



District Council of Coober Pedy

Annual Business Plan & Annual Budget

2017/2018

**Pursuant to and in accordance with Section 123 of the Local Government Act 1999
and Regulation 6 of the Local Government (Financial Management) Regulations 2011.**

Acknowledgement to Country

The District Council of Coober Pedy acknowledges that we meet on the traditional land of the Antakirinja Matu-Yankanytjatjara people and we pay our respects to Elders past and present. We recognise their cultural heritage, beliefs and relationship with the land and recognise that they are of continuing importance today.

The Elected Members

The members are elected by the community and together form a Council. The Council reviews and sets the strategic direction of the Corporation in the form of a four year Strategic Plan. This strategic direction informs the functional needs of the Administration.

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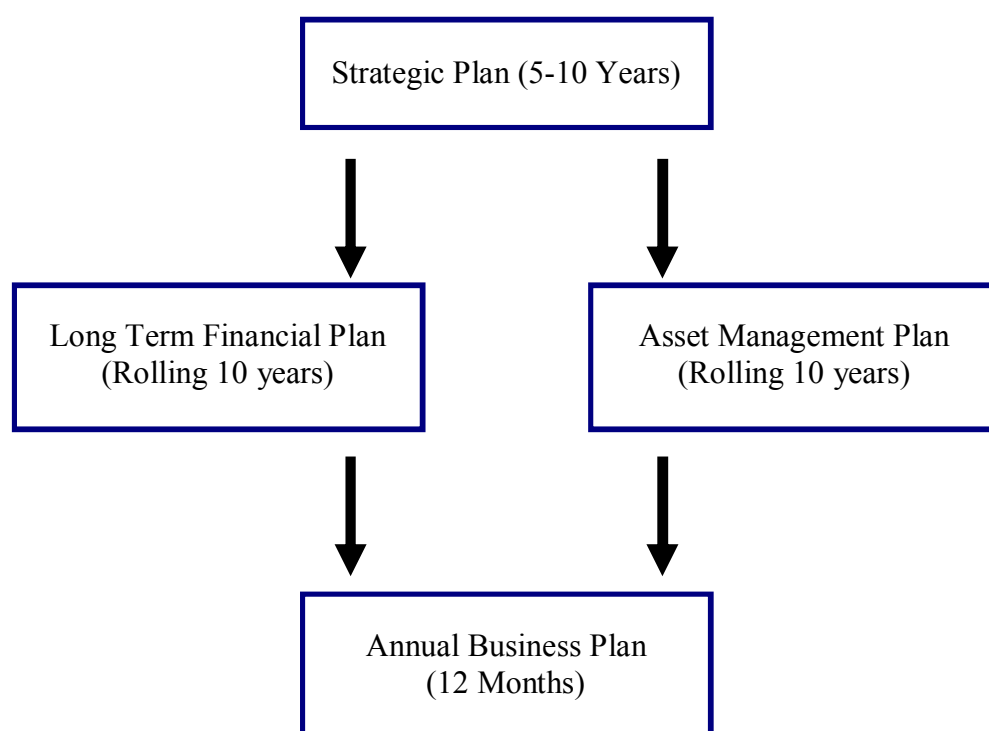
The Administration

The Administration at the District Council of Coober Pedy on behalf of Council offers the community a large range of traditional local government services along with a unique blend of essential services such as electricity, water and the Co-management of the Kanku-Breakaways Conservation Park.

The corporation will be structured to deliver the best outcomes to the community across this range of business activities ensuring management, leadership, governance and compliance as per the various acts and regulations that underpin these important and essential services.

Council each year is required to develop an Annual Business Plan and Budget (ABPB) for the following financial year to determine services, programs and projects that it will deliver to the community.

Council has scheduled a review of its Strategic Plan (SP), AMPs and LTFP to be undertaken during the 2017-2018 financial year. These reviews will help inform our future strategic plan and annual business plans.



- 1. The Diagram above shows how the plans relate to each other and inform the Annual Business Plan.***

Our Unique Challenges

The District Council of Coober Pedy has many unique challenges that it must face on a day to day basis, one of which being the isolation and distance factor from other regional communities. This means that Council has very limited opportunities to join in partnerships or find synergies with other Councils across the State. This ultimately means that we have to purchase more services and capital equipment to perform the services required.



