LONG TERM FINANCIAL PLAN

2017-2027

Updated July 2017

Long Term Financial Plan 2017 – 2027

Introduction

Long term financial planning promotes thinking about the influence of changing circumstances, exploring new projects and the many decisions made about the service programs and the impact on financial sustainability. Financial planning is a guiding framework and so is an essential tool for responsible financial management. The importance is recognised in that financial plans both long term and short term are a requirement of the Local Government Act.

The key documents required for successful long term planning are:

- Community Strategic Plan
- Asset Management Plan
- Capital Works Program
- Long Term Financial Plan

The Long Term Financial Plan (LTFP) covers a period of ten years using 2016/17 as the base year. The LTFP sets out the projected income and expenses for the period from 2017 – 2027. As part of the consideration of the annual budget the LTFP is reviewed to assess the potential impact of the planned service levels and service delivery on the future longer term financial position and whether the performance will be sustainable.

The objectives of the Long Term Financial Plan are:

1. <u>To achieve and maintain an Operating Surplus</u>

Aim for a breakeven operating position in the short to medium term. In the longer term, seek to achieve and maintain consistent operating surpluses to reduce and eventually eliminate the need for regular borrowing to fund new assets and asset backlogs.

2. <u>To fund Existing Asset Renewal/Replacement</u>

Target an average Asset Sustainability Ratio of 100% (measured against the planned Capital works program). This would mean that the existing assets are being renewed and replaced to maintain the existing services levels.

3. <u>To review New Asset Requirements</u>

Identify and include priority new works, including a number of major projects to be primarily funded by grants and future operating surpluses.

4. <u>To reduce Reliance on Borrowing</u>

Provide for new loans for major capital projects until the operating surpluses can be achieved to fund the capital program.

5. <u>To achieve the Plan</u>

The success of the Plan is totally reliant on ongoing consistency with its objectives. The level of adherence to the plan should be reviewed at each budget review and annually when preparing the Annual Budget to identify any issues which could negate the successful achievement of the Plan.

The Long Term Financial Plan (LTFP) is regularly reviewed during the year to ensure that the financial performance is monitored and compared with the planned targets.

A revised LTFP for the period 2017-27 has been updated to include the amendments from 2016/17 Budget Review 3 and with the draft Annual Budget 2017/18.

10 year Capital Works Plan

The draft Capital Works Plan (CWP) has gross expenditure of $86.1m over the ten year period commencing 2017/18, of which $56.2m represents renewal and replacement of existing assets and $29.9m for new and upgraded assets.

The CWP includes the Sports Precinct redevelopment and Swimming Facility upgrade based on a scenario of an estimated capital cost of $24m over the years 2017 - 2019.

The funding of the CWP is supported with new loan borrowings of $14.0m in the first two years of the LTFP and grant funds of $4m in 2017/18 and $1m in 2018/19 with the balance of $67.1m being provided from general income.

The CWP includes unfunded projects which will require further investigation of partnership funding, detailed costing and the expected Council contribution. The decisions about including these in the LTFP will need to consider all aspects and the influence on the future financial sustainability.

Capital Plan Summary 2017-27

Component	**$ (m)**
Total capex	$86.1
Renewal/Replacement	$56.2
New/Upgrade	$29.9
Funding for New/upgrade	$5.0
New loans proposed	$14.0

Landfill liability

Proposed expenditure to complete the landfill program is:

- 2017/18 - $0.994m
- 2018/19 - $0.046m

Loans

Borrowing is an important strategy for Council to fund new assets. Responsible debt management in for long term should demonstrate assessment of the impact on financial performance. A measure of 40% is a reasonably accepted sector position.

The borrowing options include overdraft, fixed term or combination of arrangements. The amounts used in the LTFP are based on fixed term loans due to the low cost of funds at present.

The LTFP requires borrowings of $14m, all during the first two years. All repayments of principal and interest payments are included in the LTFP. Interest payments are shown in operating expenses.

In 2017/18 the Loan repayments of $0.56m represent 3.2% of total rate income which is well within an acceptable level of manageable debt and one of the lower amounts in the sector.

Following the anticipated new loans of $10 million and $4 million in 2018 and 2019 respectively, the loan repayment amount will increase to 8% of total rate income for 2019, increase to 10% for 2020 and 2021, then gradually reduce to 6% by 2027. This level of debt is regarded as manageable.

Reserves

Council maintains several reserve funds for specific purposes. These include:

- Community Wastewater Management Scheme (CWMS) Reserves hold unspent rates paid by Crystal Brook and Napperby ratepayers to provide for maintenance programs, repairs and capital upgrades and replacements.
- Fisherman's Wharf Reserve holds mooring fees used to provide future capital works to this area.
- Asset Revaluation Reserve is an unfunded record of changes in the fair value of Council's fixed assets.

