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11 May 2017

## NOTICE OF MEETING

NOTICE IS HEREBY GIVEN in accordance with Section 83 of the *Local Government Act 1999* that a **Special Council Meeting** of the City of Onkaparinga will be held on **Tuesday 16 May 2017** at the Council Chamber at the Civic Centre, Ramsay Place, Noarlunga Centre at 7pm for the purpose of considering the items included on the attached agenda.

*We recognise that the land on which we meet has considerable natural and cultural heritage, including thousands of years of traditional ownership by Kaurana.*

A handwritten signature in black ink, appearing to be "Mark Dowd", written over a horizontal line.

Mark Dowd  
**Chief Executive Officer**

Disclaimer: Please note that the contents of the Council Agendas have yet to be considered by Council and recommendations contained herein may be altered or changed by the Council in the process of formally making decisions of Council.



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**City of Onkaparinga**  
**Agenda for the Special Council meeting**  
**to be held on 16 May 2017**

**Venue:** Council Chamber, Civic Centre  
Ramsay Place, Noarlunga Centre

**Meeting commenced:**

**Present:**

**Apologies:**

**Leave of absence:** Cr Nankivell

**Absent:**

**Pledge:**

*We recognise this City's considerable natural and cultural heritage, including thousands of years of traditional ownership by Kurna, and the more recent contribution from people either born here or who have migrated here. As we meet together, we build on this heritage by respecting and listening to each other, thinking clearly, being receptive to new ideas, speaking honestly, and deciding wisely for the current and future well-being of those we serve.*

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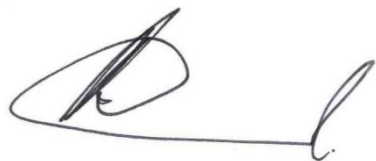
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**1. Opening of meeting**

**2. Confidential items**

**Confidential Clause**

If Council so determines item 2.1 may be considered in confidence under Section 90(2) of the *Local Government Act 1999* on grounds contained in the Recommendations below.

A handwritten signature in black ink, appearing to read 'Mark Dowd', with a stylized flourish at the end.

Mark Dowd  
**Chief Executive Officer**

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## 2.1 Confidential Report - ICT reform project

1. That:
  - a. under the provisions of Section 90(2) of the *Local Government Act 1999* an order be made that the public, with the exception of staff on duty, be excluded from attendance at the meeting in order to consider this item in confidence.
  - b. the Council is satisfied that it is necessary that the public, with the exception of staff on duty, be excluded to enable the Council to consider the report at the meeting on the following grounds:

Section 90(3)(d) commercial information of a confidential nature (not being a trade secret) the disclosure of which -

    - (i) could reasonably be expected to prejudice the commercial position of the person who supplied the information, or to confer a commercial advantage on a third party; and
    - (ii) would, on balance, be contrary to the public interest;
  - c. accordingly, on this basis the principle that meetings of the Council should be conducted in a place open to the public has been outweighed by the need to keep the information or discussion confidential.
6. That the matter of the ICT reform project, having been considered by the Council in confidence under sections 90(2) and 90(3)(d) of the *Local Government Act 1999* that an order be made under the provisions of sections 91(7) and (9) of the *Local Government Act 1999* that the ICT reform project and the minutes and the report of the Council relating to discussion of the subject matter be kept confidential until after the completion of the finalised and agreed contract period.
7. That, pursuant to section 91(9)(a) of the *Local Government Act 1999*, Council delegates the duty to conduct an annual review of the confidentiality order to the Chief Executive Officer, or their sub-delegate.
8. That, pursuant to section 91(9)(c) of the *Local Government Act 1999*, Council delegates the power to revoke the confidentiality order to the Chief Executive Officer, or their sub-delegate.

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### **3. Reports of officers**

#### **3.1 Quarterly financial update incorporating Budget Review 3**

This is a regular or standard report.

Manager: Darren Styler, Manager Finance

Report Author: Diane Eckermann, Team Leader Management Accounting

Contact Number: 8384 0121

Attachments: 1. Quarterly financial update for the period to 31 March 2017 (37 pages)  
2. Budgeted Financial Statements (12 pages)

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#### **1. Purpose**

This report provides analysis of our actual financial performance to 31 March 2017 compared to the approved budget, analysis of the approved budget compared to the proposed budget arising from Budget Review 3 and analysis of the impacts of Budget Review 3 and other financial decisions made during the quarter on the 2017-18 Budget and our Long Term Financial Plan.

This report also provides commentary in relation to various financial risks arising as a result of changes proposed and already made across the government sector that could significantly impact council's long term financial sustainability, and outlines the activities we are currently undertaking to mitigate these.

#### **2. Recommendations**

1. **That Council note the quarterly financial update provided in this report and as detailed in attachment 1, Quarterly financial update for the period to 31 March 2017, specifically noting the following:**
  - **the impact of Budget Review 3 for 2016-17 is a net funding deficit of \$284,048 which is proposed to be transferred from the Contingency Reserve resulting in a balanced Funding Statement**
  - **decisions of Council, operational and external factors have resulted in approximately \$2.9m of significant variations impacting the 2017-18 Budget.**
2. **That Council adopt the proposed 2016-17 Budget incorporating Budget Review 3 outcomes as discussed in this report and presented as attachments 1 Quarterly financial update for the period to 31 March 2017 and attachment 2 Budgeted Financial Statements to the agenda report.**

#### **3. Background**

The Local Government (*Financial Management*) Regulations 2011 (the Regulations) specify the number and timing of budget reviews that must be considered by Council following adoption of the budget.

At its meeting on 5 July 2016 Council adopted the 2016-17 Budget and in accordance with the Regulations resolved (in part) that:

*The budget will be reviewed four times during the financial year for the periods ended:*

- 30 September 2016
- 31 December 2016
- 31 March 2017
- 30 June 2017 (as part of our end of financial year processes).

At its meeting on 6 September 2016 Council approved the 2015-16 Project and Capital Works and Major Project carry forwards. Operating carried forwards were endorsed by the Audit, Risk, Value and Efficiency Committee on 26 September 2016 and approved by Council on 18 October 2016.

At its meeting on 29 November 2016 Council approved Budget Review 1 and at its meeting on 14 February 2017 Council approved Budget Review 2.

#### 4. Financial Implications

This report and its attachments provide analysis of the current year and long term impacts of the proposed Budget Review 3 amendments to be adopted and included in the 2016-17 Budget.

The impact of Budget Review 3 for 2016-17 is a net funding deficit of \$284,048 which is proposed to be transferred from the Contingency Reserve resulting in a balanced Funding Statement.

The balance of the Contingency Reserve totals \$5.6m at Budget Review 3. This amount includes \$1.2m of funds to support high priority initiatives that align with our Sport and Active Recreation Strategic Management Plan, as per Council's resolution of 8 November 2016.

The financial implications of various risks Council is currently exposed to are also outlined in this report and its attachments.

#### 5. Risk and Opportunity Management

Risk	
Identify	Mitigation
Failure to effectively manage councils financial resources in the short, medium and long term potentially results in councils financial sustainability being impaired.	<p>The financial implications of recommendations to Directors Group, Council or any of Council's sub committees are outlined in each report considered by these bodies.</p> <p>In addition the financial planning and budgetary process and quarterly budget reviews provide appropriate financial analysis for consideration by Council to ensure financial resources are effectively managed in the short, medium and long term to</p>

<b>Risk</b>	
<b>Identify</b>	<b>Mitigation</b>
	achieve financial sustainability.
Failure to comply with timelines specified in Section 9 of the Regulations.	Budget reviews have been scheduled for Council consideration in accordance with the requirements of the Regulations.
Failure to effectively manage financial risks arising as a result of changes proposed and already made across the government sector that could significantly impact council's long term financial sustainability.	Mitigation activities in relation to significant financial risks are outlined in this report and its attachments.

## 6. **Additional information**

The quarterly financial analysis and commentary in relation to significant financial risks is presented at attachment 1 to this report.



Attachment 1

# QUARTERLY FINANCIAL UPDATE

FOR THE PERIOD  
TO 31 MARCH 2017

DARREN STYLER  
MANAGER FINANCE  
DIANE ECKERMANN  
TEAM LEADER MANAGEMENT ACCOUNTING



QUARTERLY FINANCIAL UPDATE  
FOR THE PERIOD TO 31 MARCH 2017

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QUARTERLY FINANCIAL UPDATE  
FOR THE PERIOD TO 31 MARCH 2017

## EXECUTIVE SUMMARY

- Actual to budget variances for the period to 31 March 2017 include the following key items:
  - Special distribution funds received totalling \$541k from the Asset Mutual Fund, Workers Compensation Scheme and the Mutual Liability Scheme. These amounts are not budgeted for as are not guaranteed, appropriate adjustments are included in Budget Review 3.
  - Developer contributions received that were not budgeted for totalling \$205k that have been incorporated into Budget Review 3.

All other variances reflect timing differences in budgeted and actual spend with no significant variances projected for the year end.

- Budget Review 3 results in a net funding deficit of \$284k and includes the following key items:
  - The Special distribution funds totalling \$541k (as noted above)
  - A retiming of dog registration income totalling \$600k following a legislated change in the way this income is accounted for, moving from cash to accruals basis
  - Having further reviewed the performance of the Water Business Unit and CWMS we have proposed reductions in WBU water sales totalling \$375k and CWMS new connections income of \$170k.

Whilst these amounts are typically funded through their respective reserves as the balance of these reserves is forecast to be \$188k in deficit at 30 June 2017, it is proposed that \$215k of funding be provided by the Contingency Reserve to bring the reserves to a small surplus at year-end.

As previously communicated to Council we continue to progress Service Reviews and commercial options analysis in relation to these activities.

- Increases in corporate postage costs due to a significant price increase imposed by Australia Post \$170k.

- The retiming of the following major project funding into future years:

- FAP Stages 2, 6 and 7 \$6.3m and corresponding \$3.2m in income
- McLaren Vale Streetscapes \$550k
- NRC Revitalisation \$250k
- Seaford District Centre \$100k

These retiming's are offset by a corresponding adjustment in project income and borrowings.

#### QUARTERLY FINANCIAL UPDATE

FOR THE PERIOD TO 31 MARCH 2017

It is proposed that the \$284k funding deficit at Budget Review 3 be transferred from the Contingency Reserve resulting in a balanced Funding Statement.

The balance of the Contingency Reserve therefore totals \$5.6m at Budget Review 3. This amount includes \$1.2m of funds to support high priority initiatives that align with our Sport and Active Recreation Strategic Management Plan, as per Councils resolution of 8 November 2016.

- The impact of Budget Review 3, other financial decisions of Council and changes in State Government levies, fees and charges over the year to date has resulted in approximately \$2.9m of significant variations impacting the 2017-18 Budget as follows:

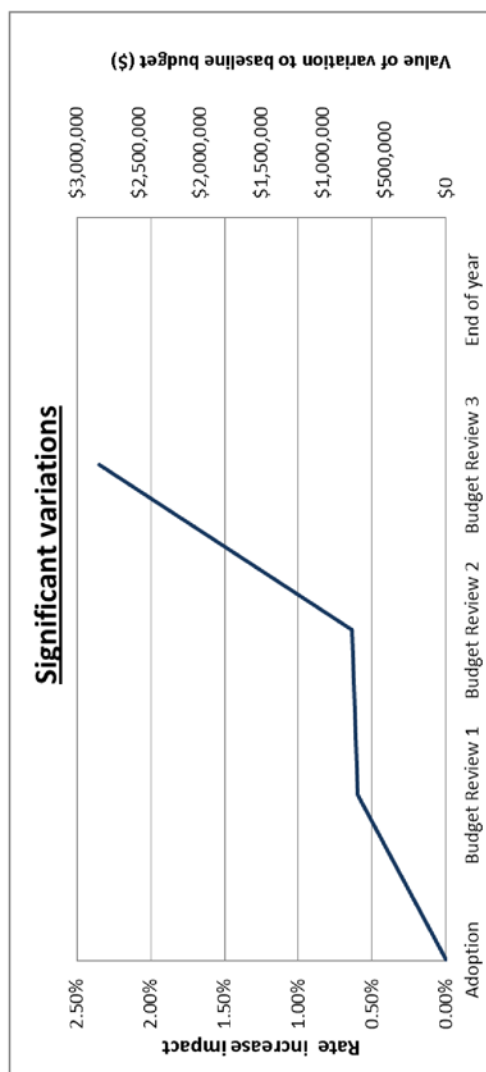
Core activities	\$'000	Reported at
Enterprise Bargaining Agreement outcomes	(360)	BR1
Public lighting savings	(181)	BR1
Reduction in roadworks unit rates	(163)	BR1
Insurance cost savings	(88)	BR1
Increase in electricity costs	520	BR1
EPA waste levy increase	360	BR1
Rate rebates increase	60	BR1
Adjustment to Financial Assistance Grants	36	BR1
Electrical distribution board testing	40	BR2
City Operations additional variations*	724	BR3
Finance and Commercial additional variations*	163	BR3
Corporate and City Services additional variations*	778	BR3
<b>Total</b>	<b>1,889</b>	

Value Added activities	\$'000	Reported at
Enterprise Bargaining Agreement outcomes	(240)	BR1
Removal of land sales	250	BR1
Lease costs for the new Aldinga Library	450	BR1
Community Relations additional variations*	110	BR3
Finance and Commercial additional variations*	(337)	BR3
Corporate and City Services additional variations*	752	BR3
<b>Total</b>	<b>985</b>	

\*Note: A presentation with regards to these significant variations will be provided to Elected Members as part of the Special Council meeting.

QUARTERLY FINANCIAL UPDATE  
 FOR THE PERIOD TO 31 MARCH 2017

As noted in the graph below these significant variations are equivalent to a rate increase of approximately 2.35 per cent.



QUARTERLY FINANCIAL UPDATE  
FOR THE PERIOD TO 31 MARCH 2017

Further to the additional variations noted above, in forming Budget Review 3 we have also identified a number of one off budget amendments that result in a net \$nil impact on the draft 2017-18 Budget. These items are summarised below:

One-off 2017-18 Budget amendments	(saving)/increase \$'000
Reduction in Bridges category quantum for Myer Road Bridge	(1,500)
Reduction in planned office fit out	(700)
Reduction in other category quantum's	(111)
Top up Commercial Activity Reserve	1,395
Temporary Building category increase to cover urgent Commercial works	500
Additional building condition audit funding	150
Reduction in borrowings	266
<b>Total</b>	-

Note: As discussed at the Elected Member Workshop on 9 May 2017 a significant increase in our CWMS rates is required in order to comply with new pricing requirements from 2017-18. CWMS rates are separate to the general rate increase items discussed above.

- From a long term perspective, council is expected to meet all Key Financial Indicator targets over the 10 year period 2017-18 to 2026-27. Over the long term no material financial sustainability concerns are noted based on current financial planning assumptions. It should be noted however that the inclusion of the ICT transformation project within major projects means borrowings are now at capacity over the planning horizon.
- As required by the Local Government Act 1999 following adoption of the 2017-18 Budget we will revisit our financial planning assumptions and borrowing strategies in order to form the 2017-18 LTFP. As part of this process we will ensure Elected Members have an opportunity to consider and debate our current approaches and propose changes if required.
- Council continues to be exposed to significant financial risks as a result of changes proposed and already made across the government sector. We continue to work with the LGA and are advocating directly on the following matters:
  - Rate capping
  - Housing SA stock transfers to NGO Housing Associations
  - Planning, Development and Infrastructure Act 2016
  - EPA levy increases
  - Dog and Cat Management (Miscellaneous) Amendment Bill 2015
  - Local Nuisance and Litter Control Act 2016
  - ESCOSA water pricing requirements
  - Electricity pricing

QUARTERLY FINANCIAL UPDATE  
FOR THE PERIOD TO 31 MARCH 2017

## 1. INTRODUCTION

This document provides analysis of our actual financial performance to 31 March 2017 compared to the approved budget, analysis of the approved budget compared to the proposed budget arising from Budget Review 3 and analysis of the impacts of Budget Review 3 and other financial decisions made during the quarter on the 2017-18 Budget and our Long Term Financial Plan.

The information is presented in Funding Statement format as the Funding Statement provides a summary of all of council's income and expenditure (capital and operating).

A full set of proposed budgeted statements, incorporating Budget Review 3 outcomes, is presented at Attachment 2 for Council approval.

This document also provides commentary in relation to various financial risks arising as a result of changes proposed and already made across the government sector that could significantly impact council's long term financial sustainability, and outlines the activities we are currently undertaking to mitigate these.

NOTE:

- Any items in the statements below that appear with the prefix 'Less' are a deduction.
- With the introduction of the new budget process for 2017-18 the presentation of these statements will be changed to a new simpler format which will remove the need to present items with a 'Less' prefix.

QUARTERLY FINANCIAL UPDATE  
FOR THE PERIOD TO 31 MARCH 2017

## 2. APPROVED BUDGET VS ACTUALS YEAR TO DATE (31 MARCH 2017)

We have analysed our actual performance to 31 March 2017 against our approved budget for the same period. Table 1 below presents this analysis. Variances between actual and budget either result from:

- Actual budget variations (where actual \$ amounts are different to budget)
- Timing differences (where actual spend is now forecast to occur later than originally budgeted however the \$ amount budgeted is unchanged)

Significant variances, being those greater than +/- \$50,000 and +/-5%, are explained below the table:

**Table 1: Funding Statement approved budget vs actuals year to date (31 March 2017)**

<u>Operating</u>	Approved budget YTD \$'000	Actual YTD \$'000	Variance YTD Fav/(Unfav) \$'000	Variance YTD %	Note	Total committed \$'000
<b>Operating income</b>						
Rates (excluding MPF)	88,305	88,416	112	0.1%		0
Statutory charges	2,511	2,421	(89)	(3.6)%		0
User charges	3,943	4,071	129	3.3%		0
Grants, subsidies and contributions	12,271	12,056	(215)	(1.8)%		0
Investment income	125	53	(73)	(57.9)%	1	0
Reimbursements	1,375	1,346	(29)	(2.1)%		0
Other Revenue	279	827	548	196.4%	2	0
<b>Total Operating</b>	<b>108,808</b>	<b>109,191</b>	<b>389</b>	<b>0.4%</b>		<b>0</b>



QUARTERLY FINANCIAL UPDATE  
FOR THE PERIOD TO 31 MARCH 2017

	Approved budget YTD \$'000	Actual YTD \$'000	Variance YTD Fav/(Unfav) \$'000	Variance YTD %	Note	Total committed \$'000
<b>Operating expenditure</b>						
Employee costs	47,168	46,185	983	2.1%		0
Contractual services	24,952	23,047	1,905	7.6%	3	5,302
Materials	9,204	7,683	1,521	16.5%	4	666
Depreciation and amortisation	22,794	23,351	(556)	(2.4)%		0
Finance costs	599	681	(83)	(13.8)%	5	0
Other expenses	9,601	9,324	277	2.9%		201
<b>Total Operating Expenditure</b>	<b>114,318</b>	<b>110,271</b>	<b>4,047</b>	<b>3.5%</b>		<b>6,168</b>
<b>Other</b>						
Transfers to reserves	0	0	0	0.0%		0
Loan principal repayments	636	636	0	0.0%		0
Less Transfers from reserves	0	0	0	0.0%		0
Less Proceeds from land sales	0	0	0	0.0%		0
Less Other non operating income	422	627	205	48.7%	6	0
Less Depreciation and amortisation	22,794	23,351	556	2.4%		0
Less Borrowings	0	0	0	0.0%		0
<b>Total Other</b>	<b>(22,580)</b>	<b>(23,342)</b>	<b>762</b>			<b>0</b>

QUARTERLY FINANCIAL UPDATE  
FOR THE PERIOD TO 31 MARCH 2017

	Approved budget YTD \$'000	Actual YTD \$'000	Variance YTD Fav/(Unfav) \$'000	Variance YTD %	Note	Total committed \$'000
<b><u>Project and capital works program</u></b>						
Project and capital expenditure (gross)	32,359	25,048	7,311	22.6%	7	11,158
Less External funding source	2,586	2,330	(256)	(9.9)%	8	0
Transfers to reserves	0	0	0	0.0%		0
Less Transfers from reserves	0	0	0	0.0%		0
<b>Total Project and capital works program (net)</b>	<b>29,773</b>	<b>22,718</b>	<b>7,055</b>			
<b><u>Major Projects Fund</u></b>						
Project and capital expenditure (gross)	13,843	9,851	3,992	28.8%	9	5,892
Less External funding sources	1,319	1,188	(131)	(9.9)%	10	0
Transfers to reserves	0	0	0	0.0%		0
Loan principal repayments	460	460	0	0.0%		0
Finance costs	1,767	1,834	(67)	(3.8)%		0
Less Rates (allocation of general rates)	6,655	6,657	2	0.0%		0
Less Borrowings	0	0	0	0.0%		0
Less Transfers from reserves	0	0	0	0.0%		0
<b>Total Major Projects Fund (net)</b>	<b>8,096</b>	<b>4,300</b>	<b>3,796</b>			<b>5,892</b>
<b>Funding (surplus)/deficit</b>	<b>20,798</b>	<b>4,756</b>	<b>16,043</b>			<b>23,219</b>

QUARTERLY FINANCIAL UPDATE  
FOR THE PERIOD TO 31 MARCH 2017

Significant variances approved budget vs actual year to date (31 March 2017)

Note	Description	Variance \$'000	Variance %	Comment
1	Investment income	(73)	(57.9)%	This variance relates to a timing difference with no significant variances expected at year end. As such no adjustments are proposed at Budget Review 3.
2	Other revenue	548	196.4%	This variance predominantly relates to Local Government Association Special distribution funds totalling \$540,612 received from the Asset Mutual Fund, Workers Compensation Scheme and the Mutual Liability Scheme. These funds are not budgeted for as there is no guarantee they will be received. Instead these amounts are treated as a one off and are incorporated into Budget Review 3.
3	Contractual services	1,905	7.6%	Having reviewed the level of committed expenditure and allowing for Budget Review 3 adjustments, we are comfortable the remaining variance relates to timing differences with no significant variation projected for the year end.
4	Materials	1,521	16.5%	Having reviewed the level of committed expenditure and allowing for Budget Review 3 adjustments, we are comfortable the remaining variance relates to timing differences with no significant variation projected for the year end.
5	Finance costs	(83)	(13.8)%	This variance relates to a timing difference. We have reforecast the year end position and a small amendment is proposed at Budget Review 3 (see section 3 below).
6	Other non operating income	205	48.7%	This variance relates to \$181k in developer contributions for open space and \$24k developer contributions for drainage works being received that were not budgeted for and have been incorporated into Budget Review 3.

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7	PCW Project and capital expenditure (gross)	7,311	22.6%	Having reviewed the level of committed expenditure and adjustments required to reflect additional projects at Budget Review 3, we are comfortable the variance relates to timing differences with no significant variation projected for the year end or Carry forwards.
8	(Less): PCW External funding source	(256)	(9.9)%	After allowing for adjustments proposed at Budget Review 3, we are comfortable this variance relates to timing differences associated with PCW expenditure amounts above.
10	MPF Project and capital expenditure (gross)	3,992	28.8%	Review of project timings has resulted in transferring some projects out to future years along with any related income and reducing the corresponding loans in Budget Review 3. We are comfortable the remaining variance relates to timing differences with no significant variation projected for the year end or Carry forwards.
11	(Less): MPF External funding source	(131)	(9.9)%	After allowing for adjustments proposed at Budget Review 3, we are comfortable this variance relates to timing differences associated with MPF expenditure amounts above.