For a South Australian Council, Coober Pedy performs some very unique tasks in the community. These include the provision and distribution of the Electricity and Water Supply to the Community.

An example of how the Council lead, advocate and facilitate great outcomes for the community can be explored in the following example relating to the costs of the supply and distribution of our electricity to the community and the management of Councils debt in order to reduce our 'net financial liability'.

This Electricity Supply has many external pressures that cause the Council constant vigilance. Council essentially runs a "Balanced" electricity budget, meaning that in broad details the calculation is as follows:

Reasonable Electricity Expenditure
Minus Customer Tariffs
Equals Subsidy from Minister for Energy

1. Strategic Management Plan: The Vision & Goals

1.1 The Vision

Our ambition for Coober Pedy

“In 2020—

- *With our heart in a strong mining industry ... we will be a pivotal provider of services to the mining community.*
- *As the most prolific opal region in the world ... we will have nurtured the opal mining industry to meet demand from national and international markets.*
- *As a globally unique tourist destination ... we will offer a satisfying outback experience with transport links to other Australian icon destinations.*
- *As a home town to our local community ... we will have created an environment where our residents have a sense of personal safety and social wellbeing, and are able to access health, housing, education, child care, policing, sporting facilities and recreation services that meet the expectations of young people, young families and an ageing population, ensuring a high standard of living in a prosperous local economy.*
- *As a remote township ... we will have a culture of proud independence, freedom and autonomy, while working together across the community for the common good.*
- *As one of Australia’s most ethnically diverse populations ... our inclusive attitude, seen in our social programs and community governance, will be a model to all.”*

1.2 Goals

- Enhance the economic prosperity of Coober Pedy
- Improve the social wellbeing of Coober Pedy
- Upgrade the visual amenity of Coober Pedy without compromising its character
- Increase community participation in the leadership of Coober Pedy
- Sustain local government services

1.3 Non-Financial Performance Measures 2017-18

- Continue with the ongoing review of services to the community to move Council to a sustainable level of service
- Review and update Councils' suite of strategic management plans including asset management plan and long term financial plan
- Undertake a review of the state government calculation of the rates set for the community to pay for electricity supply and usage
- Complete the structural changes to Councils' administration required to meet our communities' needs and uphold our legislative and regulatory requirements
- Review and update Councils' asset data to satisfy the accounting regulations as well as to establish a ten year asset renewal program
- Undertake a review of Councils' internal control framework and associated policies and procedures
- Undertake a review of Councils' IT hardware and software requirements and replace existing system accordingly
- Undertake a review of Councils' risk management framework and associated policies and procedures
- Finalise fit for work policy and ensure its effective operation across all areas of Council
- Review and update Councils Business Continuity and Disaster Recovery plans
- Identify and apply for grant funding that is strategically consistent with Council objectives
- Complete the financial system, chart of accounts and reporting system upgrade to improve Councils level of financial accountability and transparency to the community

2. Significant Influences and Priorities

The Coober Pedy Community is unique and diverse. It has an official population of circa 1800 that comprises of over 40 nationalities. The community was born out of the Opal Industry over the past 100 years. The community has only had a Local Government Council since 1987.

Council needs to comply with regulations and rules, however without the support of neighbouring Councils to provide synergies, such as waste management.

Council needs to raise its entire infrastructure to a standard that complies with all regulatory, safety and compliance requirements whilst also setting funds aside to reduce debt.

Each year we have to deal with increases in the price of services and products that Council consumes. This means that Council still has to be prudent with all of its spending. Council will endeavour to provide services at least equal to those that were previously provided. Council is also committed to maintaining its assets so that the long term cost of renewal and replacement is minimised.

Fuel price fluctuations for the generation of electricity are particularly significant. This is due to the fact that the Coober Pedy power station uses between 3.3 million - 3.5 million litres of diesel annually. In the past this has meant that even a small increase in fuel price has had a large impact on Council's budget.