Financial Indicators – Financial Sustainability

The financial performance of the local government business is monitored by three key indicators. Target ranges for this Council are set in the Long Term Financial Plan. The financial impact of all planned activities is assessed against the targets as part of the preparation of the draft Annual Budget and at each subsequent review of the Budget. The results should be consistent with the long term target for each indicator.

The financial indicators are:
- Operating Surplus Ratio
- Net Financial Liabilities Ratio
- Asset Sustainability Ratio

A copy of the graphs for each of the financial indicators is attached to the draft LTFP.

The table shows a summary of the projected financial sustainability indicators for the first five years of the LTFP compared to the target ranges for each indicator.

FINANCIAL INDICATORS - LTFP	2017/18	2018/19	2019/20	2020/21	2021/22	*LTFP Targets*
Operating Surplus Ratio	**0%**	(1)%	(1)%	1%	4%	*(2.5) – 2.5 %*
Operating Surplus Ratio (adjusted)	**0%**	(1)%	(1)%	1%	4%	*(2.5) – 2.5 %*
Net Financial Liabilities Ratio	**58%**	67%	58%	51%	41%	*30% - 70%*
Asset Sustainability Ratio	**113%**	86%	58%	77%	79%	*80 - 110%*

Operating Surplus Ratio
The Operating Surplus Ratio expresses the operating surplus (or deficit) as a percentage of Total Income.

Commencing with a projected 0% result in 2017/18 the position declines to -1% in 2018/19 and in 2019/20. From 2020/21 the ratio is positive at 1% and then continues with a steady increase providing surpluses which fund the CWP. This performance measure is within the target range of the LTFP.

Net Financial Liabilities
Net financial liabilities are calculated as the difference between amounts owed and amounts held and measured by the net financial liability amount against total operating income.

The "net debt" peaks at 67% in 2018/19 with the proposed new loans of $10m and $4m respectively and then as loans are repaid, the ratio steadily reduces to 0% by 2025. As the ratio declines, this means that there is capacity to take out new loans to fund capital works in the later years of the LTFP when the ratio moves into negative result.

The improvement in the debt position shows that from 2023, there is capacity to borrow funds. The strategy of the long term plan is to reduce the need for new borrowings by funding future renewal/replacement capital works from the operating surplus. This performance measure is within the target range of the LTFP.

Asset Sustainability Ratio
The Asset Sustainability Ratio measures the extent to which existing assets are being renewed or replaced, compared to the planned Capital works in the Asset Management Plan/s. If the capital expenditure budget for the renewal or replacement of existing assets matches that projected in the Asset Management Plan/s, then the ratio will be 100%. If the ratio is less than 100% for any extended period, this will lead to a deterioration of asset condition over time, leaving future generations of ratepayers to fund high asset maintenance and replacement to restore the asset service level.

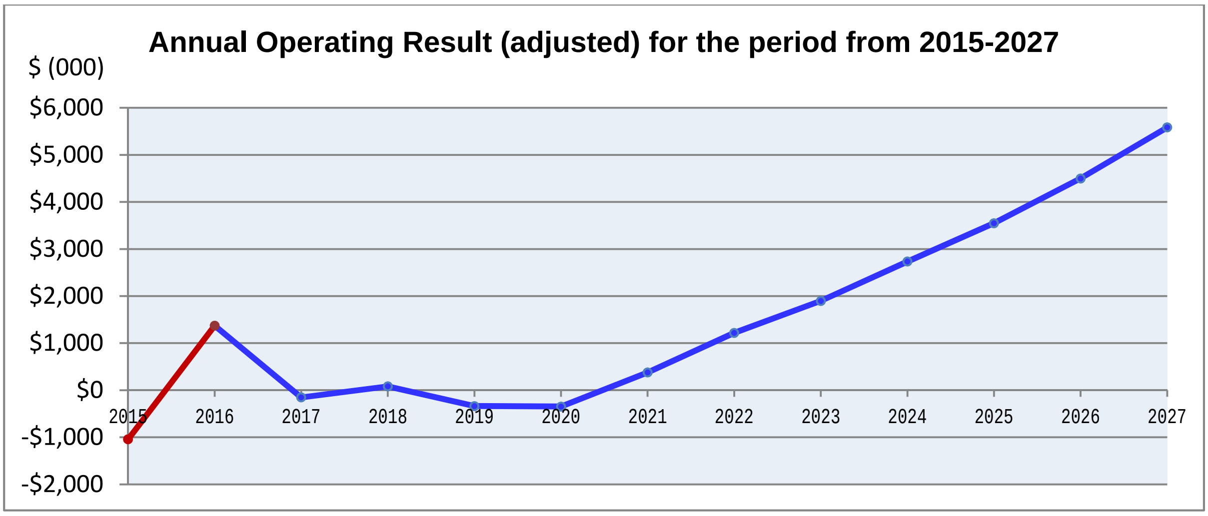
The ratio increases to 113% in 2017/18 due the increase in the road renewal program and the renewal components of the Sports precinct project. The ratio declines in 2019 and again 2020, then stabilises in the lower measure of the target range for the remainder of the LTFP. The average measure over the period of the LTFP is within the target range.