QUARTERLY FINANCIAL UPDATE  
FOR THE PERIOD TO 31 MARCH 2017

### 3. APPROVED BUDGET VS PROPOSED BUDGET (FORECAST YEAR END POSITION)

Having performed the above analysis we have also reforecast our year end budget position. Table 2 below provides a comparison of the current approved budget as at Budget Review 2 compared to our proposed budget at Budget Review 3. Variances between the current approved budget and the proposed budget either result from:

- Budget variations (where actual \$ amounts are/ or are expected to be different to the current budget)
- Carry forwards (where actual spend is now forecast to occur in the next financial year however the \$ amount budgeted is unchanged)

Significant variances, being those greater than +/- \$50,000 and +/-5%, are explained below the table:

**Table 2: Funding Statement approved budget vs proposed budget (forecast year end position)**

<u>Operating</u>	Approved budget \$'000	Proposed budget \$'000	Variance YTD Fav/(Unfav) \$'000	Variance YTD %	Note
<b>Operating income</b>					
Rates (excluding MPF)	118,281	118,281	0	0.0%	
Statutory charges	3,625	2,965	(660)	(18.2)%	1
User charges	5,481	5,173	(307)	(5.6)%	2
Grants, subsidies and contributions	17,493	17,342	(151)	(0.9)%	
Investment income	167	167	0	0.0%	
Reimbursements	1,785	1,773	(12)	(0.7)%	
Other Revenue	321	870	549	171.0%	3
<b>Total Operating Income</b>	<b>147,152</b>	<b>146,572</b>	<b>(581)</b>	<b>(0.4)%</b>	

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	Approved budget \$'000	Proposed budget \$'000	Variance YTD Fav/(Unfav) \$'000	Variance YTD %	Note
<b>Operating expenditure</b>					
Employee costs	61,468	61,103	364	0.6%	
Contractual services	32,683	33,545	(862)	(2.6)%	
Materials	12,604	12,373	231	1.8%	
Depreciation and amortisation	30,363	30,887	(524)	(1.7)%	
Finance costs	727	690	37	5.1%	
Other expenses	12,880	12,042	838	6.5%	4
<b>Total Operating Expenditure</b>	<b>150,724</b>	<b>150,641</b>	<b>83</b>	<b>0.1%</b>	
<b>Other</b>					
Transfers to reserves	9,634	10,536	(902)	(9.40)%	5
Loan principal repayments	779	779	0	0.0%	
Less: Transfers from reserves	5,289	6,409	1,120	21.2%	6
Less: Proceeds from land sales	0	0	0	0.0%	
Less: Other non-operating income	422	627	205	48.7%	7
Less: Depreciation and amortisation	30,363	30,887	524	1.7%	
Less: Borrowings	7,572	7,490	(82)	(1.1)%	
Brought forward surplus/(deficit)	3,526	3,526	0	0.0%	
<b>Total Other</b>	<b>(36,759)</b>	<b>(37,625)</b>	<b>865</b>	<b>2.4%</b>	

QUARTERLY FINANCIAL UPDATE  
FOR THE PERIOD TO 31 MARCH 2017

	Approved budget \$'000	Proposed budget \$'000	Variance YTD Fav/(Unfav) \$'000	Variance YTD %	Note
<b>Project and capital works program</b>					
Project and capital expenditure (gross)	49,210	50,309	(1,099)	(2.2)%	
Less: External funding source	5,186	5,354	168	3.2%	
Transfers to reserves	45	173	(128)	(285.0)%	8
Less: Transfers from reserves	10,881	11,571	691	6.3%	9
<b>Total Project and capital works program (net)</b>	<b>33,188</b>	<b>33,556</b>	<b>(368)</b>	<b>(1.1)%</b>	
<b>Major Projects Fund</b>					
Project and capital expenditure (gross)	27,636	20,794	6,842	24.8%	10
Less: External funding sources	4,494	1,430	(3,063)	(68.2)%	11
Transfers to reserves	23	23	0	0.0%	
Add: Loan principal repayments	2,281	2,281	0	0.0%	
Add: Finance costs	2,084	2,084	0	0.0%	
Less: Rates (allocation of general rates)	8,876	8,876	0	0.0%	
Less: Borrowings	13,713	9,934	(3,779)	(27.6)%	12
Less: Transfers from reserves	4,942	4,942	0	0.0%	
<b>Total Major Projects Fund (net)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Funding surplus/(deficit)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	

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Significant variances approved budget vs proposed budget

Note	Description	Variance \$'000	Variance %	Comment
1	Statutory charges	(660)	(18.2)%	This variance represents a timing difference following a legislated change of accounting treatment for dog registration income, moving to accrual based accounting from cash based accounting. There is no impact on 2017-18.
2	User charges	(307)	(5.6)%	This variance includes an increase in waste income from waste management, sale of recycled materials and waste and recycling education income totalling \$104k  In addition having further reviewed the performance of the Water Business Unit and Commercial Activities we have proposed reductions in water sales totalling \$375k and Commercial Activity income of \$45k at Budget Review 3.  As previously communicated to Council we continued to progress Service Reviews and commercial options analysis in relation to these activities.
3	Other Revenue	549	171.0%	This variation relates to Special distribution funds totalling \$541k received from the Asset Mutual Fund, Workers Compensation Scheme and the Mutual Liability Scheme. These funds are not budgeted for as there is no guarantee they will be received. Instead these amounts are treated as a one off and are incorporated into Budget Review 3.
4	Other expenses	838	6.5%	This variation predominantly relates to a moving Recreation Centres budgets from other expenses to contractors \$813k.  A further decrease relates to dog containment expenses of \$74k which net off against the decrease in dog registration income in note 1 above.  Finally these decreases are offset by an increase in corporate postage following a significant price increase imposed by Australia Post \$170k.



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5	Transfer to reserves	(902)	(9.4)%	<p>Transfers to reserves predominantly relate to:</p> <ul style="list-style-type: none"> <li>Contingency Reserve transfer of \$269k in relation to part of the special distribution income noted in item 3 above. The remaining \$272k of the special distributions has been allocated to projects dealing with risk management, in line with requirements of the distributions.</li> <li>Transfer to the following reserves from the Contingency Reserve to ensure the reserves remain positive based on the latest forecast for year-end: <ul style="list-style-type: none"> <li>Water Business Unit Reserve \$140k</li> <li>CWMS Reserve \$75k</li> </ul> </li> <li>Open Space Reserve developer contributions \$181k</li> <li>Transfer of land sales income from the Commercial Activity Reserve to the Strategic Acquisitions Reserve \$30k, in line with Council deliberation on 29 November 2016.</li> <li>Economic Development Reserve return \$80k ON budgets not required for 2016-17</li> <li>Drainage Reserve developer contributions \$24k.</li> </ul>
6	Transfers from reserves	1,120	21.2%	<p>Transfers from reserves predominantly relate to:</p> <ul style="list-style-type: none"> <li>Transfers from the Contingency Reserve for the following items: <ul style="list-style-type: none"> <li>Transfer to cover net funding deficit at Budget Review 3 \$284k</li> <li>Water Business Unit Reserve \$140k (as above)</li> <li>CWMS Reserve \$75k (as above)</li> </ul> </li> <li>Transfers from the Commercial Activity Reserve to the Strategic Acquisitions Reserve \$30k (as above)</li> <li>Transfer from the CWMS Reserve of \$219k depleting the reserve based on the latest forecast for year end</li> <li>Transfer from the WBU Reserve of \$333k depleting the reserve based on the latest forecast for year end.</li> </ul>

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7	Other non-operating income	205	48.7%	Developer contributions received for open space of \$181k and \$24k developer contributions for drainage works.
8	Transfer to Reserve PCW	(128)	(285.0)%	Transfers to reserves predominantly relate to: <ul style="list-style-type: none"> <li>Commercial Activity projects being deferred in order to manage the balance of the reserve based on the latest forecast for year- end \$101k.</li> </ul>
9	Transfer from Reserve PCW	691	6.3%	Transfers from reserves predominantly relate to: <ul style="list-style-type: none"> <li>Plant Replacement Reserve to purchase new equipment \$362k</li> <li>Drainage Construction Reserve \$233k to be used for Stage 2 of Hall Crescent shared use path.</li> </ul>
10	MPF project and capital expenditure (gross)	6,842	24.8%	The movement principally reflects: <ul style="list-style-type: none"> <li>Retiming of the following project budgets into future years: <ul style="list-style-type: none"> <li>FAP Stage 2 - \$4m</li> <li>FAP Stage 6 - \$2.2m</li> <li>McLaren Vale Streetscapes - \$550k</li> <li>NRC Revitalisation - \$250k</li> <li>Seaford District Centre - \$100k</li> <li>FAP Stage 7 - \$90k</li> </ul> </li> <li>Retiming of Aldinga Township project, it bringing forward to this year providing the budget for the contract to be awarded \$745k.</li> </ul>
11	MPF external funding source	(3,063)	(68.2)%	Decrease in income related to the projects noted in 10 above.
12	MPF Borrowings	(3,779)	(27.6)%	Reduction in corresponding loans reflecting the MPF changes noted in 10 above.

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## 4. 2017-18 BUDGET IMPLICATIONS

In proposing the revised budget at Budget Review 3 we have also considered additional variations arising through this budget review and other decisions of Council during the quarter that impact on the 2017-18 Budget. Additional variations are those items that result in movements in the budget above or below indexation.

Table 3 below outlines the proposed additional variation position at Budget Review 3 split between Core and Value Added activities. Core activities are those we are legislated to perform plus those required to maintain our financial sustainability (i.e. related to the maintenance and renewal of our assets). Value Added activities are on top of our Core activities.

**Table 3: 2017-18 additional variations**

	\$'000 (saving) / increase
•	
<b>Core activities additional variations:</b>	(360)
<ul style="list-style-type: none"> <li><i>Negotiation of new MOA enterprise bargaining agreement</i> As per communication to Elected Members, we undertook the third vote in the process of negotiating a new MOA (inside) enterprise bargaining agreement with staff which resulted in the MOA staff accepting the formal offer of 2 per cent and a one off payment (not linked to back pay). All previous conditions from the negotiations were retained and these mainly related to more streamlined administrative processes and simplification of human resource management practices.</li> <li>As a result of finalisation of the process, there is a difference between the budget for administrative salaries and actuals for 2016-17 of approximately \$600,000. As this is a permanent difference there is also a positive impact on the 2017-18 Budget of the same amount.</li> <li>In addition wage indexation in future years will now also be lower than included in our long term financial forecasts, meaning the difference between councils cost indexation and CPI reduces.</li> <li>The \$600,000 positive impact on the 2017-18 Budget is split between MOA staff carrying our Core Activities (\$360,000) and those carrying out Value added activities (\$240,000).</li> </ul>	

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<ul style="list-style-type: none"> <li>• <i>Public lighting cost savings</i> SA Power Networks confirmed a significant reduction in lighting tariffs for 2016-17. This follows work undertaken by the LGA and councils and recognises that the public lighting assets acquired in 1999 have now been fully depreciated. This will result in a permanent saving of \$180,900.</li> </ul>	(181)
<ul style="list-style-type: none"> <li>• <i>Reduction in roadworks unit rates</i> Through successful negotiation of a new contract with Downer EDI via Council Solutions, a unit rate reduction has been achieved. This will see a permanent value and efficiency saving of \$163,000 based on the 2016-17 Budget.</li> </ul>	(163)
<ul style="list-style-type: none"> <li>• <i>Insurance cost savings</i> Permanent reductions in insurance costs have resulted both from a 10% decrease in the valuation of insured council properties and as a result of the City of Onkaparinga's improved results in the annual LGRS risk management review.</li> </ul>	(88)
<ul style="list-style-type: none"> <li>• <i>Increases in electricity costs</i> Existing contracts for the supply of unmetered and over 160 MWh electricity expired on 31 December 2016 and have therefore been re-tendered through Local Government Australia Procurement (LGAP).  As there is currently a high degree of uncertainty and price volatility in the South Australia market, significant increases in electricity prices have been seen in the past few months. Factors creating this volatility include closure of Northern Power Station, outages on the SA-Vic Interconnector and volatility in short-term gas prices (required to generate electricity). These impacts have seen the average wholesale price of electricity in South Australia rise to \$230/MWh compared to \$65/MWh in August 2016 (a 353% increase).  The wholesale price of electricity constitutes approximately 60% of our current unmetered and over 160 MWh electricity contract costs with the remaining approximately 40% relating to network and other charges, which are statutory. As such, notwithstanding Origin Energy providing the best overall rates for both contracts with wholesale electricity cost increases of approximately 270% (84% lower than the state average), the overall cost increases in relation to these contracts are significant for Council.  The overall increase for unmetered electricity is 55%, representing a \$500,000 annual increase, and for above 160 MWh is 29%, representing and \$82,000 annual increase. Of these amounts \$62,000 is funded by the Commercial Reserve leaving a \$520,000 per annum impact on rates for 2017-18.  At present Council has only signed the Origin Energy contract for 12 months and the LGAP will review the market in mid 2017 when there should be more certainty in the SA region.  Furthermore we are continuing to investigate alternate ways to reduce our electricity costs including the use of LED lighting and other energy sources such as solar power. In relation to solar power, this option has previously been considered by Administration however was discounted due to excessive costs. That said given the wholesale electricity price increases noted above and changes in technology, solar power may now be a viable alternative.</li> </ul>	520

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<ul style="list-style-type: none"> <li>• <b>EPA waste levy</b> On 4 July 2016 the State Government announced a schedule of increases to the Solid Waste Levy that saw an increase for metro councils from \$62 to \$76 a tonne on 1 September 2016, before rising progressively to \$103 by 2019-20. For the City of Onkaparinga the financial impacts year by year are as follows, based on approximately 40,000 tonnes of rubbish being subject to this levy annually: <ul style="list-style-type: none"> <li>- 2016-17: \$5 per tonne increase to \$62 from 1 July to 31 August 2016 plus a \$14 per tonne increase to \$76 from 1 September 2016. The full year cost of the change totalled \$560,000 which was incorporated into the adopted 2016-17 Budget.</li> <li>- 2017-18: Having allowed for indexation the \$76 per tonne cost would increase to \$78 per tonne meaning the remaining \$9 per tonne to get to the required \$87 per tonne is an increase above indexation. The amount above indexation totals \$360,000 equivalent to an approximate 0.3 per cent rate increase.</li> <li>- 2018-19: Having allowed for indexation the \$87 per tonne cost would increase to \$89 per tonne meaning the remaining \$11 per tonne to get to the required \$100 per tonne is an increase above indexation. The amount above indexation totals \$440,000 equivalent to an approximate 0.36% rate increase.</li> <li>- 2019-20: The \$3 increase to \$103 per tonne is in line with indexation.</li> </ul> </li> </ul> <p>The cost variation above indexation for 2017-18 is \$360,000.</p>	360
<ul style="list-style-type: none"> <li>• <b>Rate rebates</b> Council was advised in November 2012 of the proposal to progressively divest Housing SA properties to Housing Associations. As a result these properties become eligible for 75 per cent mandatory rate rebates.  The initial information provided by State government advised that approximately 10 per cent of all State Housing would be divested by 2018-19. To reflect the financial impact of this we have continued to forecast for increasing rate rebates at \$60,000 per annum until 2018-19.  On the basis actual rate rebates proposed for 2016-17 are in line with our forecasts an increase in rate rebates of \$60,000 is proposed for 2017-18.</li> </ul>	60



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<ul style="list-style-type: none"> <li>• <b>Adjustment to Financial Assistance Grants (FAGs)</b>                      As identified in the financial planning and budgetary process of previous years, the Federal government has frozen indexation on FAGs until 2017-18. As such a real reduction in FAGs of approximately \$240,000 was included in the approved 2016-17 Budget. In addition, a change in the FAGs allocation methodology that resulted in a further reduction in FAGs funding of \$322,000 was also included in the approved 2016-17 Budget.                      Actual FAGs allocations for the City of Onkaparinga confirmed by the Federal Government during quarter one were approximately \$36,000 lower than budgeted. This is a permanent budget reduction that impacts 2017-18.                      The freeze on FAGs indexation is still expected to end as promised from 2017-18 so no further additional variation arises.</li> </ul>	36
<ul style="list-style-type: none"> <li>• <b>Electrical distribution board legislation</b>                      In order to ensure we are compliant with legislative requirements to test electrical distributions boards in all Council buildings rather than just significant buildings, a further \$60,000 of funding is required. Of this amount \$20,000 has been reallocated from existing budgets leaving a \$40,000 significant variation for 2017-18.</li> </ul>	40
<ul style="list-style-type: none"> <li>• <b>City Operations</b>                      As part of informal proceedings at the 16 May 2017 Special Council meeting a presentation will be provided by Administration outlining by directorate 2017-18 additional variations identified at Budget Review 3. Core activities additional variations for City Operations include:                     <ul style="list-style-type: none"> <li>- design works for 3 year capital works program \$180k</li> <li>- heavy patching \$180k</li> <li>- spatial information services \$180k</li> <li>- SA Water cost increases \$177k</li> <li>- rural road shoulders \$160k</li> <li>- maintenance on multi use trails \$150k</li> <li>- minor traffic linemarking \$120k</li> <li>- crack sealing \$109k</li> <li>- commercial asset planning \$99k</li> <li>- six months LED electricity savings \$(430)k</li> <li>- additional income from growth \$(380)k</li> </ul> </li> </ul>	724

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<ul style="list-style-type: none"> <li><i>Finance and Commercial</i> As part of informal proceedings at the 16 May 2017 Special Council meeting a presentation will be provided by Administration outlining by directorate 2017-18 additional variations identified at Budget Review 3. Core activities additional variations for Finance and Commercial include: <ul style="list-style-type: none"> <li>- property management, cost increases partially \$97k</li> <li>- contaminated land monitoring William Hunt Reserve \$60k</li> </ul> </li> </ul>	163
<ul style="list-style-type: none"> <li><i>Corporate and City Services</i> As part of informal proceedings at the 16 May 2017 Special Council meeting a presentation will be provided by Administration outlining by directorate 2017-18 additional variations identified at Budget Review 3. Core activities additional variations for Corporate and City Services include: <ul style="list-style-type: none"> <li>- postage cost increase imposed by Australia Post \$170k</li> <li>- development services business approvals and next stage of 'Think Pink' \$260k</li> <li>- workers compensation premium increases \$125k</li> </ul> </li> </ul>	778
<b>Core activities sub-total</b>	<b>1,889</b>
<b>Value added activities additional variations:</b>	
<ul style="list-style-type: none"> <li><i>Negotiation of new MOA enterprise bargaining agreement</i> As noted above the \$600,000 positive impact on the 2017-18 Budget arising on conclusion of the MOA enterprise bargaining agreement process is split between MOA staff carrying out Core activities (\$360,000) and those carrying out Value Added activities (\$240,000).</li> </ul>	(240)
<ul style="list-style-type: none"> <li><i>Removal of land Sale proceeds from operating income</i> As per Council deliberations in November 2016 land sales budgets have been removed from Councils budget from 2016-17 onwards. In relation to 2017-18 the removal of land sales budgets results in a \$250,000 loss in non-reserve funding revenue that creates a significant variation of the same amount.  As a result of these changes future land sales will always be one off windfalls that can be held in reserve to fund strategic land/property acquisitions in the future.</li> </ul>	250

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<ul style="list-style-type: none"> <li>• <i>Increase in leasing costs for Aldinga Beach library and VOLT Youth Centre</i> At their meeting of 2 July 2013 Council considered a report outlining a proposal to relocate Aldinga Library to a purpose built facility to that would be leased by council for a period of 10 years. This proposal would also facilitate the expansion of the VOLT Youth Centre. Council resolved in part that:  <i>That Council:</i> a) <i>Approve in principle the relocation of the Aldinga Library to a purpose built facility to be leased from Ashford Holdings Pty Ltd on an anticipated 10 year lease with a right of renewal for a further 10 years subject to the outcomes of negotiations of the commercial lease terms being satisfactory to Council.</i> b) <i>Approves in principle the expansion of the VOLT Youth Centre by incorporating this expansion into the leased tenancy of the existing library immediately adjacent to its current location on an appropriate short term lease subject to the outcomes of negotiations of the commercial lease terms being satisfactory to Council.</i> c) <i>Delegates authority to the Chief Executive Officer to negotiate the commercial terms of the lease arrangements and execute the required documentation to effect a lease as referred to in recommendation (a) and (b) above with Ashford Holdings Pty Ltd which underpin the proposed new and amended tenancies.</i>  The annual rent and outgoings negotiated for the new facility total approximately \$450,000 per annum. This amount represents a significant variation for the 2017-18 Budget.</li> </ul>	450
<ul style="list-style-type: none"> <li>• <i>Community Relations</i> As part of informal proceedings at the 16 May 2017 Special Council meeting a presentation will be provided by Administration outlining by directorate 2017-18 additional variations identified at Budget Review 3. Value Added activities additional variations for community Relations include:  - Aldinga Library officer \$74k</li> </ul>	110
<ul style="list-style-type: none"> <li>• <i>Finance and Commercial</i> As part of informal proceedings at the 16 May 2017 Special Council meeting a presentation will be provided by Administration outlining by directorate 2017-18 additional variations identified at Budget Review 3. Value Added activities additional variations for finance and Commercial include:  - increase in Investment Attraction and Business Growth and Innovation funding for Economic Growth activities \$249k - ON business partner support officer \$79k - transfer from Economic Development reserve for ON program \$(400)k - organisational restructure resulting in a saving from reducing 1FTE manager salary \$(156)k</li> </ul>	(337)



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<ul style="list-style-type: none"> <li>• <i>Corporate and City Services</i> As part of informal proceedings at the 16 May 2017 Special Council meeting a presentation will be provided by Administration outlining by directorate 2017-18 additional variations identified at Budget Review 3. Value Added activities additional variations for corporate and City Services include: <ul style="list-style-type: none"> <li>- increased ICT hardware and licencing costs \$212k</li> <li>- Microsoft Office upgrades \$150k</li> <li>- improved network security, backup software and disaster recovery storage off site \$300k</li> <li>- increase in customer service costs \$130k</li> </ul> </li> </ul>	752
<b>Value Added activities sub-total</b>	<b>985</b>
<b>Total</b>	<b>2,874</b>

The significant variations noted in the table above are equivalent to a rate increase of approximately 2.30 per cent. Note the rate increase required for CWMS is separate to these amounts.

Further to the additional variations noted above in forming Budget Review 3 we have also identified a number of one off budget amendments that result in a net \$nil impact on the draft 2017-18 Budget. These items are listed below:

**Table 4: 2017-18 one offs**

	\$'000 (saving) / increase
<ul style="list-style-type: none"> <li>• <i>Reduction in Bridges category quantum for Myer Road Bridge</i> Given external funding for the Myer Road bridge upgrade project is not currently available and the likelihood of funding is low, we have been working with DPTI to identify alternate approaches. As a result rather than upgrading the bridge we are now proposing reducing the speed limit and implementing a monitoring program which will in the short to medium term mean the existing bridge can remain in service as is. As such the \$1.5m previously included in our financial modelling is not required for 2017-18. The \$1.5m was only a one-off increase in the Bridges category for 2017-18 following which in 2018-19 these funds are to be redirected to road renewal.</li> </ul>	(1,500)

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<ul style="list-style-type: none"> <li><i>Reduction in planned office fit out</i> As part of our 2017-18 financial modelling we had planned to refurbish existing office space to better accommodate staff. Noting the need for a more strategic approach to meet our accommodation requirements over the long term, these funds are no longer required for next year.</li> </ul>	(700)
<ul style="list-style-type: none"> <li><i>Reduction in other category quantum's</i> Following completion of the draft Budget 2017-18 category allocation process the Strategic Planning and Organisational Response and Innovation categories did not require their full allocation resulting in a one off saving of \$111k.</li> </ul>	(111)
<ul style="list-style-type: none"> <li><i>Top up Commercial Activity Reserve</i> As per discussion at the Elected Member Workshop on 9 May 2017 it is proposed that the one off savings noted above be utilised to cover the funding deficit of the Willunga Golf Course, Noarlunga Leisure Centre and Recreation Centres for 2017-18. This will provide a 12 month period for Administration to complete their on-going Service Reviews and commercial options analysis in relation to these activities. Outcomes from these reviews will be presented to Council in time to inform the 2018-19 Budget.</li> </ul>	1,395
<ul style="list-style-type: none"> <li><i>Temporary Building category increase to cover urgent Commercial works</i> As per discussion at the Elected Member Workshop on 9 May 2017 it is proposed that the one off savings noted above be utilised to cover urgent Commercial building works.</li> </ul>	500
<ul style="list-style-type: none"> <li><i>Additional building condition audit funding</i> In order to accelerate the planned audits for buildings which will inform outcomes of the Commercial Activity Service Reviews noted above, it is proposed that the current funding be increased for 2017-18 by \$150k from the savings above.</li> </ul>	150
<ul style="list-style-type: none"> <li><i>Reduction in borrowings</i> In order to balance the one off savings to \$nil it is proposed the remaining \$431k be utilised to reduce borrowings.</li> </ul>	266
<b>Total</b>	<b>0</b>

The proposed rate increase for the draft 2017-18 Budget is outlined in the draft Budget 2017-18 for community engagement purposes report presented on tonight's Agenda.

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## 5. LONG TERM FINANCIAL PLAN IMPLICATIONS

Finally we have considered the impact the proposed budget at Budget Review 3 and other decisions of Council during the quarter have on our Long Term Financial Plan.

Table 5 below highlights council's financial performance against our Key Financial Indicators incorporating the above impacts over the 10 year period 2017-18 to 2026-27. Where a change in our financial performance has resulted these are marked with up and down arrows (up representing improved financial performance and down representing a worsening in financial performance) with explanations for these changes provided below the table.

**Table 5: Financial performance against Key Financial Indicators**

Key Financial Indicator *	Target	2017 - 18	2018 - 19	2019 - 20	2020 - 21	2021 - 22	2022 - 23	2023 - 24	2024 - 25	2025 - 26	2026 - 27
Asset sustainability ratio	>70% **										
Operating surplus ratio	>0%										
Net financial liabilities ratio	<100%										
Interest cover ratio	<5%										
Asset consumption ratio	40-80%										
Adjusted liquidity ratio	<30 days										
Debt servicing	<10%										
Level of borrowings	<100%										
<div> <div>Target met</div> <div>Marginal Underperformance (&lt;10%)</div> <div>Material Underperformance (10% or more)</div> </div>											

\* Further information on what each of the key financial indicators means and how they are calculated is provided in the last two pages of Attachment 2  
\*\* This target have not formally been adopted by Council however is in line with 2016-17 financial planning and budgetary discussions

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**Changes in long term financial performance**

As noted at Budget Review 1, the indicative low rate increase for 2017-18 reduced our capacity to borrow over the long term and had resulted in marginal breaches of the 100 per cent of rate revenue target from 2018-19 through to 2022-23.

As part of Budget Review 2 we reviewed all major projects to ensure the right projects were captured and that the scope, funding and timing of projects was appropriate. As a result of this review a number of changes were discussed with Elected Members on 14 February 2017 that resulted in borrowings being bought back within the target.

Since this meeting we have also reflected changes in major projects approved by council over the quarter, including bringing forward the Witton Bluff project. In addition we have also included the proposed ICT transformation project funding within our financial modelling which is presented for Council consideration as a separate report on tonight's Agenda.

**Overall long term financial performance**

Based on the above, as can be seen from Table 5, council is expected to meet all targets over the 10 year period 2017-18 to 2026-27. Over the long term no material financial sustainability concerns are noted based on current financial planning assumptions, although it should be noted that our borrowings are now at capacity over the planning horizon.