3. Continuing Services

As a Local Government Council, we must, as a part of regulations, perform the following functions:

- Governance, supporting the elected Council members
- Administration for the whole of Council
- Management of roads, parks, public open spaces
- Waste management for the community
- Development & planning control
- Environmental health services
- Public conveniences
- Dog control
- Cemeteries

Council also provides the following services:

- Triangle recreation facilities (Recreational Hub, Oval, Skate Park etc)
- Visitor Information Centre
- Tourism marketing support
- Youth Services – Service to Aboriginal Youth (STAY) – Department of Communities and Social Inclusion (DCSI)
- Child and Parent Support (CaPS) – Department of Social Services

Council operates the following user's pay services for which a cost is charged:

- Electricity supply
- Water supply
- Waste water treatment and disposal
- Aerodrome
- Swimming pool
- Child care services

4. Debt Reduction / Financial Strategy

4.1 Current, Medium and Long Term Debt levels

As at the 30 June 2017 Council owes the Local Government Finance Authority (LGFA) an amount of \$6.38M.

In the 2016-17 Council determined that a financial strategy be enforced that will lead to a significant reduction in debt each year for the next three years followed by more moderate reductions in the years that follow after that. Council is in the second year of this strategy having reduced debt to the LGFA by \$630k and overall net financial liabilities by over \$1M.

The target a reduction for the 2017-18 will again be significant. This will involve more changes to Council's operations and service delivery levels and methodology.

The reduction in debt will be achieved by a combination of increased rates and charges, identifying operational efficiencies and reviewing the current range and level of services provided by Council with a view to reducing operating costs.

The short term target is to reduce debt as quickly as possible until such time as it reaches \$4M. At that stage a more moderate debt reduction strategy will be maintained with a view of repaying the remaining \$4M gradually over a ten year period.

4.1 Financial Strategy

Strategy 1 – Service Review

Council will continue the service review that was commenced in 2016-17 with the objective of identifying and reviewing every service that Council provides to the community.

The benefits to the community, the members of the community using the service, the revenue associated with and the expenses incurred will be identified and analysed for each service.

The information collected will then be used to allocate the service to one of the following categories with savings being quantified:

- those services that should be maintained at current levels;
- those that should be retained, however the extent of the service reduced;
- those services that should be put on hold for a period of time; and
- those services that should be permanently discontinued.

The achievement of savings has been built into the budget that underpins this business plan. The achievement of the key financial indicator targets and the target reduction in debt levels very much depend upon the service review identifying significant savings and additional revenue.

Strategy 2 – Delaying non-essential capital renewal expenditure / no new capital construction

This business plan and budget has been prepared on the assumption that only essential capital expenditure will be incurred for the next three years. An allocation of \$400k has been included in the plan and budget at this stage for 2017-18; this will be reviewed throughout the 2017-18 financial year. The allocation is approximately \$1M less than what should be spent on capital renewal when comparing this to Councils level of depreciation reported in the Statement of Comprehensive Income.

Asset management plan and a ten year asset renewal program will be completed in 2017-18. The development of this plan will take into account this financial strategy and limit capital expenditure to only essential renewals in 2017-18 and 2018-19 and then undertake a catch up asset renewal program for 2019-2021 onwards.

Strategy 3 – Maximise available revenue

Council has commenced service costing reviews for Water Supply, Child Care and various other fees for service activities. It has become apparent that fee increases over the past few years have not kept pace with costs and that in some instances the costs are not being fully recovered, accordingly there are some fees charged for services that will increase significantly as Council can no longer afford to subsidise these services.

Rate revenue is also set to increase by 5% per annum for the next two years.

As with the service review the achievement of the targeted improvements in the key financial indicators and reduction in debt are contingent on Council achieving the forecast revenue increases included in the budget for 2017-18.

Strategy 4 – Implementation of Project Planning

Project Plans have been developed in the 2016-17 to be implemented in 2017-18 to ensure the following projects are delivered:

- Asset management plan
- Long term financial plan
- Internal reporting system upgrade
- Strategic reporting to elected members
- Internal control framework & procedures

5. Financial Sustainability/Financial Performance Measures

Council is committed to ensuring its long term financial sustainability. Council's financial sustainability is dependent on ensuring that, on average over time, its expenses are at least matched by its revenue. In addition, capital expenditure on existing infrastructure and other assets should be optimised (in accordance with an Infrastructure and Asset Management Plan so as to minimise the whole-of-life-cycle costs of assets).

Regulation 7 (Budgets) of the Local Government Financial Regulations states:

Pursuant to section 123(10)(b) of the Act, each budget of a council under the Act must include estimates with respect to the council's operating surplus ratio, asset sustainability ratio and net financial liabilities ratio presented in a manner consistent with the note in the Model Financial Statements entitled Financial Indicators.