The development of the Asset Management Strategy and the updating of the Plans will continue to improve the forward planning.

Operating Income and Expenses

The operating component of the draft LTFP is largely based on the base year with a range of adjustments to acknowledge changes of circumstances for the coming year and then projected for the future years. In general it is assumed that service levels will be maintained at the current level.

The Operating Result has been adjusted to remove the effect of the prepayment of the Financial Assistance Grants in 2014/15 and subsequent adjustment in the following year. The graph shows a projected small surplus in 2018 and then a deficit result for the following two years. From 2021 there is an increasing surplus for the remainder of the LTFP.



Operating Income:

Rate Income

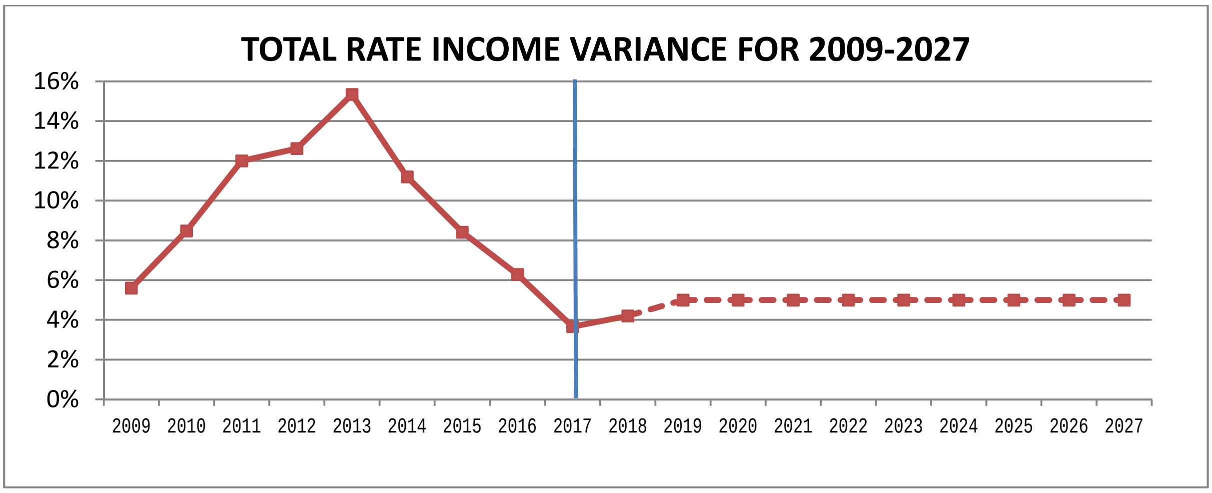
The setting of the rates is guided by the Rating strategy. A basic principle for long term financial sustainability is for ratepayers to fund the services they consume, in short for a balanced operating position.

The current Rating strategy commenced in 2016 with the general approach of consistent rate increases. This followed an affirmative strategy for the previous three years to bring the average residential rate amount up to nearer the State average.

The Total Rate Income also includes Service Charges for CWMS, Waste collection and NRM levy which are calculated separately.

The proposed increase in Total Rate Income is 4.2% for 2017/18 and then 5% each year throughout the LTFP. This assumption will be reviewed each year in light of Council planned programs and the potential influence of changing economic and socio-economic conditions on the capacity of the community to pay.

The graph below shows the history of rate increases from 2009 with the projected increases to 2027.



Recent discussions about the introduction of rate capping is a major influence. The planned increase of 5% in Rate Income is relative to a low rate base and the potential impact of capping at a level less than this, would effect the future financial sustainability of Council and its ability to deliver the Community Plan.

Other Income types:

- Fees & Charges including Licence fees – assumes an increase each year of between 2.5% and 5% which also includes anticipated growth in the number of users of these services. (The methodology for Lease fees is based on property information.) There were no increases in Council fees and charges in 2016/17, though several Legislative fees were increased by the State government.
- Interest income from funds on hand is monitored and reviewed each year depending on the level of anticipated funds and interest rate movements.
  Funds on hand are expected to be relatively low throughout the early years and with the current low interest rates expected to continue, the estimated income is lower than in later years of the plan. This income type also includes community loan repayments.
- Grants and Subsidies are based on information at the time of preparation. The main grant income is the Financial Assistance Grants (FAG's) which has been indexed and the current information regarding the Roads to Recovery (R2R) funding up to 2019.

Operating Expenses:

An underlying assumption of the LTFP is that current service levels and programmed activities would continue so the future estimated expenses are developed from the base year and adjusted to reflect known changes. This includes additional maintenance costs for new and upgraded assets and, also includes expected decreases where investment in infrastructure will mean improved efficiencies and reduced ongoing expenses.