As required by the *Local Government Act 1999* following adoption of the 2017-18 Budget, we will revisit our financial planning assumptions and borrowing strategies in order to form the 2017-18 LTFP. As part of this process we will ensure Elected Member have an opportunity to consider and debate our current approaches and propose changes if required.

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## 6. SIGNIFICANT FINANCIAL RISKS

There are a number of financial risks arising due to changes proposed and already made across the government sector that could significantly impact council's long term financial sustainability. Table 6 below provides details of the financial risks identified and our risk rating for each risk.

**Table 6: Financial risks and risk rating**

Likelihood						Consequence	Rating	Likelihood	Consequence	Overall risk rating	
	5	4	3	2	1						
	E	H					1	Rare	<\$0.1m		Very high
							2	Unlikely	>\$0.1m <\$1m		High
							3	Possible	>\$1m <\$2.5m		Medium
							4	Likely	>\$2.5m <\$5m		Low
							5	Almost certain	>\$5m		

Risk	Description
A	Local Government rate capping
B	Housing SA stock transfers to NGO Housing Associations
C	Planning, Development and Infrastructure Act 2016
D	EPA levy increases

Risk	Description
E	Dog and Cat Management (Miscellaneous) Amendment Bill 2015
F	Local Nuisance and Litter Control Act 2016
G	ESCOSA water pricing requirements
H	Electricity pricing

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Table 7 below provides details of advocacy activities performed to date in relation to each of the risks identified, advocacy outcomes (including any financial implications for council) and next steps.

**Table 7: Advocacy activities, outcomes and next steps**

Risk	Description	Advocacy activities to date	Outcomes (if applicable)	Next steps
A	Local Government rate capping	<p>A Parliamentary Inquiry on Local Government rate capping policies was conducted by the Parliamentary Finance and Economic Committee in 2015-16. Onkaparinga was a proactive participant in this process advocating against the introduction of rate capping by way of written submission, appearing before the Committee and providing evidence along with supporting documentation to the Inquiry.</p> <p>A Private Members Bill 'Local Government (Rate Increases) Amendment Bill 2016' was also separately introduced by Mr Steven Griffiths MP into Parliament in March 2016. A Mayoral submission was issued in response advising very clearly that we would not support this Bill and a copy of our submission to the Parliamentary Inquiry was attached.</p> <p>The LGA also lodged a submission on behalf of local government and encouraged individual councils to lodge submissions to fully demonstrate the level of opposition to this proposal.</p>	<p>The Parliamentary Inquiry into rate capping recommended that:</p> <ul style="list-style-type: none"> <li>Local Councils retain full authority to set their own rates and that no rate cap be introduced.</li> <li>Local councils continue to set rates after full consultation with their communities.</li> <li>Councils be subject to a thorough auditing process under the auspices of the Auditor-General, consistent with section 36 of the Public Finance and Audit Act 1987.</li> <li>Councils be required to publish, on an annual basis, these audits. In addition to the Inquiry, the 'Local Government (Rate Increases) Amendment Bill 2016' was voted down on 9 June 2016.</li> </ul> <p>Despite the above, the Liberal Party have committed to take this policy to the next State Election.</p> <p>As such rate capping should be viewed as an ongoing potential financial risk for local government</p>	<p>The LGA has initiated a staged series of campaigns, to be run over the next two years, against the introduction of rate capping in SA.</p> <p>This follows the initial 2016-17 campaign highlighting the broad range of facilities and services provided by councils who only collect 4% of the total taxation base.</p> <p>Councils are currently supporting the LGA campaign by adding LGA campaign messaging in emails, and printing and inserting DL flyers with rate notices. The fourth quarterly instalment notices, including the current information flyer, were issued following the Easter period.</p> <p>We will continue to campaign against rate capping until the opposition drop this policy position.</p>



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Risk	Description	Advocacy activities to date	Outcomes (if applicable)	Next steps
B	Housing SA stock transfers to NGO Housing Associations	<p>Initially proposed in 2012-13 with 10% of the City of Onkaparinga housing stock proposed to transfer over the period to 2018-19:</p> <ul style="list-style-type: none"> <li>All such properties comply for mandatory 75% rate rebates unless the Minister gazettes rebate exemptions</li> <li>Proposed rebate exemptions included in the First Draft Local Government (Accountability and Governance) Amendment Bill 2015</li> <li>Exemptions quashed by Minister Rau July 2015 and removed from Bill</li> <li>Minister Rau advised matter to negotiate between Council and State at transfer.</li> </ul> <p>Advocacy for exemptions through the LGA on behalf of the industry.</p> <p>Further advocacy undertaken through Inquiry on Rate Capping and through feedback on the 'Local Government (Rate Increases) Amendment Bill 2016' (refer A above).</p> <p>A further batch of 4,000 transfers was advised for 2016-17 with none being proposed for the City of Onkaparinga.</p> <p>The 4,000 transfers impact 2 metro councils and approximately 8 rural councils.</p> <p>The State advised that there would not be any moratorium on the 75% mandatory rebate for Housing Association properties.</p>	<p>Although no divestment was announced for the City of Onkaparinga in 2016-17, a further 56 properties have been transferred to these Associations over the past year. We anticipate that once the current divesting project is finished, that a further staged project will be developed which may involve divesting properties within our council area.</p> <p>Currently our LTFP includes a \$60,000 increase in rate rebates each year for 4 years ending 2018-19. This represents an overall \$240,000 increase in rebates, equivalent to 10% of the \$2.4m worst case scenario for Council (i.e. if all Housing SA stocks transfer to NGO Housing Associations in our city).</p>	<p>Ongoing advocacy through the LGA and any other available political opportunities.</p> <p>A review of the <i>Local Government Act 1999</i> is anticipated to be undertaken and may provide avenues for further advocacy for exemptions for these rebates however the current State Government have previously indicated they will not change their position in regards to this matter.</p>

QUARTERLY FINANCIAL UPDATE  
FOR THE PERIOD TO 31 MARCH 2017

Risk	Description	Advocacy activities to date	Outcomes (if applicable)	Next steps
C	<i>Planning, Development and Infrastructure Act 2016</i>	<p>The Planning, Development and Infrastructure Bill 2015 was informed by Council submissions as follows:</p> <ul style="list-style-type: none"> <li>• Submission endorsed by Council on 29 September 2015.</li> <li>• Submission and letters sent to Minister Rau, Hon Stephen Marshall and Shadow Ministry, other MPs and the LGA.</li> </ul> <p>The Bill was passed by Parliament on 12 April 2016 and became the Planning, Development and Infrastructure Act 2016. Minister Rau tabled a transitional Bill into Parliament on Wednesday 21 September 2016, to commence the 3-5 year implementation of the Planning, Development and Infrastructure (PDI) Act 2016.</p> <p>The Bill provides the ability to turn aspects of the new planning system on and aspects of the current system off as the PDI Act is implemented in phases. Some elements were brought into effect from 1 April 2017.</p>	<p>Most of the original key inclusions of the Bill remain in the Act as passed. These include:</p> <ul style="list-style-type: none"> <li>• the establishment of the State Planning Commission;</li> <li>• the creation of Environment and Food Production Areas to contain urban growth</li> <li>• the ability for councils to 'regionalise' through planning agreements and joint planning boards;</li> <li>• new assessment pathways;</li> <li>• amended infrastructure delivery scheme mechanisms; and</li> <li>• the establishment of an online e-planning regime</li> </ul> <p>A compromise was reached on the constitution of assessment panels to impose a limit of one Elected Member per panel.</p> <p>We await the passing of the Regulations to assess full impacts of the new legislation.</p>	<p>The Mayor, Elected Members and staff continue to work with the LGA to advocate for appropriate Regulations to be drafted in response to Council's concerns. Council will continue to provide feedback through formal submissions as the changes are being rolled out.</p>



QUARTERLY FINANCIAL UPDATE  
FOR THE PERIOD TO 31 MARCH 2017

Risk	Description	Advocacy activities to date	Outcomes (if applicable)	Next steps
D	EPA levy increases	<p>Significant increases in the EPA levy have regularly been occurring since 2010-11 with advocacy activities taking place from this point.</p> <p>A submission made to State Government by the LGA in April 2015 in response to their draft State Waste Strategy 2015 questioned the policy, strategy development and application and use of the levy.</p> <p>In response to the most recent increases announced in the 2016 State Budget the LGA advocated that the September 2016 increase to be deferred until 2017-18 and continued to advocate for the release to councils' of the current \$85m accumulated in the State Government controlled Waste to Resources Fund.</p> <p>The LGA has also since raised concerns about a possible increase in illegal dumping due to levy increases and the impact this could have on councils.</p>	<p>The significant price increases in the levy announced by State Government have been incorporated into the Budget and LTFP as follows:</p> <ul style="list-style-type: none"> <li>• 2016-17: \$62 per tonne July to August and \$76 per tonne from September</li> <li>• 2017-18: \$87 per tonne</li> <li>• 2018-19: \$100 per tonne</li> <li>• 2019-20: \$103 per tonne</li> </ul> <p>Approximately 40 000 tonnes of rubbish are subject to this levy annually.</p>	<p>Ongoing advocacy through the LGA and any other available political opportunities.</p> <p>The LGA will continue to advocate for the release of money in the Waste to Resources Fund for projects to generate environmental and employment outcomes for our communities.</p> <p>We will continue to reinforce to our communities the \$'s collected by councils on behalf of other spheres of Government.</p> <p>In March 2017 Council approved our Waste and Recycling Strategic Management Plan following community engagement. The plan includes continuing advocacy for greater return of levy monies to the sector. The March report also provided an update on implications of future levy increases for our services and operations.</p>

QUARTERLY FINANCIAL UPDATE  
FOR THE PERIOD TO 31 MARCH 2017

Risk	Description	Advocacy activities to date	Outcomes (if applicable)	Next steps
E	Dog and Cat Management (Miscellaneous) Amendment Bill 2015	<p>The Dog and Cat Management (Miscellaneous) Amendment Bill 2015 was introduced to the Legislative Council on 18 November 2015, it was passed by the Upper House and introduced and read for the first time in the House of Assembly on 23 March 2016.</p> <p>At its meeting on 16 June 2016 Council considered a report on the Amendment Bill and approved a council submission in response to the public consultation and the proposed amendments.</p> <p>The submission was sent to the Dog and Cat Reforms – Conservation and Land Management Branch of the State Government Department of Environment, Water and Natural Resources.</p> <p>Regulations to give effect to the amended Act are also being prepared. Council approved a response to public consultation at its meeting on 8 November 2016</p>	<p>The Dog and Cat Management Amendment Bill was passed in July 2016.</p> <p>The main changes to the Act are:</p> <ul style="list-style-type: none"> <li>• Microchipping – introducing the requirement for all dogs and cats over a certain age to be microchipped.</li> <li>• Desexing – introducing the requirement for all new generations of dogs and cats to be desexed</li> <li>• Breeders – introducing a requirement for anyone who breeds dogs and cats for sale to register as a breeder.</li> <li>• Sellers – introducing a requirement for certain information to be provided to the buyer.</li> <li>• Council Powers – councils to have greater powers to administer and enforce the Act including increases in some explanations and penalties.</li> <li>• Assistance Dogs – changes to who can accredit animals.</li> </ul> <p>Regulations are still pending assent however it is understood that the amendments will commence in two stages, penalties and powers on 1 July 2017, mandatory microchipping and desexing requirements on 1 July 2018.</p>	<p>The Dog and Cat Management Board is working to ensure that the Dogs and Cats Online (DACO) database is in place before the 2018-19 registration renewal period.</p> <p>The Board is also amending a range of policies relating to the administration of the Act including how councils set registration fees and rebates. These matters are being brought to Council to determine our policy position as the mandatory provisions of the Act come into effect.</p>

QUARTERLY FINANCIAL UPDATE  
FOR THE PERIOD TO 31 MARCH 2017

Risk	Description	Advocacy activities to date	Outcomes (if applicable)	Next steps
F	Local Nuisance and Litter Control Act 2016	<p>The Local Nuisance and Litter Control Bill 2015 was passed by Parliament in May 2016 and became the Local Nuisance and Litter Control Act 2016.</p> <p>Council considered a report on the Bill and endorsed a submission at a meeting of the Strategic Directions Committee on 1 September 2015.</p> <p>The submission detailed Council's opposition to the proposed legislation noting that the Bill was fundamentally flawed, the justification for transferring responsibility from the EPA to Local Government was not made out and the Bill does not provide for good administration.</p> <p>In November 2016 Council considered a report on the Proposed Local Nuisance and Litter Control Regulations and approved our submission to the EPA.</p> <p>The submission is also being shared with the LGA to advocate on behalf of local government.</p> <p>However, the Regulations were assented as per the consultation draft.</p>	<p>Following public consultation, the Bill was significantly amended however the concerns expressed in our submission were not addressed.</p> <p>This Act is gazetted to commence in two parts, litter provisions on 1 February 2017 and nuisance provisions on 1 July 2017.</p>	<p>A project to implement the requirements of the Act has been commenced. The project seeks to:</p> <ul style="list-style-type: none"> <li>determine the services required of us as a consequence of this Act.</li> <li>establish service standards that meet our legislative obligations while balancing prudent financial management of councils operating budget with community expectations for service delivery.</li> <li>determine the impact of the Act on other legislation, existing services, policies and procedures and amend these where necessary.</li> </ul>

QUARTERLY FINANCIAL UPDATE  
FOR THE PERIOD TO 31 MARCH 2017

Risk	Description	Advocacy activities to date	Outcomes (if applicable)	Next steps
G	ESCOSA water pricing requirements	<p>It is anticipated that ESCOSA will require minor and intermediate licensed water retailers to adopt full cost recovery pricing by 30 June 2017. This is expected to lead to significant price increases and is of particular concern for the pricing of our alternative water supply business (CVMS and WBU). In response we have:</p> <ul style="list-style-type: none"> <li>initiated an LGA funded project to investigate the commercial implications of ESCOSA's pending second Price Determination (2017-TBA) on council owned water retailers in collaboration with four (4) other councils. The project objectives are: <ul style="list-style-type: none"> <li>to model the anticipated regulatory price paths for participating councils retail businesses and the required level of subsidy to maintain competitive pricing over time.</li> <li>to develop an advocacy platform to feed into ESCOSA's formal consultation process that will seek to influence the forthcoming Price Determination where necessary.</li> </ul> </li> <li>provided a submission to ESCOSA's 2016 Inquiry into Regulatory Arrangements For Small-Scale And Off-Grid Water, Gas And Electricity Services.</li> </ul> <p>The inquiry sought to explore a number of issues relating to the regulatory burden on small utilities.</p>	<p>The outcomes being sought include:</p> <ul style="list-style-type: none"> <li>ESCOSA's light handed price monitoring regime be continued for the foreseeable future</li> <li>ESCOSA further investigate the transitional arrangement realistically required by small water retailers to adopt full cost recovery pricing.</li> <li>Recognition that a focus on long term asset management is the key to sustainable and affordable services for the long term benefit of consumers.</li> <li>That a Return on Asset charge should be discretionary to the entity and applied at a time when the market can bear (and accepts) the increase.</li> <li>Those small water retailers (of a size to be defined) are able to receive income subsidy to allow the business to operate sustainably or become established but not price itself out of the market.</li> <li>That ESCOSA consider limiting the regulatory impact on the smaller market participants (to encourage market entry/sustainability).</li> </ul>	<p>Ongoing advocacy through the LGA and any other available political opportunities.</p> <p>Pending ESCOSA's position, financial modelling of full cost pricing implications may be required as well as the exploration of advocacy opportunities.</p> <p>We do not anticipate any update on this item until ESCOSA release their draft price determination in the lead up to 30 June 2017.</p>

QUARTERLY FINANCIAL UPDATE  
FOR THE PERIOD TO 31 MARCH 2017

Risk	Description	Advocacy activities to date	Outcomes (if applicable)	Next steps
H	Electricity pricing	<p>The Australian Competition &amp; Consumer Commission (ACCC) has announced they will investigate energy retailers in relation to their monopoly in this industry enabling them to impose higher user charges.</p> <p>The LGA's 2017 State Budget Submission seeks assistance and funding for councils to reduce their energy consumption.</p>	<p>Provision for significant fluctuations in electricity prices have been built into our 2017-18 Budget totaling \$520k.</p> <p>We have been able to offset some of these increases through savings of \$430k as a result of our planned changeover to LED lighting. These savings are also reflected in the 2017-18 Budget.</p>	<p>We will utilise any opportunity to advocate for energy sustainability through the ACCC review.</p> <p>We anticipate that additional advocacy options will become available leading into the 2018 State Election.</p> <p>Investigations into options for future electricity procurement are currently underway and we will continue to implement energy efficiency measures. This includes the changeover of approximately 16,000 streetlights to LED in 2017-18.</p>



Attachment 2

**PROPOSED FUNDING STATEMENT FOR THE YEAR ENDING 30 JUNE 2017**

	2016-17 Approved budget	2016-17 Proposed budget
<b>Operating revenue</b>		
Rates (excluding MPF)	118,280,731	118,280,731
Statutory charges	3,624,959	2,964,959
User charges	5,480,863	5,173,478
Grants, subsidies and contributions	17,493,032	17,342,431
Investment income	166,889	166,889
Reimbursements	1,784,802	1,772,802
Other revenue	321,155	870,419
<b>Total operating revenue</b>	<b>147,152,431</b>	<b>146,571,709</b>
<b>Operating expenditure</b>		
Employee costs	61,467,911	61,103,492
Contractual services	32,682,598	33,544,791
Materials	12,603,630	12,372,993
Depreciation and amortisation	30,362,857	30,886,824
Finance costs	727,118	690,110
Other expenses	12,879,912	12,042,368
<b>Total operating expenditure</b>	<b>150,724,026</b>	<b>150,640,578</b>
<b>Other</b>		
Transfers to reserves	9,634,001	10,535,748
Loan principal repayments	779,014	779,014
Less: Transfers from reserves	5,289,418	6,409,452
Less: Proceeds from land sales	-	-
Less: Other non operating income	421,893	627,281
Less: Depreciation and amortisation	30,362,857	30,886,824
Less: Borrowings	7,572,367	7,490,188
Add: Movement in Carry forward undrawn loans	-	-
Brought Forward surplus/(deficit)	3,525,793	3,525,793
<b>Total other</b>	<b>(36,759,313)</b>	<b>(37,624,776)</b>
<b>Project and capital works program</b>		
Project and capital expenditure (gross)	49,210,042	50,308,698
Less: External funding sources	5,186,313	5,354,067
Transfers to reserves	44,847	172,650
Less: Transfers from reserves	10,880,858	11,571,374
<b>Total Project and capital works program (net)</b>	<b>33,187,718</b>	<b>33,555,907</b>





Attachment 2

**PROPOSED FUNDING STATEMENT FOR THE YEAR ENDING 30 JUNE 2017**

	2016-17 Approved budget	2016-17 Proposed budget
<b>Major projects fund</b>		
Project and capital expenditure (gross)	27,636,456	20,794,393
Less: External funding sources	4,493,586	1,430,346
Transfers to reserves	22,774	22,774
Add: Loan principal repayments	2,281,366	2,281,366
Add: Finance costs	2,084,456	2,084,456
Less: Rates (allocation of general rates)	8,876,459	8,876,459
Less: Borrowings	13,712,585	9,933,762
Less: Transfers from reserves	4,942,422	4,942,422
<b>Total Major projects fund (net)</b>	-	-
<b>Funding surplus/(deficit)</b>	-	-
<b>Reconciliation to income statement</b>		
Total operating revenue	147,152,431	146,571,709
Total operating expenditure	150,724,027	150,640,579
<b>Funding surplus/(deficit) from operations</b>	<b>(3,571,596)</b>	<b>(4,068,870)</b>
Add: MPF rates revenue	8,876,459	8,876,459
Add: Operating income component of PCW and MPF	1,223,283	1,304,382
Add: Grants, subsidies and contributions relating to renewal/replacement of assets	1,785,805	1,810,658
Add: Net gain/(loss) - joint ventures and associates	-	-
Less: accounting treatment for leave entitlements	-	-
Less: MPF finance charges	(2,084,456)	(2,084,456)
Less: Operating expenditure component of PCW and MPF	(8,709,240)	(8,943,898)
<b>Operating surplus/(deficit) before capital amounts</b>	<b>(2,479,745)</b>	<b>(3,105,725)</b>



Attachment 2

**PROPOSED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDING 30 JUNE 2017**

	2016-17 Approved budget	2016-17 Proposed budget
<b>Operating income</b>		
Rates	127,157,190	127,157,190
Statutory charges	3,624,959	2,964,959
User charges	5,480,863	5,173,478
Grants, subsidies and contributions	20,460,370	20,344,317
Investment income	166,889	166,889
Reimbursements	1,784,802	1,772,802
Other revenue	362,905	983,573
Net gain - joint ventures and associates	-	-
<b>Total operating income</b>	<b>159,037,978</b>	<b>158,563,208</b>
<b>Operating expenses</b>		
Employee costs	61,467,911	61,103,492
Materials, contracts and other expenses	66,875,380	66,904,050
Finance costs	2,811,575	2,774,567
Depreciation and amortisation	30,362,857	30,886,824
Net loss - joint ventures and associates	-	-
<b>Total operating expenses</b>	<b>161,517,723</b>	<b>161,668,933</b>
<b>Operating surplus/(deficit) before capital amounts</b>	<b>(2,479,745)</b>	<b>(3,105,725)</b>
<b>Capital income</b>		
Amounts received specifically for new or upgraded assets	6,670,811	3,669,373
Physical resources received free of charge	5,854,280	5,854,280
<b>Net surplus/(deficit)</b>	<b>10,045,346</b>	<b>6,417,928</b>
<b>Other comprehensive income</b>		
Changes in revaluation surplus - infrastructure, property, plant and equipment	61,219,093	61,219,093
Non-operating items - joint ventures and associates	-	-
<b>Total other comprehensive income</b>	<b>61,219,093</b>	<b>61,219,093</b>
<b>Total comprehensive income</b>	<b>71,264,439</b>	<b>67,637,021</b>





Attachment 2

**PROPOSED BALANCE SHEET AS AT 30 JUNE 2017**

	2016-17 Approved budget	2016-17 Proposed budget
<b>Current assets</b>		
Cash and cash equivalents	-	-
Trade and other receivables	-	-
Inventories	38,751	38,751
Other non-current assets held for sale	36	36
<b>Total current assets</b>	<b>38,787</b>	<b>38,787</b>
<b>Non-current assets</b>		
Financial assets	369,307	369,307
Equity accounted investments in council businesses	10,295,000	10,295,000
Infrastructure, property, plant and equipment	2,076,285,464	2,072,579,482
Other non-current assets	25,307,125	25,307,125
<b>Total non-current assets</b>	<b>2,112,256,896</b>	<b>2,108,550,914</b>
<b>Total assets</b>	<b>2,112,295,683</b>	<b>2,108,589,701</b>
<b>Current liabilities</b>		
Trade and other payables	11,145,348	11,043,335
Short term borrowings	3,701,740	3,701,740
Short term provisions	11,269,612	11,269,612
Other current liabilities	-	-
<b>Total current liabilities</b>	<b>26,116,700</b>	<b>26,014,687</b>
<b>Non-current liabilities</b>		
Trade and other payables	-	-
Long term borrowings	87,178,179	87,201,628
Long term provisions	1,706,000	1,706,000
<b>Total non-current liabilities</b>	<b>88,884,179</b>	<b>88,907,628</b>
<b>Total liabilities</b>	<b>115,000,879</b>	<b>114,922,315</b>
<b>Net assets</b>	<b>1,997,294,804</b>	<b>1,993,667,386</b>
<b>Equity</b>		
Accumulated surplus	543,730,046	540,840,007
Asset revaluation reserve	1,433,438,093	1,433,438,093
Other reserves	20,126,665	19,389,286
<b>Total equity</b>	<b>1,997,294,804</b>	<b>1,993,667,386</b>



Attachment 2

**PROPOSED STATEMENT OF CASH FLOWS FOR THE YEAR ENDING 30 JUNE 2017**

	2016-17 Approved budget	2016-17 Proposed budget
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Operating receipts	158,871,089	158,396,319
Investment receipts	166,889	166,889
<b>Payments</b>		
Operating payments to suppliers and employees	(128,343,291)	(128,007,542)
Finance payments	(2,811,575)	(2,774,567)
<b>Net cash flows from operating activities</b>	<b>27,883,112</b>	<b>27,781,099</b>
<b>Cash flows from investment activities</b>		
<b>Receipts</b>		
Grants specifically for new or upgraded assets	6,670,811	3,669,373
Sale of replaced assets	1,203,256	1,203,256
Repayments of loans by community groups	-	-
Sale of surplus assets	421,893	627,281
Distributions received from associated entities	-	-
<b>Payments</b>		
Expenditure on renewal/replacement of assets	(29,180,595)	(28,436,546)
Expenditure on new/upgraded assets	(33,159,919)	(27,925,903)
Loans made to community groups	-	-
<b>Net cash flows from investment activities</b>	<b>(54,044,554)</b>	<b>(50,862,539)</b>
<b>Cash flows from financing activities</b>		
<b>Receipts</b>		
Proceeds from fixed term borrowings	14,284,952	10,423,950
<b>Payments</b>		
Repayments of borrowings	(3,060,380)	(3,060,380)
Repayment of finance lease liabilities	-	-
<b>Net cash flows from financing activities</b>	<b>11,224,572</b>	<b>7,363,570</b>
<b>Net increase(decrease) in cash held</b>	<b>(14,936,870)</b>	<b>(15,717,870)</b>
<b>Cash and cash equivalents at beginning of reporting period</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at end of reporting period</b>	<b>(14,936,870)</b>	<b>(15,717,870)</b>
<b>Represented by:</b>		
Cash and cash equivalents	-	-
Less: Short term cash advance drawdowns	(14,936,870)	(15,717,870)
	<b>(14,936,870)</b>	<b>(15,717,870)</b>



