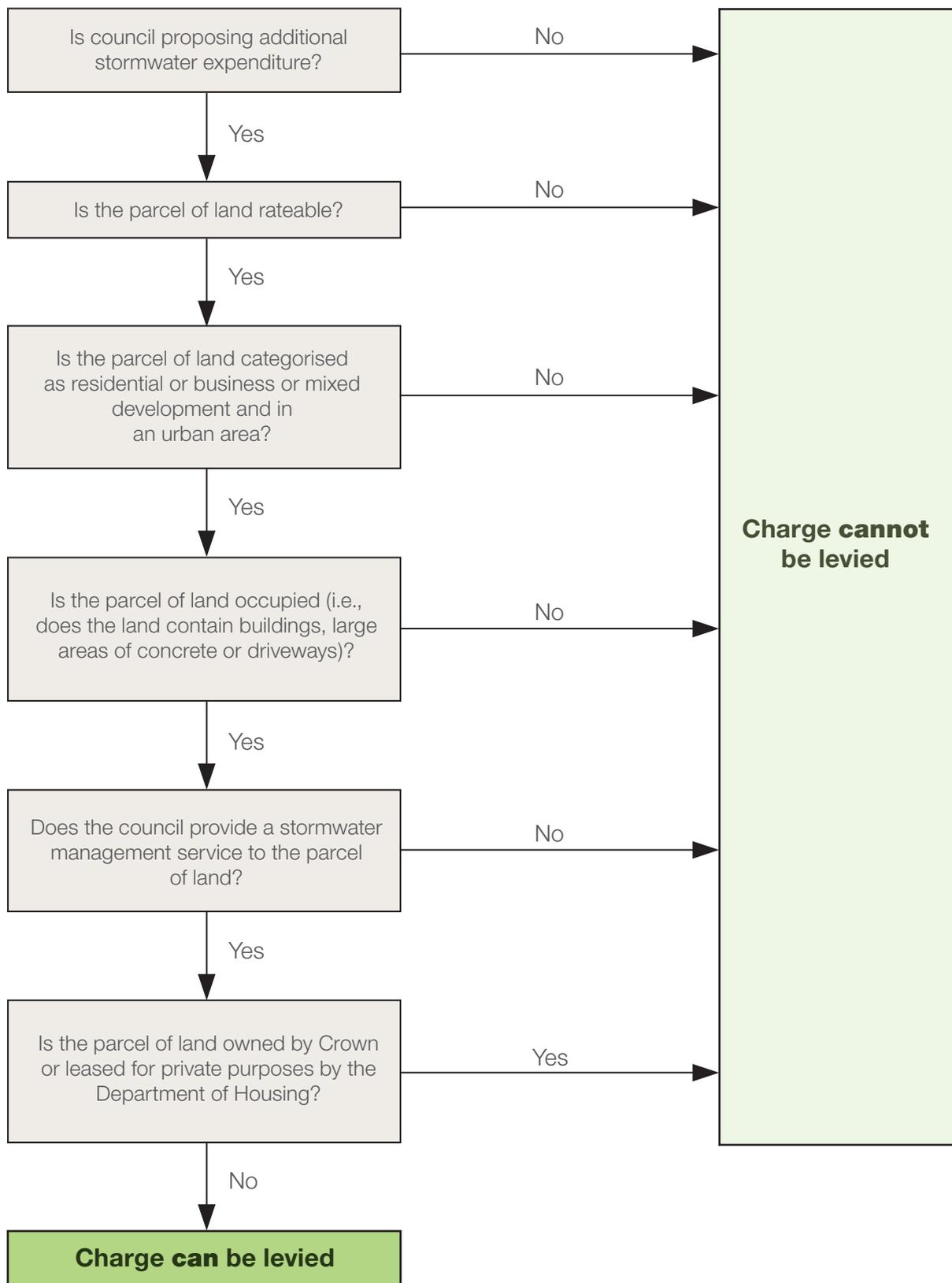
The land use breakdown is provided in the table below. Based on the approach to charging strata lots in section 5.3, the 2,000 strata lots can be considered to be equivalent to 1,000 residential lots. Council has calculated the area of the 500 businesses to be equivalent to that of 1,000 residential lots. Hence the number of actual and equivalent chargeable residential lots is 22,000.