Adjustments include:

- Employee costs increase of 2%. This may vary in future years as it is dependant on future EB negotiations. From 2021 there are further planned increases in the Superannuation Guarantee at the rate of 0.5% each year for 4 years;
- Sport & Recreation: increase due to operation of new facilities (estimated);
- Depreciation: increase following asset revaluations and for new assets;
- Finance Charges: increase to reflect the proposed new borrowings;
- Other expenses: increase up to 2% each year;
- Specific events: LG Elections in 2018 and 2022;
- GST is excluded from all amounts.

FINANCIAL STATEMENTS AND FINANCIAL INDICATORS

Port Pirie Regional Council - Long Term Financial Plan 2017-27 (draft)

STATEMENT OF COMPREHENSIVE INCOME	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
INCOME											
Rates & Charges	16,883	17,592	18,472	19,395	20,365	21,383	22,453	23,575	24,754	25,992	27,291
Statutory Charges	344	345	354	363	372	381	391	401	411	421	431
User Charges	1,497	1,533	1,609	1,690	1,774	1,863	1,956	2,054	2,157	2,265	2,378
Grants, subsidies and contributions	5,250	5,156	5,223	4,675	4,743	4,813	4,884	4,956	5,029	5,103	5,178
Investment Income	93	101	40	47	65	67	87	174	244	350	533
Reimbursements and Other	669	435	435	435	435	435	435	435	435	435	435
TOTAL INCOME	**24,736**	**25,162**	**26,133**	**26,605**	**27,755**	**28,943**	**30,206**	**31,595**	**33,030**	**34,565**	**36,247**
EXPENSES											
Employee Costs	7,384	7,527	7,697	7,866	8,036	8,293	8,539	8,822	9,144	9,466	9,790
Materials, contracts & other expenses	11,066	10,830	10,834	10,879	11,031	11,012	11,247	11,401	11,585	11,771	11,960
Finance Charges	182	163	607	750	693	633	571	506	451	392	340
Depreciation, amortisation & impairment	6,256	6,560	7,333	7,457	7,619	7,788	7,952	8,131	8,302	8,437	8,574
TOTAL EXPENSES	**24,889**	**25,080**	**26,471**	**26,952**	**27,379**	**27,726**	**28,309**	**28,860**	**29,482**	**30,067**	**30,663**
Operating Surplus/(Deficit) before Capital Income	**(153)**	**82**	**(338)**	**(347)**	**376**	**1,217**	**1,897**	**2,735**	**3,548**	**4,498**	**5,583**
CAPITAL INCOME											
Asset disposal & fair value adjustments	-	-	-	-	-	-	-	-	-	-	-
Amounts received specifically for new or upgraded assets	6,866	4,000	1,000	-	-	-	1,000	-	-	1,000	250
TOTAL COMPREHENSIVE INCOME	**6,713**	**4,082**	**662**	**(347)**	**376**	**1,217**	**2,897**	**2,735**	**3,548**	**5,498**	**5,833**