Attachment 2

**PROPOSED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDING 30 JUNE 2017**

	2016-17 Approved budget	2016-17 Proposed budget
<b>Accumulated surplus</b>		
Balance at end of previous reporting period	522,230,000	522,230,000
Surplus/(deficit) from operations	10,045,346	6,417,928
Share of non-operating items - joint ventures and associates	-	-
Transfers to other reserves	(9,654,000)	(10,731,171)
Transfers from other reserves	21,108,700	22,923,250
<b>Balance at end of period</b>	<b>543,730,046</b>	<b>540,840,007</b>
<b>Asset revaluation reserve</b>		
Balance at end of previous reporting period	1,372,219,000	1,372,219,000
Gain on revaluation of infrastructure, property, plant and equipment	61,219,093	61,219,093
Gain on revaluation of investment in joint ventures	-	-
Transfer to accumulated surplus on sale of infrastructure, property, plant and equipment	-	-
<b>Balance at end of period</b>	<b>1,433,438,093</b>	<b>1,433,438,093</b>
<b>Community wastewater management systems reserve</b>		
Balance at beginning of period	53,239	53,239
Transfers to reserve	3,826,969	3,901,969
Transfers from reserve	(3,659,067)	(3,928,238)
<b>Balance at end of period</b>	<b>221,141</b>	<b>26,970</b>
<b>Hazel McKenzie car park</b>		
Balance at beginning of period	12,079	12,079
Transfers to reserve	-	-
Transfers from reserve	-	-
<b>Balance at end of period</b>	<b>12,079</b>	<b>12,079</b>
<b>Stormwater management</b>		
Balance at beginning of period	1,789,164	1,789,164
Transfers to reserve	19,636	43,360
Transfers from reserve	(686,467)	(919,308)
<b>Balance at end of period</b>	<b>1,122,333</b>	<b>913,216</b>
<b>Footpath reserve</b>		
Balance at beginning of period	1,270,377	1,270,377
Transfers to reserve	-	-
Transfers from reserve	(359,386)	(389,796)
<b>Balance at end of period</b>	<b>910,991</b>	<b>880,581</b>
<b>Open space development reserve</b>		
Balance at beginning of period	4,771,377	4,771,377
Transfers to reserve	452,256	633,920
Transfers from reserve	(1,343,924)	(1,343,924)
<b>Balance at end of period</b>	<b>3,879,709</b>	<b>4,061,373</b>



Attachment 2

**PROPOSED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDING 30 JUNE 2017**

	2016-17 Approved budget	2016-17 Proposed budget
<b>Sturt linear land purchase reserve</b>		
Balance at beginning of period	67,331	67,331
Transfers to reserve	-	-
Transfers from reserve	-	-
<b>Balance at end of period</b>	<b>67,331</b>	<b>67,331</b>
<b>Coast parks reserve</b>		
Balance at beginning of period	1,740	1,740
Transfers to reserve	-	-
Transfers from reserve	-	-
<b>Balance at end of period</b>	<b>1,740</b>	<b>1,740</b>
<b>Court recoating reserve</b>		
Balance at beginning of period	52,144	52,144
Transfers to reserve	20,552	20,552
Transfers from reserve	(50,000)	(50,000)
<b>Balance at end of period</b>	<b>22,696</b>	<b>22,696</b>
<b>Committed expenditure reserve</b>		
Balance at beginning of period	10,979,082	10,979,082
Transfers to reserve	-	-
Transfers from reserve	(10,979,082)	(10,979,082)
<b>Balance at end of period</b>	<b>-</b>	<b>-</b>
<b>Contingency reserve fund</b>		
Balance at beginning of period	2,805,126	2,805,126
Transfers to reserve	3,912,117	4,180,856
Transfers from reserve	(818,972)	(1,371,759)
<b>Balance at end of period</b>	<b>5,898,271</b>	<b>5,614,223</b>
<b>Commercial activity reserve</b>		
Balance at beginning of period	552,373	552,373
Transfers to reserve	336,620	457,620
Transfers from reserve	(888,533)	(922,908)
<b>Balance at end of period</b>	<b>460</b>	<b>87,085</b>
<b>Revolving resources reserve</b>		
Balance at beginning of period	1,617,710	1,617,710
Transfers to reserve	222,860	250,810
Transfers from reserve	(46,137)	(30,838)
<b>Balance at end of period</b>	<b>1,794,433</b>	<b>1,837,682</b>



Attachment 2

**PROPOSED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDING 30 JUNE 2017**

	2016-17 Approved budget	2016-17 Proposed budget
<b>Developer contributions (roads)</b>		
Balance at beginning of period	79,579	79,579
Transfers to reserve	-	-
Transfers from reserve	-	-
<b>Balance at end of period</b>	<b>79,579</b>	<b>79,579</b>
<b>Urban Tree Fund</b>		
Balance at beginning of period	22,076	22,076
Transfers to reserve	5,000	5,000
Transfers from reserve	-	-
<b>Balance at end of period</b>	<b>27,076</b>	<b>27,076</b>
<b>Plant and fleet reserve</b>		
Balance at beginning of period	4,160,246	4,160,246
Transfers to reserve	-	-
Transfers from reserve	(848,984)	(1,210,950)
<b>Balance at end of period</b>	<b>3,311,262</b>	<b>2,949,296</b>
<b>Seaford Library fund</b>		
Balance at beginning of period	168,573	168,573
Transfers to reserve	78,001	78,001
Transfers from reserve	(140,000)	(140,000)
<b>Balance at end of period</b>	<b>106,574</b>	<b>106,574</b>
<b>Innovation and Improvement reserve</b>		
Balance at beginning of period	235,000	235,000
Transfers to reserve	-	-
Transfers from reserve	-	-
<b>Balance at end of period</b>	<b>235,000</b>	<b>235,000</b>
<b>Climate change response fund</b>		
Balance at beginning of period	1,148,945	1,148,945
Transfers to reserve	-	26,803
Transfers from reserve	(151,575)	(166,874)
<b>Balance at end of period</b>	<b>997,370</b>	<b>1,008,874</b>
<b>Economic Development Reserve</b>		
Balance at beginning of period	1,600,000	1,600,000
Transfers to reserve	90,500	170,500
Transfers from reserve	(400,000)	(400,000)
<b>Balance at end of period</b>	<b>1,290,500</b>	<b>1,370,500</b>



Attachment 2

**PROPOSED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDING 30 JUNE 2017**

	2016-17 Approved budget	2016-17 Proposed budget
<b>Water Business Unit reserve</b>		
Balance at beginning of period	195,205	195,205
Transfers to reserve	689,489	874,368
Transfers from reserve	(736,573)	(1,069,573)
<b>Balance at end of period</b>	<b>148,121</b>	<b>-</b>
<b>Community Corporation 20224</b>		
Balance at beginning of period	-	-
Transfers to reserve	24,847	24,847
Transfers from reserve	-	-
<b>Balance at end of period</b>	<b>24,847</b>	<b>24,847</b>
<b>Carparking Contribution Scheme</b>		
Balance at beginning of period	-	-
Transfers to reserve	9,416	9,416
Transfers from reserve	-	-
<b>Balance at end of period</b>	<b>9,416</b>	<b>9,416</b>
<b>Hackham South East Infrastructure</b>		
Balance at beginning of period	-	-
Transfers to reserve	22,774	22,774
Transfers from reserve	-	-
<b>Balance at end of period</b>	<b>22,774</b>	<b>22,774</b>
<b>Strategic Acquisitions</b>		
Balance at beginning of period	-	-
Transfers to reserve	-	30,375
Transfers from reserve	-	-
<b>Balance at end of period</b>	<b>-</b>	<b>30,375</b>
<b>Total reserves</b>	<b>1,453,589,605</b>	<b>1,452,827,379</b>
<b>Total equity</b>	<b>1,997,319,651</b>	<b>1,993,667,386</b>



Attachment 2

**PROPOSED UNIFORM PRESENTATION OF FINANCES FOR THE YEAR ENDING 30 JUNE 2017**

	2016-17 Approved budget	2016-17 Proposed budget
<b>Operating surplus/(deficit)</b>		
Operating revenues	159,037,978	158,563,208
Less: Operating expenses	(161,517,723)	(161,668,933)
<b>Operating surplus/(deficit) before capital amounts</b>	<b>(2,479,745)</b>	<b>(3,105,725)</b>
<b>Less: Net outlays on existing assets</b>		
Capital expenditure on renewal and replacement of existing assets	(29,180,595)	(28,436,546)
Less: Depreciation, amortisation and impairment	30,362,857	30,886,824
Less: Proceeds from sale of replaced assets	1,203,256	1,203,256
<b>Net outlays on existing assets</b>	<b>2,385,518</b>	<b>3,653,534</b>
<b>Less: Net outlays on new and upgraded assets</b>		
Capital expenditure on new and upgraded assets	(33,159,919)	(27,925,903)
Less: Grants and contributions for new and upgraded assets	6,670,811	3,669,373
Less: Proceeds from sale of surplus assets	421,893	627,281
<b>Net outlays on new and upgraded assets</b>	<b>(26,067,214)</b>	<b>(23,629,249)</b>
<b>Net lending / (borrowing) for financial year</b>	<b>(26,161,442)</b>	<b>(23,081,440)</b>



Attachment 2

**PROPOSED KEY FINANCIAL INDICATORS FOR THE YEAR ENDING 30 JUNE 2017**

	2016-17 Approved budget	2016-17 Proposed budget
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**Operating surplus ratio**

*The percentage by which the major controllable income source varies from day to day expenses*

Calculated as:

Operating surplus/(deficit) before capital amounts	(2,479,745)	(3,105,725)
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Divided by:

Rates revenue	127,157,190	127,157,190
Less: NRM levy raised	(2,552,471)	(2,552,471)
<b>General rates revenue (excluding NRM levy raised)</b>	<b>124,604,719</b>	<b>124,604,719</b>

<b>Expressed as a percentage</b>	<b>(2.0%)</b>	<b>(2.5%)</b>
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**Net financial liabilities ratio**

*How significant is the net amount owed compared with income*

Calculated as:

Net financial liabilities	128,220,746	128,142,182
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Divided by:

Total operating revenue	159,037,978	158,563,208
Less: NRM levy raised	(2,552,471)	(2,552,471)
<b>Total operating revenue (excluding NRM levy raised)</b>	<b>156,485,507</b>	<b>156,010,737</b>

<b>Expressed as a percentage</b>	<b>82%</b>	<b>82%</b>
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**Interest cover ratio**

*How much income is used in paying interest on loans*

Calculated as:

Finance costs	2,811,575	2,774,567
Less: Investment income	(166,889)	(166,889)
<b>Net finance costs</b>	<b>2,644,686</b>	<b>2,607,678</b>

Divided by:

Total operating revenue	159,037,978	158,563,208
Less: NRM levy raised	(2,552,471)	(2,552,471)
Less: Investment income	(166,889)	(166,889)
<b>Total operating revenue (excluding NRM levy raised and investment income)</b>	<b>156,318,618</b>	<b>155,843,848</b>

<b>Expressed as a percentage</b>	<b>1.7%</b>	<b>1.7%</b>
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Attachment 2

**PROPOSED KEY FINANCIAL INDICATORS FOR THE YEAR ENDING 30 JUNE 2017**

	2016-17 Approved budget	2016-17 Proposed budget
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**Asset sustainability ratio**

*What percentage of assets are being replaced at the rate they are wearing out*

Calculated as:

Expenditure on renewal/replacement of assets	29,180,595	28,436,546
Less: Sale of replaced assets	(1,203,256)	(1,203,256)
<b>Net expenditure on renewal/replacement of assets</b>	<b>27,977,339</b>	<b>27,233,290</b>

Divided by:

Projected asset renewal funding requirement	28,863,807	28,863,807
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<b>Expressed as a percentage</b>	<b>97%</b>	<b>94%</b>
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**Asset consumption ratio**

*The average proportion of 'as new condition' left in assets*

Calculated as:

Carrying value of infrastructure, property, plant and equipment	2,089,913,425	2,086,207,443
Less: Land	(597,414,900)	(597,414,900)
<b>Carrying value of infrastructure, property, plant and equipment (excluding land)</b>	<b>1,492,498,525</b>	<b>1,488,792,543</b>

Divided by:

Carrying value of infrastructure, property, plant and equipment (excluding Land)	1,492,498,525	1,488,792,543
Plus: Opening accumulated depreciation and amortisation	525,868,272	525,868,272
Plus: Depreciation and amortisation for financial year	30,216,757	30,216,757
<b>'As new' value of Infrastructure, property, plant and equipment (excluding land)</b>	<b>2,048,583,554</b>	<b>2,044,877,572</b>

<b>Expressed as a percentage</b>	<b>73%</b>	<b>73%</b>
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**Adjusted Liquidity Ratio**

*The ability to make payment on current liabilities as and when they fall due taking into account undrawn funding*

Calculated as:

Total current assets	38,787	38,787
Add: difference between approved and forecast borrowings	22,506,535	22,506,535
<b>Total current assets including cash from undrawn budget funding</b>	<b>22,545,322</b>	<b>22,545,322</b>

Less:

Total current liabilities	26,116,700	26,014,687
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<b>Surplus / (shortfall)</b>	<b>(3,571,378)</b>	<b>(3,469,366)</b>
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<b>Shortfall expressed as number of rates debtor days</b>	<b>10</b>	<b>10</b>
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### **3.2 Draft Budget 2017-18 for community engagement purposes**

This is a regular or standard report.

Manager:	Darren Styler, Manager Finance
Report Author:	Diane Eckermann, Team Leader Management Accounting
Contact Number:	8384 0121
Attachments:	<ol style="list-style-type: none"><li>1. draft Budget 2017-18 for community engagement purposes (11 pages)</li><li>2. Indexation forecast calculations (1 page)</li><li>3. 2017-18 Value Added Activities Summary (29 pages)</li><li>4. 2017-18 New and Significant Upgrades Summary (51 pages)</li><li>5. Major Projects – New Assets/Significant Upgrades (7 pages)</li><li>6. CWMS capital program (1 page)</li></ol>

**All attachments provided under separate cover**

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#### **1. Purpose**

This report seeks approval of the draft Budget 2017-18 for community engagement purposes.

#### **2. Recommendations**

- 1. That Council approve attachment 1 draft Budget 2017-18 for community engagement purposes as presented in this report and its attachments that incorporates:**
  - a. a general rate increase of 2.85 per cent**
  - b. the 2017-18 Value Added Activities and associated budgets presented in attachment 3 to this report**
  - c. the 2017-18 New Asset and Significant Upgrade projects and associated budgets presented in attachment 4 and 5 to this report**
  - d. a Community Wastewater Management Systems service charge increase of 23.5 per cent and a service charge rebate of 17.5 per cent resulting in a net CWMS increase of 6 per cent.**
- 2. That Council note the ICT Reform project funding incorporated into the draft Budget 2017-18 for community engagement purposes will not be committed until such time as Council have considered a subsequent report seeking approval that the project proceed.**

#### **3. Background**

At its meeting of 29 November 2016 Council considered changes in the financial planning and budgetary process and resolved:

*That Council approve the proposed financial planning and budgetary process for 2017-18 as outlined in this report and attachments that incorporates:*

- *Changing the Funding Statement format from:*
  - *Operating;*
  - *Other;*
  - *Project and Capital Works; and*
  - *Major Projects Fund.*

*To:*

- *Core;*
- *Value Added; and*
- *New Assets and Significant Upgrades.*
- *Updating our existing Resource Allocation Strategy and bid processes to focus on projects, programs and services associated with Value Added activities and New Assets and Significant Upgrades*
- *Utilisation of the Quarterly Financial Update report as the basis for tracking how the rate increase for 2017-18 is developing and proposing the rate increase for 2017-18 for community engagement purposes when the third quarter report is presented.*

In line with the above, on 29 November 2016 Council considered the Quarterly Financial Update report incorporating Budget Review 1 that outlined impacts on the 2017-18 Budget and Long Term Financial Plan of Council as at September 2016. Council resolved in part that:

*That Council note the quarterly financial update provided in this report and attachment 1 to this report, specifically noting the following:*

- *The impact of Budget Review 1, other financial decisions of Council during the quarter and the latest economic indicators sees the following impacts on the 2017-18 Budget:*
  - *'core activities' additional variations equate to cost increases of \$184,000 per annum, equivalent to a 0.2% rate increase*
  - *'value added activities' additional variations equate to cost increases of \$460,000 per annum, equivalent to a 0.4% rate increase approximately*

At the Special Council meeting of 14 February 2017 Council considered the Quarterly Financial Update report incorporating Budget Review 2 that outlined impacts on the 2017-18 Budget and Long Term Financial Plan of Council as at December 2016. Council resolved in part that:

*That Council note the quarterly financial update provided in this report and attachment 1 to this report, specifically noting the following:*

- *The impact of Budget Review 2 and other financial decisions of Council over the year to date has resulted in approximately \$684,000 of significant variations impacting the 2017-18 Budget*

As part of informal proceedings at the Special Council meeting on 14 February 2017 Council also considered a presentation on Major Projects and associated financial modelling. Outputs from these discussions have informed the New Asset and Significant Upgrade projects presented at attachments 4 and 5 to this report.

The Quarterly Financial Update report incorporating Budget Review 3 is presented separately on tonight's agenda. This report recommends in part:

*That Council note the quarterly financial update provided in this report and attachment 1 to this report, specifically noting the following:*

- the impact of Budget Review 3 for 2016-17 is a net funding deficit of \$338,952 which is proposed to be transferred from the Contingency Reserve resulting in a balanced Funding Statement*
- decisions of Council, operational and external factors have resulted in approximately \$2.9m of significant variations impacting the 2017-18 Budget*

In relation to the prioritisation of individual 'Value Added' and 'New Assets and Significant Upgrade' projects, programmes and services, at their meeting of 21 February 2017 Council approved the Resource Prioritisation documents (formerly known as Resource Allocation Strategies) to be used for 2017-18.

The approved Resource Prioritisation documents have been utilised to prioritise individual 'Value Added' and 'New Assets and Significant Upgrade' projects, programmes and service as presented in attachments 3 and 4 to this report. Further information in relation to the scope and status of major projects included in attachment 4 is provided in attachment 5.

Noting the above, this report presents the draft Budget 2017-18 for community engagement purposes.

#### **4. Financial Implications**

This report seeks approval of the draft Budget 2017-18 for community engagement purposes.

#### **5. Risk and Opportunity Management**

<b>Risk</b>	
<b>Identify</b>	<b>Mitigation</b>
Failure to maintain the long term Financial Sustainability of council in a manner that achieves intergenerational equity.	We are continuing to employ a strategic approach to our financial planning that is influenced by the current economic environment, our financial position and the impacts on the organisation both internally and externally. By employing a strategic approach we will continue to ensure our long term financial sustainability and intergenerational equity.
Failure to set appropriate prioritisation criteria leads to projects, programmes and services being allocated funding that do not	Resource Prioritisation documents have been reviewed and updated by Administration to ensure they reflect our current strategies and priorities.  Council approved the 2017-18 Resource Prioritisation documents at their meeting of 21 February 2017.

Risk	
Identify	Mitigation
provide the greatest economic, environmental and community outcomes.	
Failure to manage Socio Political risks in relation to rates increases, level of spending etc.	<p>Our financial planning strategies ensure that in developing our budget and Long Term Financial Plan we recognise the pressures on our communities (their capacity to pay) and ensure we keep rate increases at a prudent and responsible level. We also ensure our rate increases support our financial sustainability objectives and reflect our cost indices plus any pre-existing commitments and other identified cost pressures.</p> <p>We engage with our communities as part of the financial planning process and Council considers community feedback prior to adopting the Annual Business Plan and Budget.</p>

## 6. Additional information

### General rate increase 2017-18

The draft Budget 2017-18 for community engagement purposes (attachment 1) has been prepared in the context of the current economic environment and our key financial indicators of financial sustainability.

There are a number of financial assumptions derived from the above that are reviewed annually by the Audit, Risk, Value and Efficiency Committee. These assumptions include:

- Indexation
- Growth
- Interest rates
- Modelled rate increases.

At their meeting of 8 May 2017 the Audit, Risk, Value and Efficiency Committee reviewed the assumptions proposed for the draft Budget 2017-18 and draft Long Term Financial Plan 2017-18 and resolved:

*That the Audit, Risk, Value and Efficiency Committee confirm the key assumptions and forecast economic indicators proposed for use in the draft Budget and Long Term Financial Plan 2017-18 as presented at this meeting appear reasonable.*

These assumptions have now been utilised in our draft Budget 2017-18 and draft Long Term Financial Plan 2017-18.

In relation to assumptions underlying the general rate increase proposed for 2017-18, these are as follows:

	%	Basis/commentary
Indexation forecast	2.4	<p>Our indexation forecasts for individual spend types (e.g. contractors, materials) is based on the average of three independent indexation forecasts provided by the Treasury, Reserve Bank of Australia and Deloitte Access Economics.</p> <p>Details of our proposed indexation forecasts are provided at attachment 2 to this report and were reviewed by the Audit, Risk, Value and Efficiency Committee at their meeting of 8 May 2017.</p> <p>The resultant overall weighted average indexation forecast is 2.4 per cent.</p> <p>As forecasts by definition will not necessarily reflect actual results, when determining the required rate increase we also make adjustments to reflect the difference between prior forecasts and actual indexation when known.</p> <p>These adjustments are noted below.</p>
Adjustment for under/(over) forecast of indexation in prior years	(1.9)	<p>As actual indexation figures for the preceding year are not released until September, adjustments for actual indexation are two years in arrears (i.e. differences between forecast and actual indexation for 2015-16 are adjusted for when setting the 2017-18 rate increase).</p> <p>As reported to Council on 8 November 2016 as part of the 2015-16 year end analysis, indexation results announced in September 2016 confirmed indexation for 2015-16 was 1.9 per cent lower than originally forecast.</p> <p>This variance reflects a faster decline in the economy than had been expected by the Treasury, Reserve Bank of Australia and Deloitte Access Economics.</p> <p>Details of how the 1.9 per cent has been allocated to individual spend types (e.g. contractors, materials) is presented as part of attachment 2. This was also reviewed by the Audit, Risk, Value and</p>

	%	Basis/commentary
		Efficiency Committee at their meeting of 8 May 2017.
Plus/(less) significant variations	2.35	As per the Quarterly Financial Update report incorporating Budget Review 3 presented separately on tonight's Agenda, significant variations for 2017-18 total \$2.9m which is equivalent to a 2.35 per cent rate increase.
<b>Growth</b> Revenue derived from growth Increase in levels of service due to growth New assets and significant upgrade funding	(1.3)       0.4  0.9	<p>At their meeting of 8 November 2016 in considering the draft Long Term Financial Plan 2016-17 Council resolved in part that:</p> <p><i>That Council adopt the draft Long Term Financial Plan 2016-17 – 2036-37 as detailed in Attachment 1 to this report that includes:</i></p> <ul style="list-style-type: none"> <li>• <i>Removal of the 1.25 per cent Major Projects Fund and funding mix rate increase from council's financial modelling to be replaced by retention of the current 0.9 per cent modelled growth income dividend</i></li> </ul> <p>Utilisation of income from growth to fund new assets and significant upgrades means the overall impact of growth on the rate increase for the budget year is 0 per cent.</p> <p>It is worth noting however that ongoing maintenance and renewal of new assets and significant upgrades does impact rates in future years.</p> <p>These impacts are reflected in our maintenance and asset management plans which inform our long term funding requirements.</p>
<b>Total</b>	<b>2.85</b>	

### Value Added activities and New Asset and Significant Upgrade projects

As noted above, on 29 November 2016 when agreeing the new budget process for 2017-18 Council resolved to amend the way our budget information is presented from:

- Operating
- Other

- Project and Capital Works
- Major Projects Fund

To:

- Core
- Value Added
- New Assets and Significant Upgrades.

Council's Core activities are those things we must provide due to legislation, for example development and environmental health services, plus the maintenance and renewal of our assets to ensure our financial sustainability.

Value Added activities are in addition to our Core activities and deliver broader economic, environmental and community benefits in line with our Community Plan and associated strategies formed in consultation with our communities.

For example we provide library and neighbourhood and community services.

Finally as a rapidly growing Council, New Asset and Significant Upgrade funding is provided to deliver capital projects required to meet the demands of growth.

Following on from the above, Council noted that the budget process should focus on activities council have most discretion to perform from a financial sustainability perspective (i.e. Value Added activities and New Assets and Significant Upgrades) and as such our Resource Prioritisation documents should be updated to reflect this change.

The updated Resource Prioritisation documents that outline the prioritisation criteria for various categories of 'Value Added' and 'New Assets and Significant Upgrade' activities were approved by Council at their meeting on 21 February 2017.

We have subsequently applied the prioritisation criteria to 'Value Added' and 'New Assets and Significant Upgrade' projects, programmes and services proposed through our bid processes to identify those that provide the greatest economic, environmental and community outcomes.

The highest priority 'Value Added' and 'New Assets and Significant Upgrade' activities proposed for funding as part of the draft 2017-18 Budget for community engagement purposes are presented at attachments 3 and 4 to this report.