Land use	No. of lots	No. of chargeable residential or equivalent lots	Impervious area(km ²)	Chargeable impervious area (km ²)
Residential (chargeable)	20,000	20,000	6.4	6.4
Residential (non-chargeable)	3,000	0	1.0	
Residential strata	2,000	1,000	0.3	0.3
Business	500	1,000	0.2	0.2
Special uses			0.5	
Bushland/open space			0.0	
Roads			3.0	
TOTAL		22,000	11.4	6.9

Based on this data, the chargeable lots represent 60% of the impervious area in the LGA (6.9 km² out of 11.4 km²) and 60% of the LGA's stormwater management costs can therefore be attributed to chargeable land. Hence \$1.2 million in costs (60% of \$2 million) can be attributed to 22,000 lots, or \$55 per lot. This \$55 represents the cost of service provision for a residential lot. For a strata lot, the service provision cost can be estimated at \$27.50 (half of \$55). The cost for business lots is \$55 per 350 m² or part thereof.

Council wants to spend an additional \$500,000 for stormwater management services. This is equivalent to \$22.73 per residential block (\$500,000 over 22,000 lots). As this is lower than the cost of service provision and the regulated maximum charge, council can levy a stormwater charge of this amount.

Appendix C – Flowchart and checklist for charge



Checklist for councils

- ✓ Check that council is proposing eligible **new/additional** stormwater management services. These new/additional services are relative to the council's average cost of stormwater management services over the last 3-5 years (excluding any contribution from ad-hoc external grants). Council is to take into consideration stormwater management actions in any applicable Catchment Action Plan (CAP) and should consult with their CMA when identifying the new/additional services.
- ✓ Determine if the charge can be levied by a council by ensuring:
 - council does not have a special variation, special rate or drainage charge in place to fund projects where stormwater management is a primary component; or
 - the special rate, special variation or drainage charge, if relating to stormwater management, has been discontinued; or
 - general income is reduced by the total revenue amount raised through the special variation, special rate or drainage charge.

- ✓ Identify land to be subject to the charge. This land must be:
 - urban land that is categorised as residential or business, or mixed developments
 - not vacant (ie must contain buildings or impervious areas)
 - land where council provides a stormwater management service
 - not Crown land leased for private purposes by the Department of Housing or under the *Aboriginal Housing Act*.

Council should also establish an appeals procedure for ratepayers who believe they have been incorrectly charged.

- ✓ Estimate the area of business land lots and add to council's rating database by integrating land area data and rating data.
- ✓ Estimate the anticipated costs of providing stormwater management services to the parcels of land proposed to be charged. Councils can adopt any reasonable method to estimate these costs. An approach that could be adopted involves the following steps:
 - estimate the total costs (current and new/additional) of providing stormwater management services across the LGA (this may also be done on sub-catchment, catchment or whole of LGA basis).
 - apportion these costs to land subject to the charge and ineligible land, to estimate the total stormwater management service costs for all chargeable land. This can be done based on the chargeable land's proportion of the LGA's (or catchment's) total impervious area.
 - Calculate the number of chargeable lots and pro-rata the stormwater management service costs to estimate the costs per lot. To help with these calculations, strata could be considered to be a fraction of a residential lot and business lots could be considered as multiples of residential lots, to determine "equivalent" residential lots.
- ✓ Determine charge amount as the lower of:
 - the anticipated costs of providing stormwater management services; and
 - the regulated maximum charge (\$25 per residential lot, \$25 per 350 m² for business lots)

Councils may choose to levy a charge below the lower of these two amounts.

Checklist for councils

- ☑ Consider relevant Catchment Action Plans relating to land on which a council is proposing to levy a stormwater management service charge
- ☑ Include specifics on the proposed new/additional stormwater management services to be funded from the stormwater management service charge in the draft Management Plan, noting other funding sources and funding proportions.
- ☑ Implement stormwater activities, ensuring that only eligible activities are funded by the charge.
- ☑ Report on charge expenditure through the Annual Report, including a comparison between projected and actual stormwater management services provided.

Appendix D – Impervious fractions

Where a council cannot accurately determine the proportion of impervious land area on a property, the following values can be used to estimate the total impervious area.

Zone	Brief Description/ Examples	Typical impervious fraction
Residential		
Residential 1 & 2 Zone	Normal range of densities	0.45
	Medium density	0.60
	High density	0.80
Low Density Residential Zone	0.4ha min.	0.20
Mixed Use Zone	Mix of residential, commercial, industrial and hospitals	0.50
Township Zone	Small townships with no specific zoning structures	0.60
Industrial		
Industrial Zone	Main zone to be applied in most industrial areas	0.90
	Garden supplies/ nurseries	0.50
	Quarries	0.20
Business		
Business Zone	Main zone to be applied in most commercial areas	0.90
	Mix of offices & multi-dwelling units	0.80