Port Pirie Regional Council - Long Term Financial Plan

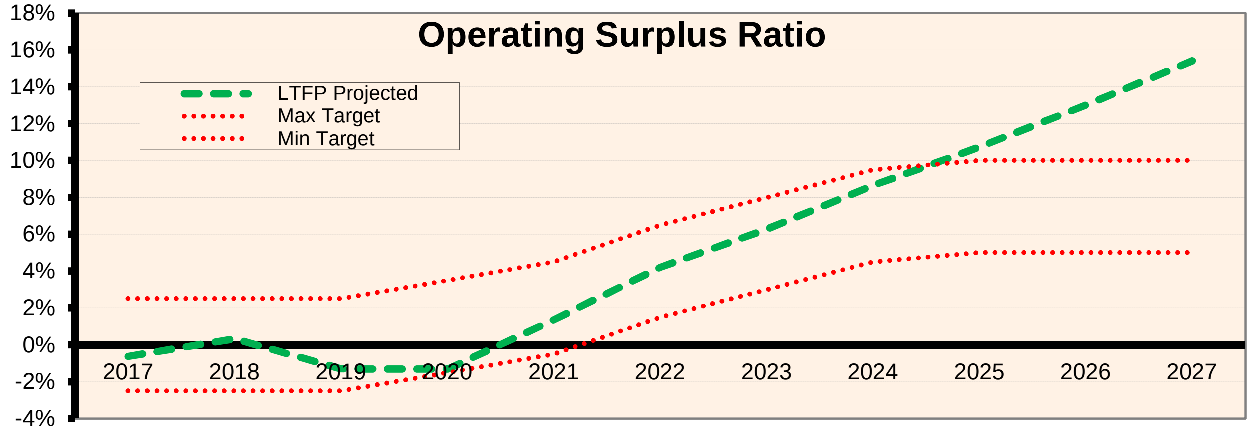
STATEMENT OF FINANCIAL POSITION	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
ASSETS											
Current Assets											
Cash and cash equivalents	1,263	246	530	1,203	1,283	1,993	4,907	7,262	10,799	16,912	23,201
Trade and other receivables	840	840	840	840	840	840	840	840	840	840	840
Other	98	98	98	98	98	98	98	98	98	98	98
Total Current Assets	**2,201**	**1,184**	**1,468**	**2,141**	**2,221**	**2,931**	**5,845**	**8,200**	**11,737**	**17,850**	**24,139**
Non-current Assets											
Financial Assets	302	241	183	124	99	81	63	47	32	22	15
Infrastructure, Property, Plant and Equipment	237,174	250,710	254,265	251,868	250,882	250,064	248,657	247,841	246,600	244,867	243,234
Other	1,930	1,930	1,930	1,930	1,930	1,930	1,930	1,930	1,930	1,930	1,930
Total Non-Current Assets	**239,406**	**252,881**	**256,378**	**253,922**	**252,911**	**252,075**	**250,650**	**249,818**	**248,562**	**246,818**	**245,179**
TOTAL ASSETS	**241,607**	**254,065**	**257,846**	**256,063**	**255,132**	**255,006**	**256,495**	**258,018**	**260,299**	**264,668**	**269,318**
LIABILITIES											
Current Liabilities											
Trade and other payables	2,090	1,379	1,379	1,379	1,379	1,379	1,379	1,379	1,379	1,379	1,379
Borrowings	393	883	1,247	1,308	1,343	1,408	1,211	1,268	1,130	1,185	1,242
Provisions	2,123	1,159	1,113	1,113	1,113	1,113	1,113	1,113	1,113	1,113	1,113
Total Current Liabilities	**4,606**	**3,421**	**3,739**	**3,800**	**3,835**	**3,900**	**3,703**	**3,760**	**3,622**	**3,677**	**3,734**
Non-current Liabilities											
Borrowings	2,707	12,314	15,067	13,759	12,416	11,007	9,796	8,527	7,397	6,212	4,971
Provisions	489	139	185	-	-	-	-	-	-	-	-
Total Non-Current Liabilities	**3,196**	**12,453**	**15,252**	**13,759**	**12,416**	**11,007**	**9,796**	**8,527**	**7,397**	**6,212**	**4,971**
TOTAL LIABILITIES	**7,802**	**15,874**	**18,991**	**17,559**	**16,251**	**14,908**	**13,499**	**12,288**	**11,019**	**9,889**	**8,704**
NET ASSETS	**233,805**	**238,191**	**238,855**	**238,504**	**238,881**	**240,098**	**242,994**	**245,730**	**249,280**	**254,779**	**260,613**
EQUITY											
Accumulated Surplus	61,878	66,280	66,904	66,554	66,930	68,107	70,898	73,634	76,983	82,280	87,911
Asset Revaluation Reserve	171,152	171,152	171,152	171,152	171,152	171,152	171,152	171,152	171,153	171,154	171,155
Other Reserves	775	759	799	799	799	839	944	944	1,144	1,345	1,547
TOTAL EQUITY	**233,805**	**238,191**	**238,855**	**238,504**	**238,881**	**240,098**	**242,994**	**245,730**	**249,280**	**254,779**	**260,613**

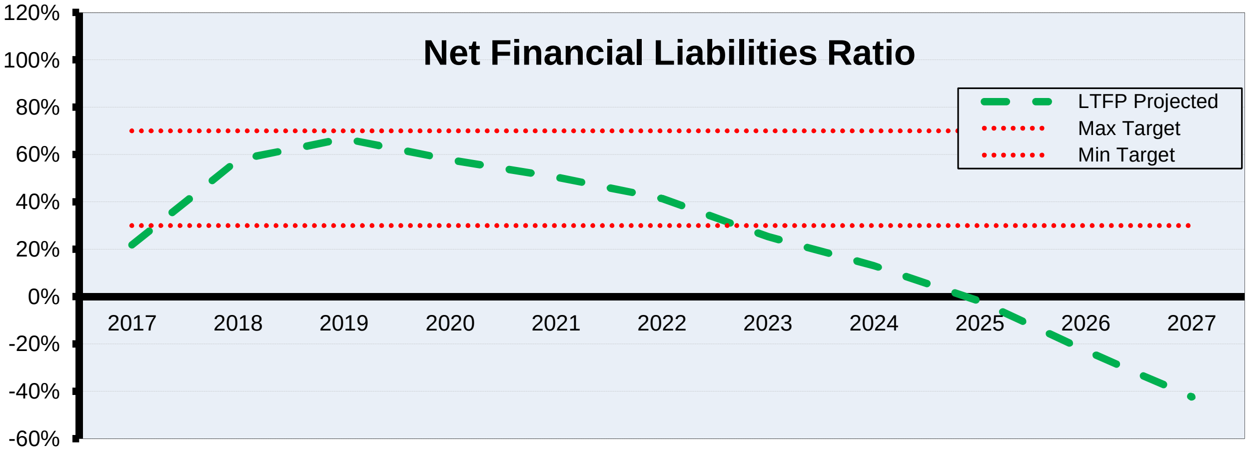
Port Pirie Regional Council - Long Term Financial Plan