A status code has been included in the second column of the attachments (column heading 'S'). The following points provide an explanation of these references:

- '+' recommended for allocation in 2017-18 or future years
- 'x' cannot be allocated in 2017-18 due to scheduling requirements
- '\*\*' identified for allocation as part of a previous budget process.

Further information in relation to individual activities can be accessed through the PCW database on the Elected Member website. In addition further information in relation to the scope and status of major projects included in attachment 4 is provided in attachment 5.



### **Community Wastewater Management Systems service charge increase**

As discussed with Elected Members at the Community Wastewater Management Systems (CWMS) workshop on 9 May 2017 and consistent with prior years, we have engaged an external consultant, BRM Holdich, to develop our financial modelling in relation to CWMS.

The financial modelling reflects that CWMS is now subject to a regulatory regime under the auspices of the Essential Services Commission of South Australia (ESCOSA), in addition to requirements of the *Local Government Act 1999* (the Act).

While the Act makes it clear that councils are entitled to recover the full cost of providing CWMS, ESCOSA require that from 1 July 2017 the full cost of providing the service should also recognise a return on capital and an allowance for unquantifiable risks associated with CWMS.

The return on capital and allowance for risk are additional components of the CWMS service charge from 1 July 2017. For council the return required is 5.91 per cent of CWMS assets that are valued at approximately \$26m.

In isolation this is equivalent to a 53 per cent increase in the CWMS service charge when compared to 2016-17.

In light of the significant impact full cost recovery pricing would have on our communities, we have negotiated a 5 year transition to full cost recovery pricing with ESCOSA.

Further, as our existing CWMS funding approach already seeks to recover the full cost of providing CWMS in a sustainable manner (i.e. cover the operating and capital renewal requirements of CWMS), the return on capital and allowance for risk component of the service charge will result in the CWMS reserve balance increasing significantly over time.

For commercial organisations a component of these reserves would be utilised to provide dividends to shareholders. Whilst council does not have shareholders, these reserves could be utilised to provide service charge rebates to CWMS customers, therefore reducing the financial impact of the ESCOSA pricing requirements.

The maximum level of service charge rebates available in any year would be equivalent to the balance of the CWMS Reserve less an allowance for contingency funding.

Given the relatively small size of the CWMS budget and the inherent high level of risk CWMS activities carry, we believe it appropriate to carry a more significant level of contingency funding when expressed as a proportion of service charge revenue than the current 2 per cent of rate revenue used for the Contingency Reserve.

It is proposed that contingency funding of 10 per cent of service charges is a more appropriate policy position for CWMS, although it is acknowledged that this balance will need to be achieved over the 5 year transition to full cost recovery pricing.

Based on the above the proposed financial modelling outcomes over the period 2017-18 to 2022-23 are:

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
	\$	\$	\$	\$	\$	\$
Other Income	(17)	(17)	(17)	(18)	(18)	(18)
Operating Expenditure	572	584	598	611	628	646
Depreciation	118	115	116	116	116	116
Finance charge legacy Reserve debt	24	23	22	21	20	19
Principal charge legacy Reserve debt	17	18	19	19	20	21
<b>Service charge before ESCOSA return</b>	<b>714</b>	<b>723</b>	<b>737</b>	<b>750</b>	<b>767</b>	<b>785</b>
Return on capital and risk	67	134	205	278	354	359
<b>Total service charge</b>	<b>781</b>	<b>857</b>	<b>942</b>	<b>1,028</b>	<b>1,121</b>	<b>1,144</b>
<b>% increase</b>	<b>23.5%</b>	<b>9.7%</b>	<b>10.0%</b>	<b>9.2%</b>	<b>9.0%</b>	<b>2.1%</b>
Rebate	(111)	(147)	(198)	(259)	(317)	(328)
<b>Net amount payable</b>	<b>670</b>	<b>710</b>	<b>744</b>	<b>770</b>	<b>804</b>	<b>816</b>
<b>Net % increase</b>	<b>6.0%</b>	<b>5.6%</b>	<b>4.7%</b>	<b>3.3%</b>	<b>4.2%</b>	<b>1.4%</b>
<b>CWMS Reserve balance</b>	<b>352,014</b>	<b>90,706</b>	<b>77,686</b>	<b>157,601</b>	<b>331,026</b>	<b>478,862</b>
<b>% of service charges</b>	<b>10.9%</b>	<b>2.7%</b>	<b>2.2%</b>	<b>4.2%</b>	<b>8.5%</b>	<b>11.7%</b>
<b>Borrowings</b>	<b>2,795,361</b>	<b>2,686,968</b>	<b>2,771,781</b>	<b>2,647,263</b>	<b>2,517,266</b>	<b>3,131,549</b>
<b>% of assets</b>	<b>10.5%</b>	<b>10.3%</b>	<b>10.5%</b>	<b>10.0%</b>	<b>9.5%</b>	<b>11.7%</b>

The program of capital works included within the above modelling is provided at attachment 6 to this report.

The proposed CWMS service charge increase for 2017-18 is 23.5 per cent and is proposed to be partially offset with a 17.5 per cent service charge rebate. The net CWMS increase proposed for 2017-18 is therefore 6 per cent.



### **3.3 Review of Rating Policy 2017-18 including initial rate modelling**

This is a regular or standard report.

Manager:	Darren Styler, Manager Finance
Report Author:	Joan Murrell, Team Leader Revenue
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Attachments:	<ul style="list-style-type: none"><li>1. Draft Rating Policy 2017–18 (19 pages)</li><li>2. Draft Rate Rebate Policy 2017–18 (11 pages)</li><li>3. Comparative metropolitan rate graphs (2 pages)</li><li>4. Fixed charge SA Councils (1 page)</li><li>5. Model comparison summary table (1 page)</li><li>6. Model comparison by valuation (1 page)</li><li>7. Variable fixed charge comparison residential (1 page)</li></ul>

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#### **1. Purpose**

This report has been prepared as part of the financial planning and budgetary process for 2017–18 and relates to the development of rating and rate rebate policies for 2017–18 including the fixed charge component of our general rate.

#### **2. Recommendations**

- 1. That Council note the rate modelling discussed in this report and presented in attachments 5 Model comparison summary table, 6 Model comparison by valuation, and 7 Variable fixed charge comparison residential to this report.**
- 2. That Council approve the proposed Fixed Charge for 2017–18 and the rating structure for inclusion in the draft Rating Policy 2017–18 for community engagement purposes. The recommended rating structure is as per Model 4 being:**
  - fixed charge of \$450
  - residential rate capping at 10%
- 3. In accordance with 2017-18 Budget resolutions at Item 2.2 of this Agenda, that Council note the inclusion of CWMS rebates sections within the draft Rating Policy 2017-18 and draft Rate Rebate Policy 2017-18 as presented in attachments 1 and 2 to this report.**

#### **3. Background**

Within the constraints of the *Local Government Act 1999* (the Act) Council can develop rating policy that sets the distribution of amounts paid across different ratepayers.

Rating and rate rebate policies are reviewed annually as part of the financial planning and budgetary process and development of the Annual Business Plan (ABP). Under Section 123 of the Act Council must include details of the proposed

rating policy in the draft ABP and consider any submissions or feedback received as part of the community engagement process. The ABP can then be finalised and adopted for the coming year.

Should Council propose changes to the rating policy which are deemed significant (eg new categories for differential rates or introduction of separate or service rates) Council would be required to undertake a higher level of engagement that would include production of a public report containing information on the proposed changes and providing a detailed analysis of any impact on our communities.

Our current rating structure provides for a general rate comprised of two components; a fixed charge and a rate calculated against the valuation. The fixed charge was introduced in 2004–05 as a result of the major review of the rating structure and was a key component to achieve the objective to break the direct link between valuations and rates movements within each land use group. The underlying strategy was to reduce the rate in the dollar applying to the valuation thereby limiting the impact of disproportionate valuation movements due to market forces.

One result of introducing the fixed charge was to redistribute the rate revenue between assessments, negatively impacting assessments in the low to average valuation levels. The strategy employed to manage this redistribution within the residential sector was to also introduce a 10% rate cap (subject to certain criteria). When modelling the introduction of the fixed charge it was identified the ideal amount was around \$300 (approximately 37% of the average residential rate for 2004-05) however this was not achievable due to the level of rate capping this would have generated. For 2004–05 a fixed charge of \$200 was introduced (only approximately 25% of the average residential rate) and Council identified that the appropriate time for further increasing the fixed charge was following conclusion of the three year transitional plan after the initial impact of the changed structure and rate capping had subsided.

Since introduction the fixed charge has usually been increased each year by the general rate increase (approximately), with the exception of 2008–09 when it was increased by 14%, 2013–14 when it was increased by 8.47%, 2014–15 when it was increased by 9.38% and again in 2016–17 when it was increased by 10.66%. As a result the fixed charge now only represents approximately 24% of the average residential rate, some 13% short of the original 37%.

An increase in the fixed charge this year above the general rate increase would further assist in achieving the key objective under item 5.1 of our Rating Policy and prevent inequitable shifts in rate responsibility due to property market forces. This is further discussed within section 6 of the report and should be given serious consideration.

#### **4. Financial Implications**

This report discusses the components of general rates (the fixed charge and rate calculated against valuation) and considers the relativity of the fixed charge to enable development of the structural component of the rating policy. It does not consider the overall rate funding required for 2017–18. The overall rate funding required is established as part of the draft Budget 2017–18 report which appears at Item 2.2 of this Agenda.

## 5. Risk and Opportunity Management

Risk	Mitigation
Financial capacity impact on ratepayers of increasing rates for lower valued properties.	A higher level increase of the fixed charge generally results in higher rate increases for lower valued properties. This risk is somewhat mitigated by the 10% residential rate cap (as automatically applied under the current rating structure).
Failure to complete the 2017–18 financial planning process in accordance with the approved 2017–18 financial planning timetable results in reputational and financial exposure for council.	<p>The financial planning timetable for 2017–18 meets the timing obligations specified in the <i>Local Government Act 1999</i> with regard to the Annual Business Plan, budget and rate notification processes.</p> <p>Should any component of the timeline not be met completion of the financial planning process will extend beyond the planned rate declaration date. As a consequence the first instalment due date for rates may need to be extended having an adverse effect of our forecast cash flows.</p>

Opportunity	Proposed Approach
To increase the fixed charge by more than the general rate increase for 2017–18.	<p>Given that valuation movements and the proposed general rate increase are low for 2017–18 it presents ideal conditions to increase the fixed charge by a larger increase than the general rate. Under these conditions the impact on the community is limited. An increase in the fixed charge to \$450 for 2017–18 as per Model 4 would achieve the best outcome.</p> <p>This assists in further achieving the key objective under item 5.1 of our Rating Policy of breaking the direct link between valuation and rate movements, which prevents inequitable shifts in rate responsibility due to property market forces.</p> <p>It is also worth noting that in a property market with very low valuation movement the level of the 10% residential rate capping across the various models does not move significantly in number or dollar terms. Once the property market becomes more buoyant the opportunity to increase the fixed charge by more than the general increase will be limited by a higher impact on capping due to higher valuation movements.</p>

## **6. Additional information**

This report presents comparative data and information to assist Council in making an informed decision on the development of rating policies for 2017–18. The modelling presents examples of increasing the fixed charge to \$417 (ie \$405 plus 2.85% in line with the proposed general rate increase for community engagement purposes), \$430 and \$440 and \$450. This is to clearly demonstrate the impact of various levels of fixed charge.

A copy of the draft rating and rate rebate policies for 2017–18 are provided as attachments 1 and 2 to this report. It is proposed that any direction given by Council from this meeting will be incorporated into the draft 2017–18 policies for community engagement purposes.

The following sections provide discussion on rating matters, along with supporting information on council comparisons.

### **Comparative Metropolitan Rates 2016–17**

The Comparative Metropolitan Rates graphs for 2017–18 are presented as attachment 3 to this report. These graphs are prepared using results of an annual rating survey conducted by the Local Government Association (LGA).

The graphs detail the average rates levied across 19 metropolitan councils. Graphs are presented for Total average rates (all land use categories) Residential, Commercial/Industrial and Vacant Land average rates.

The information provided on average rates payable included in attachment 3 presents a more meaningful picture of comparative rates levied. It should be noted that the rate revenue raised by individual councils will reflect a large range of factors including differing rating structures, adopted service levels, alternative revenue sources, population density, the current growth cycle, etc.

The data presented in attachment 3 indicates that Onkaparinga average rates are consistently at the lower end of the scale when compared to all metropolitan councils.

### **Increasing the fixed charge**

The relativity of the fixed charge must be determined by Council after reviewing the modelling presented in this report.

Increasing the level of the fixed charge does not increase rate revenue. Council determines the total rate revenue as part of the financial planning and budgetary process and the amount raised from the fixed charge is a component of the total revenue. Increasing the total raised from the fixed charge simply reduces the revenue raised against the valuation thus lowering the rate in the dollar.

The Act constrains the amount of revenue raised by the fixed charge to a maximum of 50% of general rate revenue. For 2016–17 the fixed charge represented 24.11% of general rate revenue for our council. The benefit in increasing the fixed charge (by more than the general rate increase) is it will further minimise the impact of valuation movements.

Comparative data has been extracted on fixed charges from the LGA annual rating survey. At the time of preparing this report 60 of the 68 councils in SA had responded. The data indicates that 28 of these councils impose a fixed charge as a component of their general rates and of these only four are metropolitan councils.

A graph appears at attachment 4 which shows that our fixed charge is the second lowest of the four metropolitan councils (Playford, Adelaide Hills, Onkaparinga and Unley). Of further note is that 18 rural councils also impose a waste service charge. Over all these councils the average fixed charge imposed is \$411 (slightly above Onkaparinga at \$405) while the average of the total fixed plus waste charges is \$541.

Modelling outcomes below demonstrate the impact of various levels of fixed charge for consideration of any increase for 2017–18.

### Modelling assumptions

As in previous years we have held preliminary discussions with officers from the State Valuation Office (SVO) to determine possible valuation trends for 2017–18.

The information presented in Table 1 (below) is only a forecast and based on comparisons between current capital values and the property market trends at December.

<b>Table 1</b>		
<b>Land use</b>	<b>Comments – Anticipated valuation movements</b>	<b>Valuation movement (for modelling purposes only)</b>
Residential	<p>A number of factors contributed to a soft residential market including:</p> <ul style="list-style-type: none"> <li>• tight lending criteria from financial institutions limits growth in housing finance</li> <li>• low level of consumer confidence</li> <li>• Sales levels steady similar to 2015-16</li> <li>• low level of housing construction</li> </ul> <p>Valuation movements will vary within the group based on location however little movement is anticipated with an overall increase of 3% estimated. Home units however may increase by up to 5%.</p> <p>Rural living properties have also shown slight increase in sale values however sales have fallen by 57% last year with many properties still on the market. A movement of around 3% is also anticipated for this small component of the residential sector.</p>	<b>3%</b>
Commercial /Industrial	<p>As with other sectors of the market, the commercial and industrial sector remained subdued with minimal activity at the top end of the market and limited activity through the middle to lower price ranges (sub \$1million). Sales evidence in the latter sectors of the market indicates there has been some movement in value, mainly in the lower price ranges.</p> <p>For both commercial and industrial properties moderate overall valuation movement is expected.</p>	<b>5%</b>
Primary production	<p>The majority of rural properties within the Council area are used for viticultural purposes and whilst sales evidence for these properties is limited, the industry as a whole continues to face pressure from the major winemakers in the form of price/tonne</p>	<b>3%</b>



	being paid for the fruit. For Primary Production properties small movement is anticipated.	
Vacant land	The sales market for residential allotments has remained soft but the slight decrease in the numbers of sales and supply has meant the median value has increased marginally. Consequently there will be a slight increase in values of these properties. Valuation movements will vary within the group based on location however an overall increase of up to 4% estimated.	<b>4%</b>
Other	'Other' properties including institutional, educational etc are believed to have maintained their value with 4% movement anticipated.	<b>4%</b>

### Modelling options

As in previous years, rate modelling has been undertaken to assess the likely impact within each property category as a result of anticipated movements in property valuations. The modelling also includes multiple fixed charge options to clearly demonstrate the impact of various levels of fixed charge.

Modelling has been presented based on the proposed general rate increase of 2.85% for community engagement purposes, with three further options for increasing the fixed charge. Models are presented comparing fixed charges of \$417 (ie \$405 plus 2.85% in line with the illustrative general rate increase), \$430, \$440 and \$450. This provides a more complete picture of the impacts of further increasing the fixed charge in 2017–18.

The following models have been prepared to assist Council to develop the rating policy for 2017–18, specifically the relative increase for the fixed charge component of the general rate.

- **Actuals 2016–17** – presents the actual rating data for 2016–17 using the current rating structure.
- **Model 1 – 2.85% general rate increase** – incorporates the 2016–17 rating structure using the anticipated 'average' valuation movements shown in Table 1 above with the fixed charge increased to **\$417** (ie \$405 increased by 2.85%).
- **Model 2** – as Model 1 with the fixed charge increased to **\$430**.
- **Model 3** – as Model 1 with the fixed charge increased to **\$440**.
- **Model 4** – as Model 1 with the fixed charge increased to **\$450**.

### Modelling outcomes

The sections below present an overview of the rate modelling outcomes.

- **Model 1 – fixed charge \$417 and 2.85% general rate increase**

Model 1 presents a virtually 'no change' scenario and when compared to the actuals for 2016-17 results in much the same rate distribution as 2016–17.

Outcomes show:

fixed charge increased by the general rate increase

- 34 properties are capped
- cost of cap is \$5,739 – a reduction of \$3,521 from 2016-17
- 5 of the properties are capped at below \$20
- 3 of those are capped below \$10
- 2,575 residential properties would experience rate increases of up to 2.85%
- 67,190 properties would increase between 2.85% and 5%
- 20 properties would increase between 5% and 10%
- 33 would be subject to increases of 10% or above (properties excluded from capping eg sold in the previous 12 months).

- **Model 2 – fixed charge \$430 and 2.85% general rate increase**

Model 2 reflects a greater increase in the fixed charge with a corresponding decrease in the rate in the dollar for each category. Any increase in the level of the fixed charge (above the rate increase) will result in a shift of the rate distribution to lower valued properties.

When comparing to Model 1:

- fixed charge increase is slightly greater than the rate increase
- modelling shows no change in the number of properties subject to capping
- cost of cap is \$5,559 – a reduction of \$180 from Model 1
- 3 properties are capped at below \$20
- all 3 are capped below \$10
- 27,154 residential properties would experience rate increases of up to 2.85%
- 42,606 properties would increase between 2.85% and 5%
- 25 properties would increase between 5% and 10%
- 33 would be subject to increases of 10% or above (properties excluded from capping eg sold in the previous 12 months).

- **Model 3 – fixed charge \$440 and 2.85% general rate increase**

Model 3 also results in a shift of the rate responsibility to lower valued properties but it is slightly more pronounced due to the greater increase in the fixed charge.

When comparing to Model 1:

- fixed charge increase is greater than the rate increase
- modelling shows a slight reduction to 33 properties subject to capping
- cost of cap is \$5,456 – a reduction of \$283 from Model 1
- 6 of the properties are capped at below \$20
- all 6 are capped below \$10

- 27,159 residential properties would experience rate increases of up to 2.85%
- 42,259 properties would increase between 2.85% and 5%
- 368 properties would increase between 5% and 10%
- 32 would be subject to increases of 10% or above (properties excluded from capping eg sold in the previous 12 months).

- **Model 4 – fixed charge \$450 and 2.85% general rate increase**

Model 4 also results in a shift of the rate responsibility to lower valued properties but it is significantly more pronounced due to the greater increase in the fixed charge.

When comparing to Model 1:

- fixed charge increase is significantly greater than the general rate increase
- modelling shows a slight increase to 32 properties subject to capping
- cost of cap is \$5,360 – a reduction of \$379 from Model 1
- 5 of the properties are capped at below \$20
- all 5 are capped below \$10
- 12 properties would receive rate reductions (due to high value, low rate in \$)
- 28,513 residential properties would experience rate increases of up to 2.85%
- 40,166 properties would increase between 2.85% and 5%
- 1,096 properties would increase between 5% and 10%
- 31 subject to increases of 10% or above (properties excluded from capping eg sold in the previous 12 months).

The modelling outcomes are also presented as attachments 5, 6 and 7 to this report.

Attachment 5 – 'Model comparison summary table' presents a tabular comparison of the key information and the differences between each model.

Attachment 6 – 'Model comparison by valuation' presents tables for each rate category showing all models and the resulting rate calculation for a given 2016–17 valuation. These tables also include the impact of the estimated valuation movements to enable a direct comparison of rates levied in 2016–17 to 2017–18.

Attachment 7 – 'variable fixed charge comparison residential' presents a graph of the relative residential rate increase between Models 1, 2, 3 and 4 for a given 2016–17 valuation. The graph is provided to illustrate the results of each model as a percentage rate increase from 2016–17 inclusive of the impact of the anticipated valuation movements. This graph clearly demonstrates:

- the impact experienced by lower valued residential properties where the fixed charge increases by a larger percentage than the general increase
- the benefit to higher valued residential properties where the fixed charge increases by a larger percentage than the general increase.

### **Modelling summary**

The key principle presented in this initial modelling is the impact of the fixed charge on the distribution of rates within the various land uses. The level of any general increase will affect all properties in some manner but that impact will vary depending on:

- the valuation movement of specific properties (or groups of properties) and
- the level of increase in the fixed charge in comparison to the general rate increase.

Model 1 presents virtually a 'no change' scenario with only the rate increase applied to the current rating structure and anticipated valuations.

Given the scenario of low property market valuation movement and a low general rate increase, the impact of increasing the fixed charge by the rate increase results in a decrease of only 0.2% in the rate in the dollar. This does not greatly assist in further achieving a key objective under item 5.1 of our Rating Policy (ie to prevent inequitable shifts in rate responsibility by breaking the direct link between valuation and rate movements).

Model 2, 3 and 4 present larger increases to the fixed charge above the level of the rate increase.

Given the scenario of low valuation movement, the impact of increasing the fixed charge by more than rate increase results in a larger decrease in the rate in the dollar. The rate in the dollar reduces by:

- 1.4% for Model 2 (Fixed Charge increased by 6.2%)
- 2.3% for Model 3 (Fixed Charge increased by 8.6%)
- 3.2% for Model 4 (Fixed Charge increased by 11.1%).

Any of these models would assist in further achieving the key objective under item 5.1 of our Rating Policy and prevent inequitable shifts in rate responsibility due to property market forces, however Model 4 would provide the optimum impact.

As advised earlier in this report, increasing the fixed charge by more than the general rate increase does not result in additional rate revenue for council. It simply increases the component of revenue raised via the fixed charge and reduces the revenue raised by the valuation component of the total rate revenue.

## Draft Rating 2017–18 policy

*This policy, Rating 2017–18, was adopted by Council on xx/xx/2017.*

### 1. Preamble

Council has adopted this policy setting out the objectives that it aspires to achieve within its area. Where Council commits to achieving standards or requirements that are not imposed upon it by statute, its commitment is to endeavour to achieve those standards or requirements within available resources.

The contents and commitments in this policy are not intended to be and should not be interpreted to be any more than a statement of Council's general position and to facilitate its aspirations wherever it is reasonable to do so.

### 2. Purpose

The purpose of this policy is to outline Council's approach towards rating its communities and to meet the requirements of the *Local Government Act 1999* (SA) (the Act) with particular reference to Section 123. Section 123 requires Council to have a rating policy that must be prepared and adopted (as part of the Annual Business Plan) each financial year in conjunction with the declaration of rates.

### 3. Principles

Council's policy directions are guided by the three principles of sustainability, good public administration and community leadership, which are detailed in the City of Onkaparinga's *Council Lead Policy*.

Council must raise revenue sufficient for the purpose of governance, administration and to provide for appropriate goods and services for the community. The goods and services are especially those that would not be provided by private businesses eg infrastructure, street lighting, regulatory and compliance activities.

Council's practices and decisions regarding rating are underpinned by:

- accountability, transparency and simplicity
- efficiency, effectiveness and timeliness
- equitable distribution of the rate responsibility across the community
- consistency with Council's strategic, corporate and financial directions and budgetary requirements
- compliance with the requirements and intent of relevant legislation and accepted professional conventions and ethics.

Chapter 10 of the Act empowers local government to levy rates and charges on land and provides some principles for consideration when developing rating policies. The key principle in levying rates recognises that rates constitute a system of taxation on the community for local government purposes (generally based on the value of land).



## Council policy

'*General Rate*' refers to the rate in the dollar that applies to properties in the calculation of the general rate payable by way of Council Rates. Please note that the '*General Rate*' is also referred to as the Differential General Rate under the Act and also includes the Fixed charge component charged.

'*Postponed rates*' refers to any rates postponed under Section 182 or 182A of the Act.

'*Rating*' refers to the overall process of raising revenue by way of levying rates and charges.

'*Rebates*' refers to an amount that a rate or charge may be reduced in accordance with Chapter 10, Division 5 of the Act.

'*Remissions*' refers to any reduction in amount payable granted in accordance with Section 182 of the Act.

'*Residential rate cap rebate*' refers to the rate cap applied to properties with a Residential land use, subject to specific criteria, which is applied under the discretionary rebate provisions of Section 166(1)(l) of the Act.

'*Service charge*' refers to a charge imposed for the provision of a prescribed service under Section 155(1) of the Act.

'*Separate rate*' refers to a rate that applies in addition to other rates and charges, which is used to fund specific activities in accordance with Section 154 of the Act.

### 5. Detail

Council is faced with balancing its service levels, the needs and expectations of the community and setting appropriate tax levels to adequately resource its roles and responsibilities. In setting its rates for the financial year Council needs to give primary consideration to strategic directions, budget considerations, the current economic environment and likely impacts on our communities.

Over previous years significant valuation movements in the residential property sector were resulting in a shift in rate responsibility to residential ratepayers. In recognition of this trend, Council undertook a major public consultation and rating review for 2004–05 that resulted in a revised rating structure incorporating strategies to address the items identified during the consultation process (ie break the direct link between valuations and rates, prevent inequitable shifts in rate responsibility, collect a base contribution from all rateable properties etc).

In developing rating policy each year the effectiveness of the rating strategies are reviewed. These reviews continue to indicate that the strategies have been effective in addressing the items identified and that the progressive shift of rate responsibility to the residential sector has been halted.

An independent review of our rating policy and strategies was undertaken over a two year period (in developing 2010–11 and 2011–12 policies). This review tested the veracity of the principles applied in the current policy to ensure our rating position is equitable and that the basis of the revenue contribution from each land use group is appropriate.



## Council policy

This review concluded that overall our policy was sound, the rating objectives and strategies adequately address the overall direction and goals expressed in our Community Plan and at the same time meet the requirements of our communities. It further identified that each component of our rating strategy rated highly against the principles of taxation, that the policy position of applying the same rate in the dollar to all commercial and industrial properties be maintained along with the current approach for determining the primary production rate revenue contribution. The review also identified that the rate contribution methodology used by council is considered to be rating 'best practice'.

In developing the Rating Policy for 2017-18 Council has undertaken a community engagement process including information provision and community education as a key focus.

One theme consistently raised by our communities relates to the financial issues faced by pensioners. To assist pensioners and self-funded retirees meet their rating obligations Council will continue to apply the remission and postponement provisions available under the Act.

From 1 July 2015 the State Government introduced a new 'cost of living concession' to replace the previous (\$190) pensioner council rate concession. The 'cost of living concession' is paid directly to ratepayer concession holders.

From 1 July 2017 the State Government have also changed the way that concession holders receive their Community Wastewater Management Systems (CWMS) concessions. The State has determined that the CWMS concession (\$110) will also be paid directly to concession holders and not to Council. The CWMS concession payment will be in addition to the cost of living concession payment introduced from 2015.

We will continue to actively encourage concession holders to make an equivalent payment to their rates account immediately upon receipt of the 'cost of living concession' and 'CWMS concession' payment from State Government.

### 5.1 Objectives

In developing rating policy Council must make political and professional judgements based on a number of guiding principles and objectives. These principles and objectives are often competing and must be balanced to achieve the desired outcome.

Council has identified and developed the following key objectives in response to the outcomes of our community engagement activities and on-going annual reviews:

#### *Equity for our communities*

A key consideration in developing a taxation system is the equity principle. In developing rating policy we have endeavoured to ensure that the rating responsibility is distributed in an equitable manner across and within our communities. To achieve this objective our policy is designed to:

- improve equity in rate distribution across our communities
- prevent inequitable shifts in rate responsibility





## Council policy

- collect a base contribution from all rateable properties
- equally distribute the responsibility of rates across the community (unless some compelling application of the other taxation principles should be applied)
- raise an equitable level of contribution from each land use sector.

### *Benefit to our communities*

A further consideration in developing a taxation system is the benefit principle. Our rating structure has been developed to address objectives identified as outcomes of our community engagement activities. Our communities sought a movement away from a purely valuation based rating system to a system which provided some recognition of the benefits received by particular groups. To achieve this objective our policy is designed to:

- minimise the impact of property valuation movements
- move away from valuation based rating by breaking the direct link between valuation and rates
- maintain the relativity within differing communities and between communities
- recognise communities where there is a greater consumption of services and resources.

### *Economic and property development*

Our rating policy seeks to balance Council's economic and property development focus and to achieve this objective our policy is designed to:

- facilitate a strong and vibrant economic environment
- support the growth of business within the area
- balance the issue of consumption of resources with economic development objectives
- encourage development on vacant land
- recognise the importance of arable land suitable for viable primary production.

### *Taxation principles*

While balancing the community needs and Council's broader economic and development objectives we have developed a policy which also provides a balance against the principles of taxation. Our policy objectives, methodologies and strategies have been developed with this in mind and rank highly against the principles of taxation.

## **5.2 Strategic and budget considerations**

Council has determined that the application of an annual Rating Policy should be developed within a framework which integrates strategic planning through to service delivery. The strategic directions for the City and the Organisation are outlined in our *Community Plan 2035*.





## Council policy

The *Community Plan 2035* establishes the overall directions for the City of Onkaparinga looking at a 20-year horizon but with a 5-year focus and annual reporting. The *Community Plan 2035* contains 5 goals that are central to achieving our vision: *A liveable and connected city; Vibrant and resilient communities; A prosperous economy; Sustainable environments; and a Council of excellence.*

The *Community Plan 2035* consolidates the directions set in the *Community Plan 2028* with new emerging issues pertaining to the importance of lifestyle, the city as a destination, improving vocational training and education opportunities and local employment opportunities, the growing importance of tourism to local economy and protecting the social, economic and environmental features of the City that underpin its identity and our communities wellbeing.

The annual Rating Policy for **2017-18** has been reviewed to reflect the strategic directions set in the final *Community Plan 2035*.

Our financial planning framework provides a 20-year financial plan to resource our strategic directions. As part of the financial planning and budget processes, the rate revenue required to meet expenditure needs is calculated taking into account other sources of revenue. The structure of the rating system is then determined having consideration for how the rates are levied between, and within, various categories of ratepayers.

### 5.3 Rating strategies and methodologies

The following key strategies and methodologies have been developed consistent with our policy principles to meet the rating objectives:

- valuation methodology based on capital value
- different rates for different land use categories
- contribution methodology to determine the different rates is based on a percentage of total rate revenue required from each category (adjusted for growth)
- incorporating a fixed charge as a component of the general rate
- rate rebates (including rate capping for residential properties and discretionary rebates)
- rates remissions.

These strategies rank highly against the principles of taxation and are consistent with our strategic and financial planning. Each of these strategies is discussed in the relevant sections below.

#### 5.3.1 Valuation methodology

Council has adopted the use of **capital value as the basis for valuing land** within the Council area. Council considers that this method of valuing land provides the best of the options available to Council as prescribed in the Act and therefore the fairest method of distributing the rate responsibility across all rate payers.



## Council policy

Councils may adopt one of the following three valuation methodologies to value the properties in its area (Section 151 of the Act):

- capital value: the value of land, buildings and other improvements
- site value: the value of land and any improvements which permanently affect the amenity or use of the land, such as drainage works, but excluding the value of buildings and other improvements
- annual value: the value of the rental potential of the property.

Of these available options Section 151 of the Act further identifies that the value of land for the purpose of rating is capital value.

Using capital value as the basis for valuing land more appropriately addresses the principles of taxation and is a better indication of capacity to pay.

Council does not determine property valuations but chooses to exercise the right under Section 151 of the Act to adopt the capital valuations as assessed by the Valuer-General (VG) through the State Valuation Office (SVO). If a ratepayer is dissatisfied with a property valuation then an objection may be made as detailed in Section 5.7.1.

### 5.3.2 Differential rating

The Act allows Councils to 'differentiate' rates based on the use of the land, the locality of the land, the use and locality of the land or on some other basis determined by the council.

The City of Onkaparinga applies **different rates on the basis of land use**.

The Act further allows Council the option to use a combination of factors (land use and locality) to apply different rates. Land use is recognised by other State taxing agencies and is easily identified and understood by our communities. It is therefore considered the most appropriate method for applying different rates by the majority of councils.

Differential rates better reflect consumption of council services but can also be tailored to support other key objectives e.g. economic development, encourage capital development or recognise the value of a specific land use sector. The differential rating strategy assists in addressing all of our rating objectives.

Definitions of the use of the land are prescribed by regulation and are categorised as follows for rating purposes:

- Residential
- Commercial – Shops
- Commercial – Office
- Commercial – Other
- Industrial – Light
- Industrial – Other
- Primary Production



## Council policy

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- Vacant Land
- Other.

As part of the valuation assessment process the SVO applies a land use to each assessment to identify the predominant use of the land. This land use is applied by various taxing authorities. Council generally applies this land use for general rating purposes, however under the Act, Council is the relevant authority that determines land use for rating purposes. The rating land use applied by Council must meet the definitions under Development Regulations. As such the local government land use may vary from that used by other taxing authorities.

If a ratepayer believes that a particular property has been wrongly classified as to its land use, then an objection may be made as detailed in Section 5.7.2.

### 5.3.3 Contribution methodology

**The 'percentage of total rate revenue required from each land use category (adjusted for growth)' will be used in determination of the rate in the dollar (differential rate) for each category.**

Council's underlying philosophy is that the responsibility of rates should be equitably distributed across the community, unless some compelling application of the other taxation principles are applied to change the incidence of the tax.

To minimise the impact of valuation movements, prevent inequitable shifts in rate responsibility and improve equity in rate distribution across the community, Council has determined that the proportion of total rate revenue contribution payable by each of the land use sectors should be maintained at the same level as that paid in the previous year (adjusted for growth).

The contribution methodology is an integral component of our overall rating strategy that assists in achieving a number of our rating objectives, by:

- improving equity in rate distribution across the community
- preventing inequitable shifts in rate responsibility
- minimising the impact of property valuation movements
- raising an equitable level of contribution from each land use sector
- maintaining the relativity within differing communities and between communities
- recognising communities where there is a greater consumption of services and resources
- ranking highly against the principles of taxation.

We have undertaken comparative analysis of differential rates across the 19 metropolitan councils. The analysis indicates our average rates paid in all land use categories consistently remains at the lower end of the scale.



## Council policy

### 5.3.4 Different rates

#### Residential

Council has determined that a **different rate of 0. XXXXXX cents in the dollar** will be applied for **2017-18** to all assessments attributed with a land use of Residential. This rate will achieve the same percentage level of total general rate revenue contribution as that of **2016-17** (84.10%), adjusted for growth.

#### Commercial and Industrial

Council has determined that a **different rate of 0. XXXXXX cents in the dollar** will be applied for **2017-18** to all assessments attributed with a land use of Commercial and Industrial. This rate will achieve the same percentage level of total general rate revenue contribution as that of **2016-17** (8.02%), adjusted for growth.

#### Primary Production

Council has determined that a **different rate of 0. XXXXXX cents in the dollar** will be applied for **2017-18** to all assessments attributed with a land use of Primary Production. This rate will achieve the same percentage level of total general rate revenue contribution as that of **2016-17** (4.15%), adjusted for growth.

#### Vacant Land

Council has determined that a **different rate of 0. XXXXXX cents in the dollar** will be applied for **2017-18** to all assessments attributed with a land use of Vacant Land. This rate will achieve the same percentage level of total general rate revenue contribution as that of **2016-17** (2.94%), adjusted for growth.

#### Other

Council has determined that a **different rate of 0. XXXXXX cents in the dollar** will be applied for **2017-18** to all assessments attributed with a land use of Other. This rate will achieve the same percentage level of total general rate revenue contribution as that of **2016-17** (0.79%), adjusted for growth.

### 5.3.5 Fixed charge

Council has determined that a **fixed charge of \$XXX will be applied to rateable assessments for 2017-18.**

The Act allows Councils to impose a fixed charge on each rateable property in its area, providing that it has not also imposed a minimum rate (Section 152 of the Act).

The primary reason for imposing a fixed charge is to ensure that all rateable properties make a base contribution to the cost of administering Council activities and maintaining the services and physical infrastructure that supports each property.





## Council policy

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A fixed charge has the effect of reducing the rate in the dollar that will be applied to the property valuations, which in turn assists in addressing our policy objectives developed in response to the outcomes of our community engagement activities.

In applying a fixed charge only one charge can be imposed on two or more adjoining assessments with the same owner and occupier (contiguous).

Where a ratepayer believes that they may be eligible for a reduction in the fixed charge applied to contiguous assessments an objection may be made as detailed in Section 5.7.3.

### 5.3.6 Rate Rebates

Council has determined that **rebates of rates will be granted when the applicant satisfies the requirements for mandatory rebates under Sections 159 to Section 165 of the Act.** Applications for **discretionary rebates lodged under Section 166 of the Act will be considered under Council's Rate Rebate Policy** and will be assessed against guidelines prepared by the Local Government Financial Management Group.

The Act acknowledges that there are particular land uses that are economically disadvantaged and provide local community benefit and therefore must be offered rate relief in order to be sustainable. Some rebates under the Act are applied as a mandatory requirement however further discretionary provisions allow for Council to determine whether other desirable land uses may be offered rate relief.

Each year we develop a Rate Rebate Policy which provides the full details regarding rate rebates permissible under the Act. This policy document supports our main Rating Policy.

The rate rebate strategy addresses the following objectives:

- improves equity in rate distribution across the community
- ranks highly against the principles of taxation.

### Residential rate cap rebates

For the **2017-18** year, Council has determined that **a rebate be applied to properties with a Residential land use to cap any increase in the general rates at 10%, subject to specific criteria.**

A cap rebate will not be applied where the rate increase is as a result of an increase in valuation recognising significant capital improvements on the property (regardless of when the development was undertaken) or where there has been a change in the land use or ownership or licence to occupy since the commencement of the previous financial year.

Rate capping for residential properties (subject to certain criteria) recognises that in some circumstances residents have no control over increases in property valuations. Where a significant valuation increase is as a result of market forces and not as a result of purchasing the property, the rates levied as a result of that valuation increase should be capped at a level that minimises the impact to a reasonable level.



## Council policy

The rate capping strategy addresses the following objectives:

- improves equity in rate distribution across the community
- prevents inequitable shifts in rate responsibility
- minimises the impact of property valuation movements
- ranks highly against the principles of taxation.

The rate cap will be applied automatically to properties that can be readily identified as being eligible. Where this rebate is not applied automatically, ratepayers who consider they could be eligible for the Rate Cap Rebate may lodge an application form, which will be assessed against the eligibility criteria. Council rebates or remissions are not included in the capping calculation process. The application must be lodged by 30 June 2018. This rebate is applied under the discretionary rebate provisions of Section 166(1)(l) of the Act. The Residential Rate Cap Rebate Application Form appears as an attachment to the Rate Rebate Policy 2017–18.

### 5.3.7 CWMS rebates

**For the 2017–18 year, Council has determined that a rebate be applied to properties subject to Community Wastewater Management Systems (CWMS) Service charges. This rebate is to assist with the transition to the Essential Services Commission of SA (ESCOSA) full cost recovery pricing requirements.**

CWMS service charge rebates will be applied where funds available within Council's CWMS Reserve are in excess of funds forecast to be required in order to manage CWMS in a financially sustainable manner. The level of service charge rebate applicable (if any) for a financial year will be approved by Council as part of the budget process for that year.

### 5.3.8 Remissions and postponed rates

**Application for remission of rates and charges, finer and interest or postponement of rates will be considered under the discretionary provisions of Sections 181 and 182 of the Act.**

Council will accept applications for remission of fines and interest in certain extenuating circumstances. A request for waiver of fines should provide detailed reasons why a fine remission has been requested.

Council will accept applications for remission or postponement of rates from ratepayers suffering on-going or extreme financial hardship, and will consider each application on its own merits. These applications are assessed subject to evidenced on-going or extreme hardship criteria.

Requests must be lodged in writing or submitted on the Application for Remission or Postponement of Rates and/or Fines form (Attachment 1 to this Policy). Hardship applications will be considered under the provisions of council's Hardship Policy and treated accordingly. Monthly interest at the prescribed rate will be applied to rates postponed under Section 182 of the Act.



## Council policy

**Application for postponement of rates and charges for holders of a State Seniors Card will be considered under the provisions of Section 182A of the Act – 'Postponement of rates – Seniors'.**

Applications must be lodged in writing and must provide evidence of eligibility plus other evidence as required. Requests must be lodged on the Application Form for Postponement of Rates Seniors (Attachment 2 to this Policy). Monthly interest at the prescribed rate will be applied to rates postponed under Section 182A of the Act.

Where an application for postponement under Section 182A is granted, a presumption of on-going annual postponement will be assumed subject to receipt of an annual signed declaration of continued eligibility.

Ratepayers requesting postponement of rates will initially be referred to the availability of reverse mortgage loans through financial institutions.

Seniors granted postponement of rates are required to pay a minimum of \$500 of rates and charges levied in each financial year in compliance with the Local Government (General) Regulations.

The rate remission and postponement strategy addresses the following objectives and taxation principles:

- improves equity in rate distribution across the community
- ranks highly against the principles of taxation.

### **5.4 State Government NRM levy - Separate Rate**

Council is required to collect this mandatory state government levy as a separate rate for Natural Resources Management. This levy is applicable to land within the area of the Adelaide and Mt Lofty Ranges Natural Resources Management Board and the SA Murray-Darling Basin Natural Resources Management Board.

For **2017-18** the **levy for properties in the Adelaide and Mt Lofty Ranges Natural Resources Management Board region will be 0. XXXXXX cents in the dollar**, and for the **SA Murray-Darling Basin Natural Resources Management Board region will be 0. XXXXXX cents in the dollar**.

Natural Resources Management Boards were established under the *Natural Resource Management Act 2004*. The Natural Resources Management Levy replaced the previous water catchment levy applied under the *Water Resources Act 1997* and Local Government Animal and Plant Control Board contributions from 2006-07. Council is required to make a specified contribution to these NRM Boards and then collect this contribution back from property owners through a separate rate based on capital value. Such a rate must be fixed and calculated so as to raise the same amount as Council's share to be contributed to the board (taking into account any rebates/remissions under Section 159-166 of the Act).



## Council policy

Previously, under the provisions of the *Water Resources Act 1997*, properties that paid a water-based levy (Water Licence) under Section 138(11) or (12) were exempt from paying a land based catchment levy through Council. However, under the *Natural Resources Management Act* there is no provision for exemptions in these circumstances. All properties are subject to a Natural Resources Management Levy.

Council is required to remit revenue raised, and does not determine how the revenue is to be spent.

### 5.5 Service rates and charges

Council provides a Community Wastewater Management System (CWMS) to seven districts within the City. These were formerly known as the septic tank effluent disposal scheme (STEDS). To fund the provision of this service Council imposes a service charge to recover the cost to the council of establishing, operating, maintaining, improving and replacing infrastructure (taking into account depreciation of any assets and including future capital works).

#### 5.5.1 Waste and minor trade waste

Council will recover the cost of this service through the imposition of a uniform service charge on each of the relevant assessments (including non-rateable land) for the disposal and treatment of residential waste and minor trade waste.

The CWMS service charges will be as follows for 2017-18:

- **occupied allotments - \$XXX.00 per property unit**
- **vacant allotments - \$XXX.00 per property unit**

In the case of a single residential household a 'Property Unit' will equal one. In the case of higher use properties (such as schools, hospitals and other multiple tenancy properties etc) an equivalent unit charge is calculated. In calculating property units Council adheres to the LGA Community Wastewater Management Systems (CWMS) Code issued in April 2006.

CWMS Service Charges where Aerobic or Sand Filter systems are in use:

- Owners of aerobic or sand filters systems shall be entitled to a 50% remission on the annual charge, provided they show evidence of an annual maintenance contract and have been issued with an exemption by an Environmental Health Officer. No new exemptions will be issued.
- Owners of aerobic systems who do not show evidence of an annual maintenance contract and any property owners with a conventional subsurface disposal system who discharges effluent above ground or into stormwater systems intentionally or otherwise will be required to connect to the CWMS system immediately.
- Connection to the system and/or the payment of the full connection fee shall be compulsory on the sale of an occupied property or the development of a vacant block.





## Council policy

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### 5.5.2 Major trade waste

Council imposes a service charge or rate to recover the costs incurred by the Council. This charge is for the disposal and treatment of major trade waste based on the nature and the level of usage of the service.

This service charge shall be set in compliance with our obligations under the Water Industry Act 2012 and the 2013-2017 Price Determination for Minor and Intermediate Retailers (1 July 2013 as varied on 23 July 2015) as determined by the Essential Services Commission of South Australia. Council will impose an annual service charge to recover the costs incurred by Council for the disposal and treatment of major trade waste. This service charge to be calculated on either a per kilolitre basis or an annual amount (as negotiated with the customer). The service charge will be inclusive of:

- the cost of service provision (based on the nature and the level of usage of the service), return on assets plus other regulatory requirements.



## Council policy

### 5.6 Payment of rates

Rates are payable by quarterly instalments which will be due on **1 September 2017, 1 December 2017, 1 March 2018 and 1 June 2018**. The total outstanding balance of rates may be paid in full at any time.

#### 5.6.1 Payment Methods and Electronic Notice Delivery\*

Council has determined that rates may be paid by the following methods (detailed on the back of the rate notice):

- Australia Post Billpay (at any Post Office, via telephone or via Internet)
- Australia Post Securepay – for notices delivered via MyPost Digital Mailbox\*
- Bpay – including notices delivered via BPayVIEW\*
- Credit Cards – Mastercard and Visa Cards only
- Debit Card
- Centrepay (Centrelink direct debit system)
- Council's internet site – [www.onkaparingacity.com](http://www.onkaparingacity.com)
- Onkaparinga Pay by Phone - 1300 276 468
- in person at Council offices
- by mail to City of Onkaparinga, PO Box 1, Noarlunga Centre SA 5168.

#### 5.6.2 Late payment of rates

Council has determined that **penalties for late payments will be imposed** in accordance with the provisions of Section 181(8) of the Act and relevant Council procedures.

Fines and interest for late payment are levied in accordance with the provisions of Section 181(8) of the Act. These provisions are the only provisions available to Council to ensure that all ratepayers pay promptly.

The Act provides that:

*If an instalment of rates is not paid on or before the date on which it falls due:*

- (a) the instalment will be regarded as being in arrears*
- (b) a fine of two percent of the amount of the instalment is payable*
- (c) on the expiration of each full month from that date, interest of the prescribed percentage of the amount in arrears (including the amount of any previous unpaid fine and including interest from any previous month) accrues.*

Any ratepayer who may, or is likely to, experience difficulty with meeting the standard instalments and due dates can contact Council to discuss alternative payment arrangements. It should be noted that fines and interest are still levied in accordance with the Act under any payment arrangement.



## Council policy

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Council will consider applications for remission of fines in certain extenuating circumstances. A request for waiver of fines should be made in writing, setting out detailed reasons why a fine remission has been requested or may be submitted on the Application for Remission of Rates and/or Fines Form (Attachment 1 to this Policy).

### 5.6.3 Application of payments

Council has determined that **rate payments will be applied in accordance with the provisions of Section 183 of the Act.**

Section 183 of the Act provides that when the Council receives a payment in respect of rates, the Council applies the money received as follows:

- first – to satisfy any costs awarded in connection with court proceedings
- second – to satisfy any interest imposed
- third – in payment of any fines imposed
- fourth – in payment of rates, in chronological order (starting with the oldest amount first).

### 5.6.4 Recovery of outstanding rates

In accordance with sound financial management principles, the Revenue Section will apply prudent debt management practices to Rate Debtors. This includes an on-going review of rates in arrears and following a systematic debt recovery approach.

Rates that remain in arrears for a period exceeding 30 days will be subject to recovery action in accordance with Council's normal debt recovery procedures.

Section 184 of the Act provides that Council may sell any property where any rates have been in arrears for three years or more. Council is required to notify the owner of the land of its intention to sell the land if payment of the outstanding amount (by cash or bank cheque) is not received within one month. Except in extraordinary circumstances, Council will enforce the sale of land for arrears of rates.

### 5.7 Objections

Council rates are imposed under the provisions of the Act, and within the City of Onkaparinga are based on the Capital Valuation and the Land Use Category applied for the current financial year, plus the Fixed Charge declared by Council. Where a ratepayer believes the level of rates charged on an assessment is excessive, the avenues for appeal are to lodge a formal objection to the Capital Value, the Land Use or to the Fixed Charge (where multiple adjoining properties are involved).

It is important to note that the lodgement of any objection does not change the due date for payment of rates. Rates must be paid in accordance with the Rate Notice until otherwise notified by Council.

The following provides information on lodging objections.



## Council policy

### 5.7.1 Valuation Objections

If a ratepayer is dissatisfied with a property valuation then an objection may be made to the State Valuation Office in writing, within 60 days of receiving notice of the valuation, explaining the basis for the objection – provided they have not:

- previously received a notice of this valuation, under the Act, in which case the objection period is 60 days from the receipt of the first notice, or
- previously had an objection to the valuation considered by the State Valuation Office in the current financial year.

It should be noted that under the *Valuation of Land Act 1971* the VG has the discretion to extend the allowable objection period where it can be shown there is reasonable cause.

Objections to valuations should be addressed to:

State Valuation Office  
GPO Box 1354  
Adelaide SA 5001  
Email: [lsgobjections@sa.gov.au](mailto:lsgobjections@sa.gov.au)  
Telephone 1300 653 345

The City of Onkaparinga has no role in this process and it is important to note that the lodgement of an objection does not change the due date for payment of rates. Rates must be paid in accordance with the rate notice until otherwise notified by Council.

### 5.7.2 Land Use Objections

If a ratepayer believes that a particular property has been wrongly classified as to its land use, then an objection may be made (to council) within 60 days of being notified of the land use classification. Council may exercise its discretion to extend the allowable objection period where it can be shown there is reasonable cause.