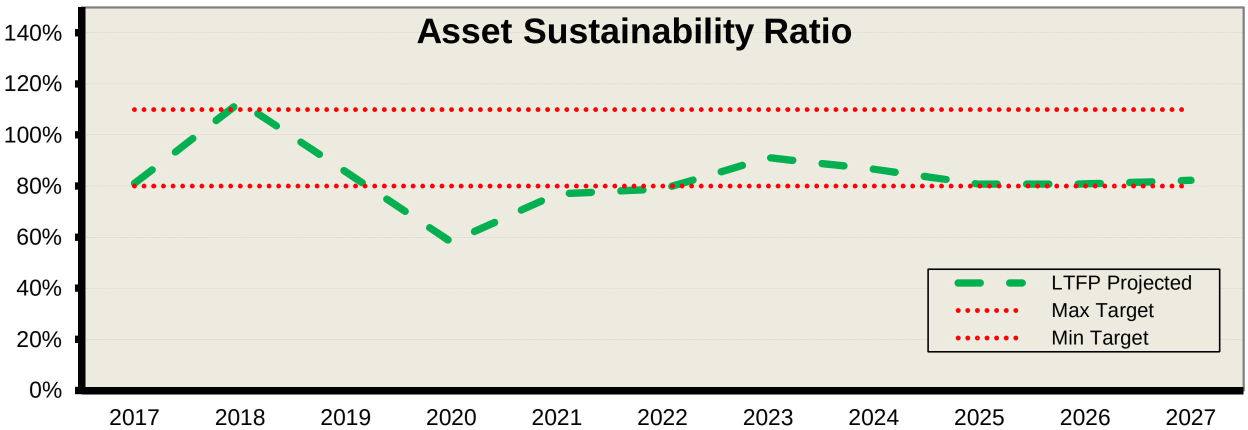
UNIFORM PRESENTATION OF FINANCES	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Income	24,736	25,162	26,133	26,605	27,755	28,943	30,206	31,595	33,030	34,565	36,247
less Expenses	24,889	25,080	26,471	26,952	27,379	27,726	28,309	28,860	29,482	30,067	30,663
	(153)	**82**	**(338)**	**(347)**	**376**	**1,217**	**1,897**	**2,735**	**3,548**	**4,498**	**5,583**
less **Net Outlays on Existing Assets**											
Capital Expenditure on renewal/replacement of Existing Assets	5,755	8,076	5,814	3,941	5,128	5,245	6,045	5,758	5,376	5,386	5,473
less Depreciation, Amortisation and Impairment	(6,256)	(6,560)	(7,333)	(7,457)	(7,619)	(7,788)	(7,952)	(8,131)	(8,302)	(8,437)	(8,574)
less Proceeds from Sale of Replaced Assets	(122)	(230)	(290)	(200)	(160)	(160)	(170)	(170)	(170)	(171)	(172)
	(623)	**1,286**	**(1,809)**	**(3,716)**	**(2,651)**	**(2,703)**	**(2,077)**	**(2,543)**	**(3,096)**	**(3,222)**	**(3,273)**
less **Net Outlays on New and Upgraded Assets**											
Capital Expenditure on New and Upgraded Assets	5,728	12,251	5,363	1,320	1,665	1,885	670	1,728	1,855	1,489	1,640
less Amounts received specifically for New/upgraded Assets	(6,866)	(4,000)	(1,000)	-	-	-	(1,000)	-	-	(1,000)	(250)
less Proceeds from Sale of Surplus Assets	(120)	-	-	-	-	-	-	-	-	-	-
	(1,258)	**8,251**	**4,363**	**1,320**	**1,665**	**1,885**	**(330)**	**1,728**	**1,855**	**489**	**1,390**
Net Lending / (Borrowing) for Financial Year	**1,728**	**(9,455)**	**(2,892)**	**2,050**	**1,363**	**2,035**	**4,304**	**3,551**	**4,789**	**7,231**	**7,466**

FINANCIAL INDICATORS	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Operating Surplus Ratio	**-1%**	**0%**	**-1%**	**-1%**	**1%**	**4%**	**6%**	**9%**	**11%**	**13%**	**15%**
Operating Surplus											
Operating Result / Total Operating Income											
Net Financial Liabilities Ratio	**22%**	**58%**	**67%**	**58%**	**51%**	**41%**	**25%**	**13%**	**-2%**	**-23%**	**-42%**
Net Financial Liabilities											
Financial Liabilities less Financial Assets / Total Operating Income											
Asset Sustainability Ratio	**81%**	**113%**	**86%**	**58%**	**77%**	**79%**	**91%**	**87%**	**81%**	**81%**	**82%**
Net Asset Renewals											
Capital Renewal expenses / Asset Management Plan program											