It is important to note that the lodgement of an objection does not change the due date for payment of rates. Rates must be paid in accordance with the rate notice until otherwise notified by council.

### 5.7.3 Fixed Charge Objections

Where a ratepayer believes that they may be eligible for a reduction in the fixed charge applied to contiguous assessments, they must lodge their objection in writing to:

Chief Executive Officer  
City of Onkaparinga  
PO Box 1  
Noarlunga Centre SA 5168



## Council policy

The objection must contain full details of the ownership, occupants (tenants), dates of any lease agreements and date of purchase for each assessment subject to objection. Rates must be paid in accordance with the Rate Notice until otherwise notified by Council.

### 5.8 Disclaimer

In accordance with Section 171(5) of the Act, **a rate cannot be challenged on the basis of non-compliance with this policy** and must be paid in accordance with the required payment provisions.

Where a ratepayer believes that Council has failed to properly apply this policy they should raise the matter with Council.

### 5.9 Community engagement

In accordance with Council's desire to inform and involve the community, and in keeping with good practice, **a community engagement process will be undertaken annually** on the development of budget and rating processes and policy.

Community engagement is undertaken when developing the annual budget and rating policies as part of the annual business plan to ensure that transparency of the process is maintained and to provide an avenue for the community to contribute their opinion.

## 6. Attachments

Attachment 1 – Application for Remission of rates and/or fines

Attachment 2 – Application for Postponement of rates for seniors



## Council policy

### 7. References and relevant legislation

<i>Printed documents</i>	Council policy, Rate Rebate <b>2017-18</b> City of Onkaparinga, Community Plan – 2035 Organisation Plan 2008–2012 Long Term Financial Plan 2014–15 City of Onkaparinga Trade Waste Guidelines 2005 LGA Annual Service charges for Community Wastewater Management Systems
<i>Legislation</i>	<i>Local Government Act 1999</i> <i>Natural Resources Management Act 2004</i> <i>Valuation of Land Act 1971</i> <i>Water Resources Act 1997</i>
<i>Websites</i>	<a href="http://www.onkaparingacity.com">www.onkaparingacity.com</a>

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<b>Contact Officer:</b>	Director Finance and Commercial
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<b>Approving authority:</b>	Council
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<b>Next review:</b>	June 2018
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<b>Timing of review:</b>	Reviewed annually in June
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<b>ECM number:</b>	<b>2017-18</b> Policy - ECM Set No XXXXXX
	Attachment 1 - ECM Set No XXXXXX
	Attachment 2 - ECM Set No XXXXXX

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Website: [www.onkaparingacity.com](http://www.onkaparingacity.com)





Attachment 2  
Council policy

## Draft Rate rebate 2017-18 policy

This policy, Rate rebate 2017-18, was adopted by Council on xx/xx/2017.

### 1. Preamble

Where Council commits to achieving standards or requirements that are beyond those imposed by law it will endeavour to achieve those standards or requirements to the best of its ability.

The contents of and the commitments that Council makes in this policy are not intended to be and should not be interpreted to be any more than a statement of the Council's general position in relation to those matters and to facilitate its aspirations wherever it is reasonable to do so.

### 2. Purpose

The purpose of this policy is to assist Council in deciding applications for and to provide guidance to the community as to the grounds upon which they may be entitled to a rebate of rates in accordance with the requirements of the *Local Government Act 1999* (SA) (the Act).

In accordance with the Act this policy sets out the type of use in respect of land which the Council must grant a rebate of rates and the amount that this rebate must be and those types of land uses where the Council has discretion to grant a rebate of rates.

### 3. Principles

Council's policy directions are guided by the three principles of sustainability, good public administration and community leadership, which are detailed in the City of Onkaparinga's *Council Lead Policy*.

Council's role is to ensure that our communities have continual access to an appropriate range of facilities and services.

Council's decisions and practices regarding rate rebates are underpinned by:

- accountability, transparency and simplicity
- efficiency, effectiveness and timeliness
- consistency with Council's strategic, corporate and financial directions and budgetary requirements
- compliance with the requirements and intent of relevant legislation and accepted professional conventions and ethics.

Council recognises that adverse economic conditions may from time to time impact on the economic base(s) within the City of Onkaparinga and will consider requests for rebates based on individual merit.



## Council policy

Chapter 10 of the Act empowers local government to levy rates and charges on land and provides some general principles for consideration when developing rating policies. Our Rating Policy is the lead document in respect to the application of rates within the City of Onkaparinga and provides detailed explanations of our principles and objectives.

In developing this policy Council has also given consideration to the five principles previously identified by the local government industry in the document *'Local Government Rating – A Consultation Paper, April 2001'*, that apply to the imposition of taxes on communities.

In summary those principles are:

- equity
- benefit
- ability-to-pay
- efficiency
- simplicity.

#### 4. Definitions

*'Act'* refers to the *Local Government Act 1999* (SA).

*'Council'* (with a capitalised C) refers to the elected Council body.

*'council'* (with a non- capitalised c) refers to council as the organisation.

*'Discretionary Rebate'* refers to rebates where Council may apply a rebate in accordance with criteria specified in the Act.

*'Mandatory Rebate'* refers to rebates that Council must grant in accordance with the Act.

*'Rating'* refers to the overall process of raising revenue by way of levying rates and charges.

*'Rebates'* refers to an amount that a rate or charge may be reduced in accordance with Chapter 10, Division 5 of the Act.

#### 5. Detail

The Act is the principal legislative document that directs Council on the rebate of rates. The Act acknowledges that there are particular land uses that are economically disadvantaged and provide local community benefit and therefore must be offered rate relief in order to be sustainable. Further discretionary provisions allow for Council to determine whether other desirable land uses may be offered rate relief. In determining discretionary rebates primary consideration would be directed towards Council's strategic directions, budget considerations, the current economic climate and likely impacts on our communities.

The Act provides:

- for a mandatory rebate of rates in specified cases and the amount of that mandatory rebate (see section 5.2 below)





## Attachment 2 Council policy

- that where Council must grant a rebate of rates under the Act, and the amount of that rebate is fixed by the Act at less than 100%, Council may increase the amount of the rebate
- in Section 166, for Council to provide a discretionary rebate of rates in the cases set out in that Section (see Clause 5.3 below).

### 5.1 Rating Objectives

In developing rating policy Council has identified and developed key objectives in response to the outcomes of our community engagement activities and on-going annual reviews:

#### *Equity for our communities*

A key consideration in developing a taxation system is the equity principle. In developing rating policy we have endeavoured to ensure that the rating responsibility is distributed in an equitable manner across and within our communities. To achieve this objective our policy is designed to:

- improve equity in rate distribution across our communities
- prevent inequitable shifts in rate responsibility
- collect a base contribution from all rateable properties
- equally distribute the responsibility of rates across the community (unless some compelling application of the other taxation principles should be applied)
- raise an equitable level of contribution from each land use sector.

#### *Benefit to our communities*

A further consideration in developing a taxation system is the benefit principle. Our rating structure has been developed to address objectives identified as outcomes of our community engagement activities. Our communities sought a movement away from a purely valuation based rating system to a system which provided some recognition of the benefits received by particular groups. To achieve this objective our policy is designed to:

- minimise the impact of property valuation movements
- move away from valuation based rating by breaking the direct link between valuation and rates
- maintain the relativity within differing communities and between communities
- recognise communities where there is a greater consumption of services and resources.

#### *Economic and property development*

In developing rating policy Council must make political and professional judgements based on a number of guiding principles and objectives. These principles and objectives are often competing and must be balanced to achieve the desired outcome. Our rating policy seeks to balance Council's economic and property development focus and to achieve this objective our policy is designed to:



## Attachment 2 Council policy

- facilitate a strong and vibrant economic environment
- support the growth of business within the area
- balance the issue of consumption of resources with economic development objectives
- encourage development on vacant land
- recognise the importance of arable land suitable for viable primary production.

### *Taxation principles*

While balancing the community needs and Council's broader economic and development objectives we have developed a policy which also provides a balance against the principles of taxation. Our policy objectives, methodologies and strategies have been developed with this in mind and rank highly against the principles of taxation.

### **5.2 Mandatory rebates**

Council must grant a rebate in the amount specified in respect of those land uses which the Act provides will be granted a rebate.

Rates on the following land will be rebated at 100%:

- Health services (Section 160)
  - land being predominantly used for service delivery or administration by a hospital or health centre incorporated under the *South Australia Health Commission Act 1976*
- Religious purposes (Section 162)
  - land containing a church or other building used for public worship (and any grounds) or land solely used for religious purposes
- Public cemeteries (Section 163)
  - land being used for the purposes of a public cemetery
- Royal Zoological Society of SA (Section 164)
  - land (other than land used as domestic premises) owned by, or under the care, control and management of, the Royal Zoological Society of South Australia Incorporated

Rates on the following land will be rebated at 75%:

- Community services (Section 161)
  - land being predominantly used for service delivery or administration (or both) by a community services organisation. A 'community services organisation' is defined in the Act as a body that:
    - is incorporated on a not for profit basis for the benefit of the public
    - provides community services without charge or for a charge that is below the cost to the body of providing the services
    - does not restrict its services to persons who are members of the body.



## Council policy

**It is necessary for a community services organisation to satisfy all of the above criteria to be eligible for the mandatory 75% rebate.**

The Act further provides that eligibility for a rebate by a community services organisation is subject to the provision of one or more of the following community services as the predominate use of the land:

- emergency accommodation
- food or clothing for disadvantaged persons (i.e. persons who are disadvantaged by reason of poverty, illness, frailty, or mental, intellectual or physical disability)
- supported accommodation (ie residential care facilities in receipt of Commonwealth funding or accommodation for persons with mental health, intellectual, physical or other difficulties who require support in order to live an independent life), essential services, or employment support, for persons with mental health disabilities, or with intellectual or physical disabilities and also including accommodation for persons provided by housing associations registered under the *Community Housing Providers National Law*.
- legal services for disadvantaged persons
- drug or alcohol rehabilitation services
- the conduct of research into, or the provision of community education about, diseases or illnesses, or the provision of palliative care to persons who suffer from diseases or illnesses.

**Educational purposes (Section 165)**

- land occupied by a government school under a lease or licence and being used for educational purposes
- land occupied by a non-government school registered under Part 5 of the *Education Act 1972* and being used for educational purposes, or
- land being used by a university or university college to provide accommodation and other forms of support for students on a not for profit basis.

Where Council is satisfied from its own records or from other sources that a person or body meets the necessary criteria for a mandatory 100% or 75% rebate, Council will grant the rebate of its own initiative. Where Council is not satisfied it will require the person or body to apply for the rebate in accordance with Clause 5.4 of this policy.

Where a person or body is entitled to a rebate of 75% Council may, pursuant to Section 159(4) of the Act, increase the rebate up to a further 25%. Council may grant the further 25% rebate upon application or on its own initiative. In either case Council will take into account those matters set out at Clauses 5.4 of this policy.

Where an application is made to Council for a rebate of up to a further 25% the application will be made in accordance with Clause 5.4 of this policy and Council will provide written notice to the applicant of its determination of that application.



Attachment 2  
**Council policy**

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**5.3 Discretionary rebates**

Council may in its absolute discretion grant a rebate of rates or service charges in any of the following cases pursuant to Section 166(1) of the Act:

1. where it is desirable for the purpose of securing the proper development of the area (or a part of the area)
2. where it is desirable for the purpose of assisting or supporting a business in its area
3. where it will be conducive to the preservation of buildings or places of historic significance
4. where the land is being used for educational purposes
5. where the land is being used for agricultural, horticultural or floricultural exhibitions
6. where the land is being used for a hospital or health centre
7. where the land is being used to provide facilities or services for children or young persons
8. where the land is being used to provide accommodation for the aged or disabled
9. where the land is being used for a residential aged care facility that is approved for Commonwealth funding under the Aged Care Act 1987 (Commonwealth) or a day therapy centre
10. where the land is being used by an organisation which, in the opinion of the Council, provides a benefit or service to the local community
11. where the rebate relates to common property or land vested in a community corporation under the Community Titles Act 1996 over which the public has a free and unrestricted right of access and enjoyment
12. where the rebate is considered by the Council to be appropriate to provide relief against what would otherwise amount to a substantial change in rates payable due to:
  - a redistribution of the rates burden within the community arising from a change to the basis or structure of the council's rates
  - a change to the basis on which land is valued for the purpose of rating, rapid changes in valuations, or anomalies in valuations.
13. where the rebate is considered by the Council to be appropriate to provide relief in order to avoid what would otherwise constitute:
  - a liability to pay a rate or charge that is inconsistent with the liabilities that were anticipated by the Council in its Annual Business Plan
  - a liability that is unfair or unreasonable.
14. where the rebate is to give effect to a review of a decision of the Council under Chapter 13 Part 2 of the Act (Internal Review of council actions).





## Council policy

15. where the rebate is contemplated under another provision of this Act.

Council may grant a rebate of rates up to and including 100% of the relevant rates or service charges. Council may grant a rebate for a period exceeding one year, but not exceeding 10 years in respect of those cases identified at 5.3(1), 5.3(2) or 5.3(11) above.

Council has an absolute discretion:

- to grant a rebate of rates or service charges in the above cases
- to determine the amount of any such rebate.

Persons or bodies who seek a discretionary rebate will be required to submit an application form to council and provide such information as stipulated on the application form and any other information that the Council may reasonably require.

### 5.3.1 Rate capping

In developing rating policy for 2004–05 Council undertook a major review in full consultation with the community that resulted in structural change. The review was required to address the impact of significant valuation movements on rates paid, particularly the effect on the residential sector, which created hardship in many instances. Council identified the most appropriate mechanism to deal with this issue is to apply a rate 'cap' under the discretionary rebate provisions of Section 166(1)(l) of the Act. Rate capping has been applied since the 2004–05 rating year.

For the 2017-18 year, Council has determined that the maximum general rates payable on residential properties will be the amount payable for 2016-17 plus 10% of that amount (noting that the amount payable includes this capping rebate but excludes any other concession or relief), subject to specific criteria.

A cap will not be applied where the rate increase is as a result of an increase in valuation recognising significant capital improvements on the property (regardless of when the development was undertaken) or where there has been a change in the land use or ownership or licence to occupy since the commencement of the previous financial year. Council rebates or remissions are not included in the capping calculation process.

The rate cap will be applied automatically to properties that can be readily identified as being eligible. Where this rebate is not applied automatically, ratepayers who consider they could be eligible for the Rate Cap Rebate may lodge an application form which will be assessed against the eligibility criteria.

The application must be lodged by 30 June 2018. A copy of the Residential rate capping application appears at attachment 2.

### 5.3.2 CWMS rebates

**In developing rating policy for the 2017–18 year, Council has determined that a rebate be applied to properties subject to Community Wastewater Management Systems (CWMS) Service charges. This rebate is to assist with the transition to the Essential Services Commission of SA (ESCOSA) full cost recovery pricing requirements.**



## Council policy

CWMS service charge rebates will be applied where funds available within Council's CWMS Reserve are in excess of funds forecast to be required in order to manage CWMS in a financially sustainable manner. The level of service charge rebate applicable (if any) for a financial year will be approved by Council as part of the budget process for that year.

### 5.4 Applications

Council will inform the community of the provisions for rate rebates under the Act by the inclusion of suitable details in the Rating policy summary distributed with the annual rate notice.

Persons or bodies who seek a rebate of rates (and/or service charges) either:

- pursuant to Section 159(4) of the Act and Clause 5.1 of this policy
- pursuant to Section 166 of the Act and Clause 5.2 of this policy

must make written application to council pursuant to Section 159(1) of the Act in the manner and form determined by the Council and supply information as the Council may reasonably require.

Two application forms have been developed for the convenience of ratepayers:

- Rate rebate application - attachment 1 (designed for general rebate applications)
- Residential rate capping application - attachment 2.

Both application forms are available from council's website [www.onkaparingacity.com](http://www.onkaparingacity.com) or may be obtained from council offices located at:

- Noarlunga Office, Ramsay Place, Noarlunga Centre
- Aberfoyle Park Office, The Hub, Aberfoyle Park
- Willunga Office, St Peter's Terrace, Willunga
- Woodcroft Community Centre, 175 Bains Rd, Morphett Vale.

In considering applications for rebates Council may take into account matters considered relevant by Council including but not limited to the following:

- the community need that is being met by activities carried out on the land for which the rebate is sought
- the extent to which activities carried out on the land for which the rebate is sought provides assistance or relief to disadvantaged persons
- why there is a need for financial assistance through a rebate
- the level of rebate (percentage and dollar amount) being sought and why it is appropriate
- the extent of financial assistance, if any, being provided to the applicant and/or in respect of the land by Commonwealth or State agencies
- whether the applicant has made/intends to make applications to another Council
- whether, and if so to what extent, the applicant is or will be providing a service within the Council area



## Council policy

- whether the applicant is a public sector body, a private not for profit body or a private for profit body
- whether there are any relevant historical considerations that may be relevant for all or any part of the current Council term
- the desirability of granting a rebate for more than one year in those circumstances identified at Clause 5.2 of this policy
- consideration of the full financial consequences of the rebate for Council
- the time the application is received
- the availability of any community grant to the person or body making the application
- whether the applicant is in receipt of a community grant
- any other matters and policies of Council, which are considered to be relevant.

All persons or bodies that wish to apply to Council for a rebate of rates excluding a Residential rate cap must do so within 60 days of receipt of the annual rate notice. Council reserves the right to refuse to consider applications received after that date. However applicants who satisfy the criteria for a mandatory rebate will be granted the rebate at any time provided the application is lodged prior to 30 June 2018 and provided the entitlement to the rebate existed at 1 July 2017.

All persons or bodies that wish to apply to Council for a Residential Rate Cap Rebate are encouraged to do so as soon as possible after receipt of the annual rate notice. Early receipt of applications will assist to streamline the rebate process and reduce the quarterly payment amounts due. Applicants who satisfy the criteria for a Residential rate cap rebate will be granted the rebate provided the application is lodged prior to 30 June 2018.

The Act provides that Council may grant a rebate of rates or charges on such conditions as Council thinks fit in relation to discretionary rebates listed at Clause 5.3 of this policy.

Council delegates the authority to grant a Residential rate cap rebate under Section 166(1)(l) of the Act to the Chief Executive Officer.

Council may, for proper cause, determine that an entitlement to a rebate of rates under the Act no longer applies. Where an entitlement to a rebate of rates ceases or no longer applies during the course of a financial year Council is entitled to recover rates or rates at the increased level (as the case may be) proportionate to the remaining part of the financial year.

It is an offence for a person or body to make a false or misleading statement or representation in an application or to provide false or misleading information or evidence in support of an application made (or purporting to be made) under the Act. The maximum penalty for this offence is \$5,000.

If a person or body has the benefit of a rebate of rates and the grounds on which the rebate has been granted cease to exist the person or body must immediately inform Council of that fact and (whether or not Council is so informed) the entitlement to a rebate ceases. If a person or body fails to do so that person or body is guilty of an offence. The maximum penalty for this offence is \$5,000.



Attachment 2  
**Council policy**

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Council will advise rebate applicants of its determination in relation to each application in writing.

**5.5 Review**

A person or body that is aggrieved by a determination of Council in respect of an application for a rebate may seek a review of that by written application to Council within 21 days of the date of which the notice of determination is given pursuant to Clause 5.3 of this policy.

**5.6 Availability of policy**

This policy is available for inspection at council offices and also available on our website [www.onkaparingacity.com](http://www.onkaparingacity.com) Persons may also obtain a printed copy of this policy upon payment of the fee set by the Council.

**6. Attachments**

Attachment 1 – Rate rebate application  
Attachment 2 – Residential rate capping application





Attachment 2  
Council policy

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**7. References and relevant legislation**

*Printed documents* Council policy, Rating **2017-18**  
Norman Waterhouse and SA Local Government Financial Management Group, 2001, Rate Rebate Policies.  
Wallmans Lawyers and SA Local Government Financial Management Group, February 2008, Rate Rebate Policies

*Legislation* *Local Government Act, 1999*  
*Health Commission Act 1976*  
*Community Housing Providers National Law*  
*Education Act 1972*  
*Aged Care Act 1987 (Commonwealth)*  
*Community Titles Act 1996*

*Websites* [www.onkaparingacity.com](http://www.onkaparingacity.com)

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**Contact officer:** Director Finance and Commercial

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**Approving authority:** Council

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**Next review:** June **2018**

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**Timing of review:** Reviewed annually in June

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**ECM number:** **2017-18** policy – ECM Set No **XXXXXX**  
Attachment 1 – ECM Set No **XXXXXX**  
Attachment 2 – ECM Set No **XXXXXX**

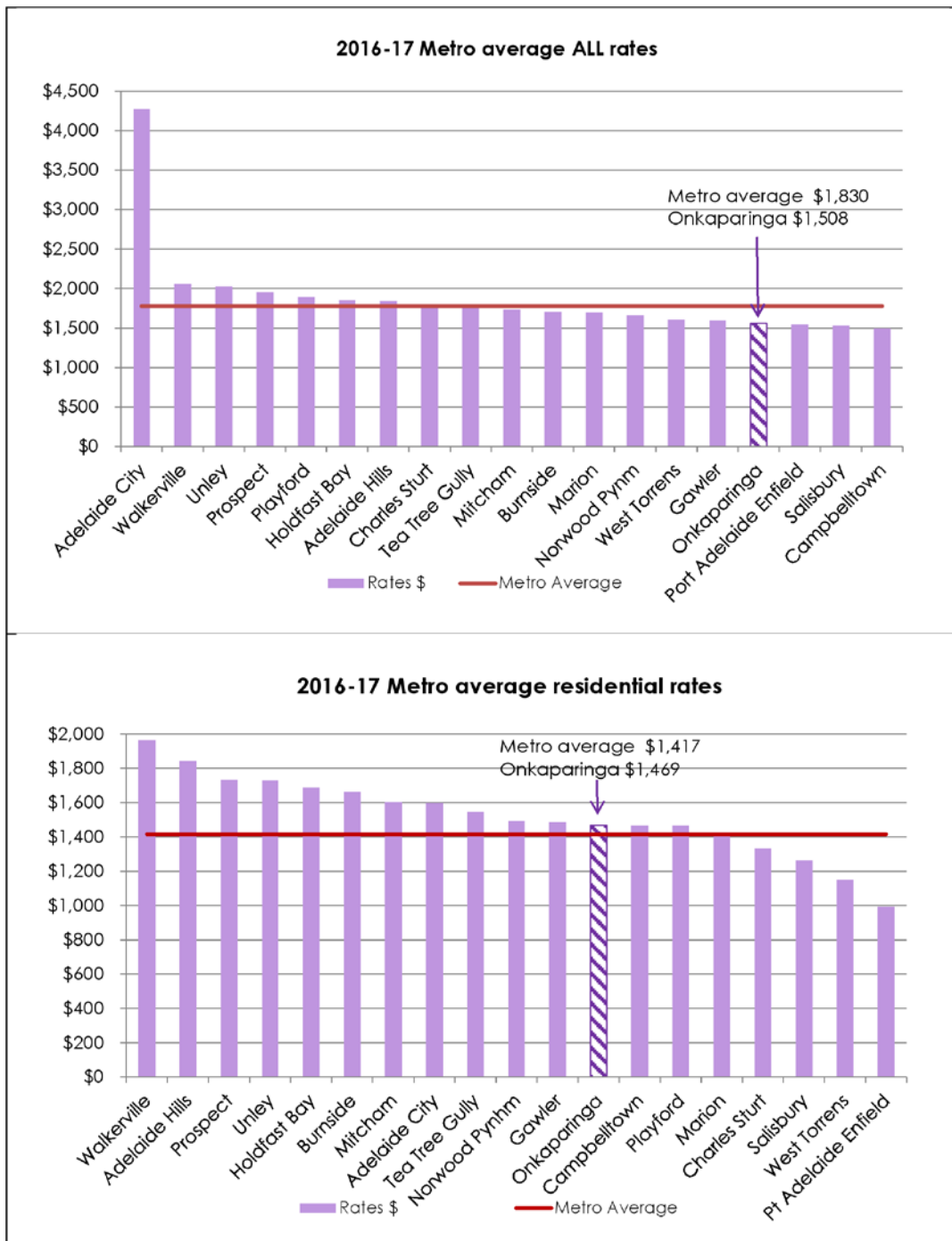
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City of Onkaparinga  
PO Box 1  
NOARLUNGA CENTRE SA 5168

Telephone: 8384 0666  
Email: [mail@onkaparinga.sa.gov.au](mailto:mail@onkaparinga.sa.gov.au)  
Website: [www.onkaparingacity.com](http://www.onkaparingacity.com)

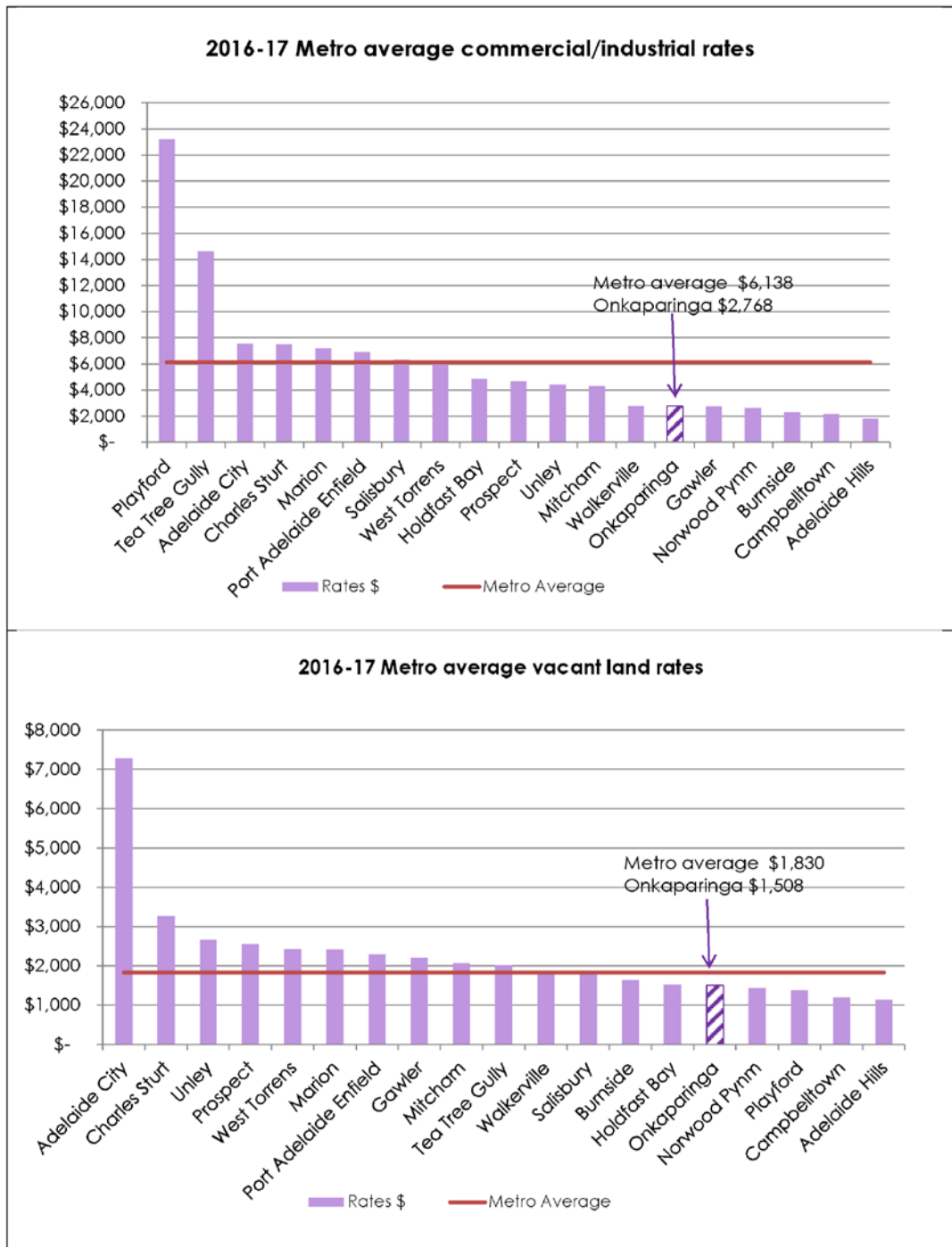
Attachment 3

2016-17 Comparative Rates – Metropolitan Councils



Attachment 3

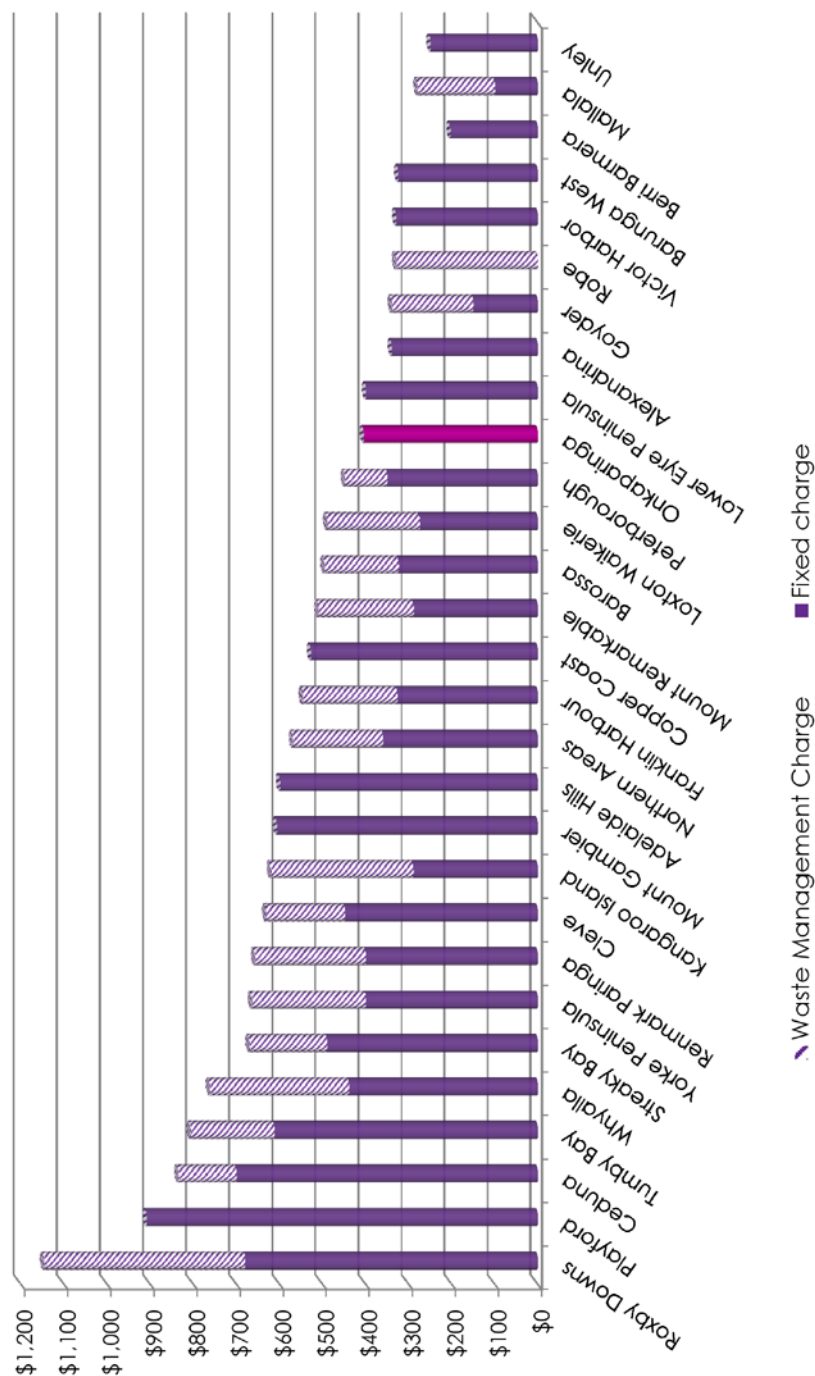
2016-17 Comparative Rates – Metropolitan Councils



Attachment 4

2016-17 Comparative Data South Australia Councils

2016-17 South Australian Councils - Fixed Charge



Attachment 5

2017- 2018 Preliminary rate models										
			Model 1		Model 2		Model 3		Model 4	
Property Category	Rate Components	Current Structure	Fixed Charge \$417 Anticipated Valuations 2.85% Proposed General Rate Increase Applied		Fixed Charge \$430 Anticipated Valuations 2.85% Proposed General Rate Increase Applied		Fixed Charge \$440 Anticipated Valuations 2.85% Proposed General Rate Increase Applied		Fixed Charge \$450 Anticipated Valuations 2.85% Proposed General Rate Increase Applied	
			Model Data	Change from Actuals 2016-17	Model Data	Change from Actuals 2016-17	Model Data	Change from Actuals 2016-17	Model Data	Change from Actuals 2016-17
			\$417	3.0%	\$430	6.2%	\$440	8.6%	\$450	11.1%
			0.319772	(0.2)%	0.315435	(1.4)%	0.312516	(2.3)%	0.309598	(3.2)%
			\$5,739	-\$3,521	\$5,559	-\$3,701	\$5,456	-\$3,804	\$5,360	-\$3,900
Cap Properties 58	34	34	-24	34	-24	33	-25	32	-26	
	Ave Rate Payable	\$1,469	2.85%	\$1,511	2.85%	\$1,511	2.85%	\$1,511	2.85%	
Commercial Industrial	Fixed Charge	\$405	\$417	3.0%	\$430	6.2%	\$440	8.6%	\$450	11.1%
	Rate / \$	0.43723	0.432361	(1.1)%	0.430051	(1.6)%	0.428275	(2.0)%	0.426499	(2.5)%
	Ave Rate Payable	\$2,768	\$2,847	2.85%	\$2,847	2.85%	\$2,847	2.85%	\$2,847	2.85%
Primary Production	Fixed Charge	\$405	\$417	3.0%	\$430	6.2%	\$440	8.6%	\$450	11.1%
	Rate / \$	0.335193	0.334233	(0.3)%	0.332105	(0.9)%	0.330467	(1.4)%	0.328830	(1.9)%
	Ave Rate Payable	\$2,363	\$2,430	2.85%	\$2,430	2.85%	\$2,430	2.85%	\$2,430	2.85%
Vacant Land	Fixed Charge	\$405	\$417	3.0%	\$430	6.2%	\$440	8.6%	\$450	11.1%
	Rate / \$	0.475761	0.478122	0.5%	0.472952	(0.6)%	0.468976	(1.4)%	0.465000	(2.3)%
	Ave Rate Payable	\$1,508	\$1,551	2.85%	\$1,551	2.85%	\$1,551	2.85%	\$1,551	2.85%
Other	Fixed Charge	\$405	\$417	3.0%	\$430	6.2%	\$440	8.6%	\$450	11.1%
	Rate / \$	0.396908	0.393743	(0.8)%	0.392228	(1.2)%	0.391063	(1.5)%	0.389898	(1.8)%
	Ave Rate Payable	\$3,677	\$3,782	2.85%	\$3,782	2.85%	\$3,782	2.85%	\$3,782	2.85%
Fixed Charge	% of Rate Revenue	24.11%		25.95%		26.76%		27.38%		28.00%

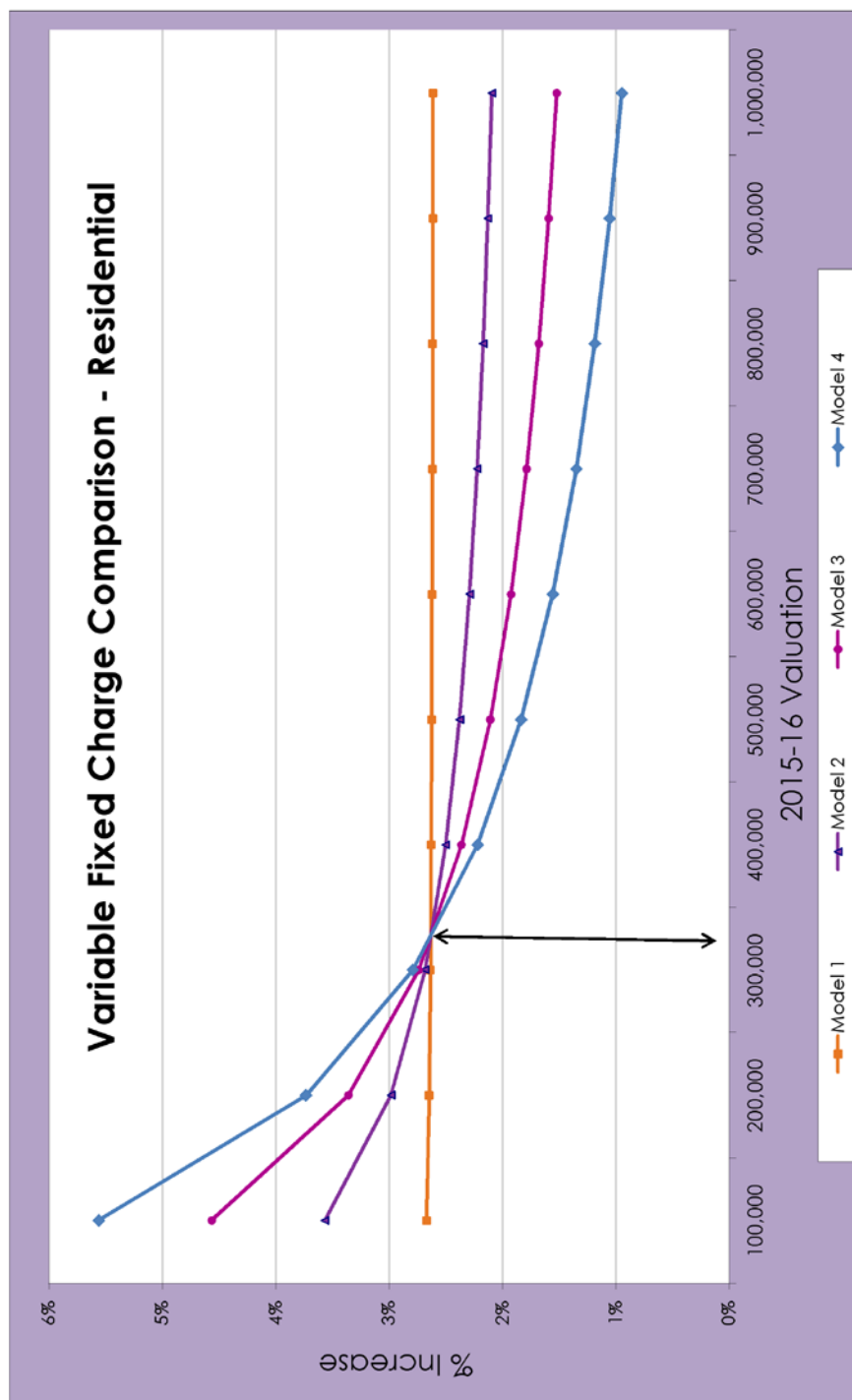
EXAMPLE  
MODELLING  
ONLY

## MODEL COMPARISON BY VALUATION

## Attachment 6

				Rates Amount - 2.85% models				Rates Variance - 2.85% models			
	Onkaparinga Actual Data 2016-17 \$405 Fixed Charge		ANTICIPATED VALUATIONS MODELLING PURPOSES ONLY	Fixed Charge \$417 Revenue Increase Applied	Fixed Charge \$430 Revenue Increase Applied	Fixed Charge \$440 Revenue Increase Applied	Fixed Charge \$450 Revenue Increase Applied	Fixed Charge \$417 Revenue Increase Applied	Fixed Charge \$430 Revenue Increase Applied	Fixed Charge \$440 Revenue Increase Applied	Fixed Charge \$450 Revenue Increase Applied
Residential	No Assessments	Rates	2017-18 Valuations	Model 1	Model 2	Model 3	Model 4	Model 1	Model 2	Model 3	Model 4
50000	18	565	51500	581	592	601	609	17	28	36	45
70000	32	629	72100	647	657	665	673	18	29	36	44
90000	65	693	92700	713	722	730	737	20	30	37	44
110000	237	757	113300	779	787	794	801	22	31	37	44
130000	227	821	133900	844	852	858	865	24	32	38	44
150000	590	885	154500	910	917	923	928	26	33	38	44
170000	844	949	175100	976	982	987	992	27	34	39	43
190000	1018	1,013	195700	1,042	1,047	1,052	1,056	29	35	39	43
210000	1515	1,077	216300	1,107	1,112	1,116	1,120	31	36	39	43
230000	3679	1,140	236900	1,173	1,177	1,180	1,183	33	37	40	43
250000	6523	1,204	257500	1,239	1,242	1,245	1,247	35	38	40	43
270000	5745	1,268	278100	1,305	1,307	1,309	1,311	36	39	41	43
290000	5767	1,332	298700	1,371	1,372	1,373	1,375	38	40	41	42
310000	7026	1,396	319300	1,436	1,437	1,438	1,439	40	41	42	42
350000	11819	1,524	360500	1,568	1,567	1,567	1,566	44	43	42	42
400000	9234	1,684	412000	1,732	1,730	1,728	1,726	48	46	43	41
500000	10409	2,004	515000	2,061	2,054	2,049	2,044	57	51	46	41
600000	3139	2,324	618000	2,390	2,379	2,371	2,363	66	56	48	40
700000	1204	2,643	721000	2,719	2,704	2,693	2,682	75	61	50	39
800000	415	2,963	824000	3,047	3,029	3,015	3,001	84	66	52	38
900000	190	3,283	927000	3,376	3,354	3,337	3,320	93	71	54	37
1000000	53	3,603	1030000	3,705	3,679	3,659	3,639	102	76	56	36
>1000000	69										
Commercial Industrial	Assess	Rates	2017-18 Valuations	Model 1	Model 2	Model 3	Model 4	Model 1	Model 2	Model 3	Model 4
50000	99	624	52500	644	656	665	674	20	32	41	50
70000	135	711	73500	735	746	755	763	24	35	44	52
90000	148	799	94500	826	836	845	853	27	38	46	55
110000	184	886	115500	916	927	935	943	30	41	49	57
130000	163	973	136500	1,007	1,017	1,025	1,032	34	44	51	59
150000	192	1,061	157500	1,098	1,107	1,115	1,122	37	46	54	61
170000	181	1,148	178500	1,189	1,198	1,204	1,211	40	49	56	63
190000	136	1,236	199500	1,280	1,288	1,294	1,301	44	52	59	65
210000	129	1,323	220500	1,370	1,378	1,384	1,390	47	55	61	67
230000	130	1,411	241500	1,461	1,469	1,474	1,480	51	58	64	69
250000	101	1,498	262500	1,552	1,559	1,564	1,570	54	61	66	71
270000	103	1,586	283500	1,643	1,649	1,654	1,659	57	64	69	74
290000	105	1,673	304500	1,734	1,740	1,744	1,749	61	67	71	76
310000	85	1,760	325500	1,824	1,830	1,834	1,838	64	69	74	78
350000	167	1,935	367500	2,006	2,010	2,014	2,017	71	75	79	82
400000	176	2,154	420000	2,233	2,236	2,239	2,241	79	82	85	87
500000	293	2,591	525000	2,687	2,688	2,688	2,689	96	97	97	98
600000	218	3,028	630000	3,141	3,139	3,138	3,137	112	111	110	109
700000	145	3,466	735000	3,595	3,591	3,588	3,585	129	125	122	119
800000	100	3,903	840000	4,049	4,042	4,038	4,033	146	140	135	130
900000	80	4,340	945000	4,503	4,494	4,487	4,480	163	154	147	140
1000000	75	4,777	1050000	4,957	4,946	4,937	4,928	179	168	160	151
>1000000	365										
Primary Prod	Assess	Rates	2017-18 Valuations	Model 1	Model 2	Model 3	Model 4	Model 1	Model 2	Model 3	Model 4
50000	43	573	51500	589	601	610	619	17	28	38	47
70000	18	640	72100	658	669	678	687	18	30	39	47
90000	14	707	92700	727	738	746	755	20	31	40	48
110000	20	774	113300	796	806	814	823	22	33	41	49
130000	14	841	133900	865	875	882	890	24	34	42	50
150000	10	908	154500	933	943	951	958	26	35	43	50
170000	17	975	175100	1,002	1,012	1,019	1,026	27	37	44	51
190000	25	1,042	195700	1,071	1,080	1,087	1,094	29	38	45	52
210000	21	1,109	216300	1,140	1,148	1,155	1,161	31	39	46	52
230000	18	1,176	236900	1,209	1,217	1,223	1,229	33	41	47	53
250000	17	1,243	257500	1,278	1,285	1,291	1,297	35	42	48	54
270000	15	1,310	278100	1,347	1,354	1,359	1,364	36	44	49	54
290000	19	1,377	298700	1,415	1,422	1,427	1,432	38	45	50	55
310000	30	1,444	319300	1,484	1,490	1,495	1,500	40	46	51	56
350000	36	1,578	360500	1,622	1,627	1,631	1,635	44	49	53	57
400000	87	1,746	412000	1,794	1,798	1,802	1,805	48	53	56	59
500000	324	2,081	515000	2,138	2,140	2,142	2,143	57	59	61	63
600000	492	2,416	618000	2,483	2,482	2,482	2,482	66	66	66	66
700000	370	2,751	721000	2,827	2,824	2,823	2,821	75	73	71	70
800000	207	3,087	824000	3,171	3,167	3,163	3,160	85	80	77	73
900000	108	3,422	927000	3,515	3,509	3,503	3,498	94	87	82	77
1000000	54	3,757	1030000	3,860	3,851	3,844	3,837	103	94	87	80
>1000000	129										
Vacant Land	Assess	Rates	2017-18 Valuations	Model 1	Model 2	Model 3	Model 4	Model 1	Model 2	Model 3	Model 4
50000	15	643	52000	666	676	684	692	23	33	41	49
70000	12	738	72800	765	774	781	789	27	36	43	50
90000	65	833	93600	865	873	879	885	31	39	46	52
110000	75	928	114400	964	971	977	982	36	43	48	54
130000	180	1,023	135200	1,063	1,069	1,074	1,079	40	46	51	55
150000	316	1,119	156000	1,163	1,168	1,172	1,175	44	49	53	57
170000	402	1,214	176800	1,262	1,266	1,269	1,272	49	52	55	58
190000	202	1,309	197600	1,362	1,365	1,367	1,369	53	56	58	60
210000	172	1,404	218400	1,461	1,463	1,464	1,466	57	59	60	61
230000	123	1,499	239200	1,561	1,561	1,562	1,562	61	62	63	63
</											

Attachment 7







#### **4. Closure**

# Conflict of Interest Disclosure Form

**CONFLICTS MUST BE DECLARED VERBALLY DURING MEETINGS**

Councillor:

Date:

Meeting name:

Agenda item no:

**1. I have identified a conflict of interest as:**

MATERIAL ☐

ACTUAL ☐

PERCEIVED ☐

**MATERIAL:** Conflict arises when a councillor or a nominated person will gain a benefit or suffer a loss (whether directly or indirectly and whether pecuniary or personal) if the matter is decided in a particular manner. If declaring a material conflict of interest, Councillors must declare the conflict and leave the meeting at any time the item is discussed.

**ACTUAL:** Conflict arises when there is a conflict between a councillor's interests (whether direct or indirect, personal or pecuniary) and the public interest, which might lead to decision that, is contrary to the public interest.

**PERCEIVED:** Conflict arises in relation to a matter to be discussed at a meeting of council, if a councillor could reasonably be taken, from the perspective of an impartial, fair-minded person, to have a conflict of interest in the matter – whether or not this is in fact the case.

**2. The nature of my conflict of interest is as follows:**

*(Describe the nature of the interest, including whether the interest is direct or indirect and personal or pecuniary)*

---

---

**3. I intend to deal with my conflict of interest in the following transparent and accountable way:**

☐ I intend to **leave** the meeting

**OR**

☐ I intend to **stay** in the meeting *(complete part 4)*

**4. The reason I intend to stay in the meeting and consider this matter is as follows:**

---

---

*(This section must be filled in. Ensure sufficient detail is recorded of the specific circumstances of your interest.)*

and that I will receive no benefit or detriment direct or indirect, personal or pecuniary from considering and voting on this matter.

**CONFLICTS MUST ALSO BE DECLARED VERBALLY DURING MEETINGS**

Governance use only: Member voted FOR/AGAINST the motion.

## Ordinary Business Matters

A **material, actual** or **perceived** Conflict of Interest does not apply to a matter of ordinary business of the council of a kind prescribed by regulation.

The following ordinary business matters are prescribed under Regulation 8AAA of the *Local Government (General) Regulations 2013*.

- (a) *the preparation, discussion, conduct, consideration or determination of a review under section 12 of the Act*
  - (b) *the preparation, discussion, adoption or revision of a policy relating to allowances and benefits payable to members if the policy relates to allowances and benefits payable equally to each member (rather than allowances and benefits payable to particular members or particular office holders)*
  - (c) *the preparation, discussion, adoption or alteration of a training and development policy under section 80A of the Act*
  - (d) *the preparation, discussion, adoption or amendment of a strategic management plan under section 122 of the Act*
  - (e) *the adoption or revision of an annual business plan*
  - (f) *the adoption or revision of a budget*
  - (g) *the declaration of rates (other than a separate rate) or a charge with the character of a rate, and any preparation or discussion in relation to such a declaration*
  - (h) *a discussion or decision of a matter at a meeting of a council if the matter—*
    - (i) *relates to a matter that was discussed before a meeting of a subsidiary or committee of the council*
    - (ii) *the relevant interest in the matter is the interest of the council that established the committee or which appointed, or nominated for appointment, a member of the board of management of the council subsidiary or regional subsidiary.*
- (2) *For the purposes of section 75(3)(b) of the Act, a member of a council who is a member, officer or employee of an agency or instrumentality of the Crown (within the meaning of section 73(4) of the Act) will not be regarded as having an interest in a matter before the council by virtue of being a member, officer or employee.*

## Engagement and membership with groups and organisations exemption

A member will not be regarded as having a conflict of interest **actual** or **perceived** in a matter to be discussed at a meeting of council **by reason only of**:

- an engagement with a community group, sporting club or similar organisation undertaken by the member in his or her capacity as a member; or membership of a political party
- membership of a community group, sporting club or similar organisation (as long as the member **is not** an office holder for the group, club or organisation)
- the member having been a student of a particular school or his or her involvement with a school as parent of a student at the school
- a nomination or appointment as a member of a board of a corporation or other association, if the member was nominated for appointment by a Council.

However, the member will still be required to give careful consideration to the nature of their association with the above bodies. Refer Conflict of Interest Guidelines.

**For example:** If your **only** involvement with a group is in your role as a Council appointed liaison as outlined in the Council appointed liaison policy, you will not be regarded as having a conflict of interest actual or perceived in a matter, and are NOT required to declare your interest.