Port Pirie Regional Council: LTFP Financial Indicators 2017-2027







Scenario $24m: Sporting Precinct **$24m** Capital; $10m Grant, $14m Loan ($10m over 15yr + $4m over 10yr)
Depreciation **+$550k/year** from 2019
Operating +$250k/year from 2019
Water Reuse: $2m ($1m grant) removed from 2022

Assumptions	*2017*	*2018*	*2019*	*2020*	*2021*	*2022*	*2023*	*2024*	*2025*	*2026*	*2027*
Capital Renewal	$5,755	$8,076	$5,814	$3,941	$5,128	$5,245	$6,045	$5,758	$5,376	$5,386	$5,473
Capital New	$5,728	$12,251	$5,363	$1,320	$1,665	$1,885	$670	$1,728	$1,855	$1,489	$1,640
Capital Total	**$11,483**	**$20,327**	**$11,177**	**$5,261**	**$6,793**	**$7,130**	**$6,715**	**$7,485**	**$7,231**	**$6,875**	**$7,113**
Rate Inc. (inclu CPI)	**5%**	**5%**	**5%**	**5%**	**5%**	**5%**	**5%**	**5%**	**5%**	**5%**	**5%**
New Loans	***$0.0***	***$10.0***	***$4.0***	***$0.0***	***$0.0***	***$0.0***	***$0.0***	***$0.0***	***$0.0***	***$0.0***	***$0.0***

CAPITAL WORKS PROGRAM SUMMARY 2017-27	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total (2018-27)
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
LAND & BUILDINGS	705	170	195	185	170	50	20	20	270	170	1,955
STRUCTURES & SITE IMPROVEMENTS	645	270	585	385	345	578	590	345	180	385	4,308
ROADS - Sealed	2,000	1,820	1,265	1,610	2,030	2,260	2,600	2,380	2,855	2,200	21,020
ROADS - unsealed	650	935	950	1,050	1,050	1,050	1,050	1,050	1,050	1,050	9,885
KERBING	200	275	300	300	300	350	350	350	350	350	3,125
FOOTPATHS	210	160	200	150	200	200	200	200	200	200	1,920
DRAINAGE	240	150	800	30	0	500	1,500	1,420	1,500	2,500	8,640
CWMS	80	40	0	0	40	105	0	200	0	0	465
PLANT & EQUIPMENT	600	765	795	940	840	1,460	940	1,090	400	180	8,010
IT EQUIPMENT	132	37	110	41	115	122	140	136	30	38	901
FURNITURE & FITTINGS	12	17	10	10	10	10	40	10	10	10	139
OTHER	30	538	50	92	30	30	55	30	30	30	915
MAJOR PROJECTS	14,823	6,000	0	2,000	2,000	0	0	0	0	0	24,823
TOTAL CAPITAL	20,327	11,177	5,260	6,793	7,130	6,715	7,485	7,231	6,875	7,113	86,106
Note: Nominal values used											
TOTAL NEW/UPGRADE	12,251	5,363	1,320	1,665	1,885	670	1,728	1,855	1,489	1,640	29,865
TOTAL REPLACEMENT/RENEWAL	8,076	5,814	3,940	5,128	5,245	6,045	5,758	5,376	5,386	5,473	56,240

RATING STRATEGY – 2017/18

PROPERTY RATES

Overview

Rates are a major income source for the delivery of the many Council services and activities. Periodically Council will review its approach to the setting of property rates, particularly as part of the preparation of the Annual Business Plan and Budget and also when reviewing Strategic long term plans.

In 2016 Council decided that future rate increases will be both reasonable and consistent across all land use types. This follows the completion of the previous Rating Strategy which contained a number of changes in the rating structure.

Council will also continue to actively seek alternate funding sources in an effort to reduce the impact of the rate burden.

Purpose of Rates

Each year Council seeks to raise an amount in general rate income, including the waste management service charge that will provide a level of funding to enable Council to meet all of its operating expenses and to make a significant contribution towards the capital works program.

The Local Government Act 1999 provides for a Council to raise income to be spent for the purposes of its operations. Chapter 10 of the Act describes the requirements for the setting of property rates.

A Council is also able to raise a separate rate for specific areas of the Council or a service rate or charge for any specific service.

Previous rating strategy

In 2013, Council conducted a review of its rating structure, which resulted in a reduction of the business differential rate in the dollar and an increase to primary production rates in the dollar to 80% of the residential rate.

In addition, the 'Other' differential rate was reduced to align with the Residential rate, resulting in reduced rates for many sporting and community groups.

These changes were fully implemented over a three year period ending June 2016.

Property Rates Calculation

Council is able to raise income through a general rate, which applies to all rateable properties, or through a differential general rate, which applies to different classes of property (land-use types) and location.

Land use types are based on information provided by the SA Valuer General.

Land Use Types
Residential
Commercial - Shops
Commercial - Offices
Commercial - Other
Industry - Light
Industry - Other
Primary Production
Vacant Land
Other

Method Used to Value Land

In accordance with the Local Government Act 1999, Council may adopt one of three valuation methodologies to value the properties in its area.

These are:

- Capital Value – the value of the land and all of the improvements on the land.
- Site Value – the value of the land and any improvements which permanently affect the amenity of use of the land, such as drainage works, but excluding the value of buildings and other improvements.
- Annual Value – a valuation of the rental potential of the property.

Capital value will continue to be used as the basis for valuing land within the Council area. The Council considers that this method of valuing land provides the fairest method of distributing the rate burden across all ratepayers when applying the equity test of taxation.

The valuation method adopted also takes into account the locality of property and accessibility to facilities and services.

RATING STRATEGY – 2017/18

Impact of Rating

Council considers the impact of rate increases on residential, business, including manufacturing and retail, service industry and primary production sectors. It takes into account the goals of the strategic community plan, comments received from community consultation and the current economic conditions.

Changes in the valuation of different types of properties, and the equity balance of the distribution of the rate burden are reflected in the Council decision to set a differential general rate based on the land-use types across the entire council area.

Setting of Rates

In setting the rates, Council considers a number of matters including the:

- service delivery needs and related expenditure priorities in relation to the Strategic Plan, community needs, and Federal and State grants received;
- need for an ongoing sustainable capital works program to renew and upgrade essential infrastructure assets;
- amount and type of resources required to deliver Council services;
- impact of rate increases on the community, including householders, businesses and primary producers;
- the broad principle that the rate in the dollar should be the same for all properties except where there is clearly a different level of services available to ratepayers or some other circumstance to consider a variation;
- minimising the level of general rates by setting fees and charges for council goods and services, on a user pays basis, where it is possible to recover the full cost of operating or providing the service or goods, with provision for concessions to those members of the community unable to meet the full cost;
- increase or decrease in the capital values of properties.

Fixed Charge and Differential General Rates

Council has decided to apply differential rating strategies across the council area.

Property rates for individual properties comprise of a fixed charge plus an amount calculated by multiplying the rating factor (determined by Council) by the capital value of the property (determined by the Valuer-General.)

The fixed charge component of individual property rates will continue to provide 30% of the total rate income by equal contribution. The remaining 70% is provided through the differential rates in the dollar.

In recognition of the variation in the level of services provided or available to occupiers of the different land-use categories and locations throughout Council's area, a differential rating factor has been applied. In setting the variable rate, Council is mindful to apply consistency across all assessments, and to ensure that the rate burden does not shift significantly from one sector to another.

Council has decided to apply the following differential rating strategies across the entire area, according to principal use of the land:

- The assumption that residential properties represent the majority number of properties (75%) and that any other categories should be calculated as a percentage of this 'base rate'.
- Acknowledgement that businesses can generate a greater relative consumption of Council's infrastructure and services, therefore being a greater draw on Council's resources. A differential rate of 200% of the base rate is applicable for Commerce and Industry.
- Acknowledgement of the economic and social importance of primary production to the district and therefore to support its long term viability. A differential rate of 80% of the base rate is applicable for Primary Production property.
- Acknowledgement that vacant land can incur a significant holding cost for constructed infrastructure (above what valuations would produce), to encourage its development or sale and to recover a meaningful contribution towards the provision of community facilities and services, a differential rate of 200% of the base rate is applicable for Vacant property.

RATING STRATEGY – 2017/18

- Other land generally includes properties owned by community groups and sporting associations, many of which are eligible and receive rebates from Council. A differential rate of 100% of the base rate is applicable for Other property.

SERVICE CHARGES

Waste Management Service Charge (WMSC)

Council has a three bin waste collection service for all residential properties. Council is required to recover no more than the actual cost of providing the service.

A number of rural properties will receive a discounted charge where their property access point is more than 500 metres from their bin collection point. Rebates will be automatically applied to these properties.

NB: Many commercial properties have voluntarily participated in the new collection service and are invoiced through Council's debtor system, with no impact on rates.

Community Wastewater Management Schemes

Council provides effluent disposal systems to residential and commercial properties in Crystal Brook and Napperby. The full cost of operating and maintaining the service is recovered through a charge for each property to which the service is available, including non-rateable properties.

The following charging principles apply:

- CWMS systems to be assessed independently, as each is of a different type and age;
- Total charges will reflect the average annual cost of operations (including depreciation);
- Charges on vacant properties will be 75% of occupied properties, reflecting pump out cost recovery from occupied properties;
- Ongoing Napperby irrigation costs be treated as general Council and not CWMS cost.

Any surplus of income over expense is kept in a dedicated reserve account for future scheme replacement or upgrades.

Natural Resources Management Levy

The Natural Resource Management Act 2004 requires Council to raise a levy on behalf of the Northern and Yorke Natural Resources Management Board. This levy is shown separately on the rates notice.

Council is required to raise the levy amount on each property and it recovers this amount by applying a 'rate in the dollar' against the capital value of every property in the area.

Council does not retain this income, nor determine how the income is spent.