5.1 Key Financial Indicator Calculations

KEY FINANCIAL INDICATORS	Forecast 2016-17 \$,000	Budget 2017-18 \$,000	Movement \$,000
Operating Surplus Ratio			
<u>Operating Surplus</u>	(749)	(279)	470
Total Operating revenue (less NRM Levy)	13,735	13,217	(517)
	(5%)	(2%)	3%
Net Financial Liabilities Ratio			
<u>Net Financial Liabilities</u>	5,906	5,107	(799)
Total Operating revenue (less NRM Levy)	13,735	13,217	(517)
	43%	39%	-4%
Asset Sustainability Ratio			
<u>Net Asset Renewals</u>	83	400	317
Depreciation Charge	1,478	1,478	0
	6%	27%	21%

5.2 Operating Surplus Ratio (OSR)

The Operating Surplus Ratio expresses the operating surplus (deficit) as a percentage of operating income. As mentioned in the previous section Council is committed to implementing a financial strategy with the intention of moving as quickly as possible into a surplus situation to have funds available to reduce debt.

The forecast result for 2017-18 of (2%) is a further 3% improvement in this ratio when compared with the forecast 2016-17 OSR. The negative ratio result has occurred as operating expenditure including depreciation is forecast to be greater than operating expenses by \$279k.

When Council reaches a situation where operating income is greater than operating expenses then it can say it is operating in a sustainable manner as it is covering the cost of the operating services as well as depreciation from its available operating revenue.

5.3 Net Financial Liabilities & Net Financial Liabilities Ratio

Net Financial Liabilities is a comprehensive measure of the indebtedness of the Council as it includes items such as employee long-service leave entitlements and other amounts payable as well as taking account of the level of Council's available cash and investments. Specifically Net Financial Liabilities equals total liabilities less financial assets, where financial assets for this purpose includes cash, cash equivalents, trade and other receivables, and other financial assets, inventories and land held for resale.

Net financial liabilities are used to assess the level of debt and other liabilities in relation to the income streams available to repay those liabilities.

The calculations in section 5.1 report this ratio at 39% which on the surface would not usually be considered an excessive amount.

In Coober Pedy's situation this ratio is somewhat distorted by the electricity revenue it receives. The revenue from electricity is only enough to cover the operating expenses of the electricity service, accordingly there is no money available from this revenue stream to go towards debt reduction.

When electricity revenue is removed from operating income the revised ratio is approximately 98% which is excessive, especially as the debt has been incurred due to the subsidisation of operating services such as water supply, child care and Councils' ongoing operating deficits.

A result of 98% would not be such a concern if the debt were incurred to construct an income producing asset such as a sewage scheme where the revenue streams from such a project would be sufficient to repay the debt over time.

This has not occurred in Coober Pedy's situation. Accordingly the financial strategy proposed in this plan is necessary. The strategy looks to increasing revenue and reducing service levels such that Council is operating in a financially sustainable manner.

5.4 Asset Sustainability Ratio

The Asset Sustainability Ratio indicates whether the Council is renewing or replacing existing non-financial assets at the same rate as its overall stock of assets is wearing out. Where reliable asset data is available to establish a reliable asset renewal program then the optimal level of asset renewal cost would be used as the denominator in this ratio. In the absence of this data Council has elected to use depreciation as a surrogate.

The local government sector usually operates between target ranges of 90% to 110% for this indicator. Failure to do so indicates that Council is not renewing its assets at the rate in which they are being consumed by the ratepayers (ie the rate the assets are wearing out).

Whilst there are no short term ramifications for an underspend in asset renewal, if this were to occur for a number of years then future generations would inherit run down assets in need of repair however without the funds to make such repairs.

For the third year in a row Council has deliberately restricted spending on asset renewals to generate cash to use to reduce Council's level of debt.

It is Council's intention to catch up the delayed renewal expenditure in the financial years 200-2022 missing number?, this will be built into the revised Asset Management Plan expected to be completed during the 2017-18 financial year.

5.5 Overall Assessment of Council's Financial Sustainability (based on ratios above)

Definition

A Council's long-term financial performance and position is sustainable where planned long-term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services.

The indicators contained in this plan demonstrate that Council is on the path to being financially sustainable with the exception of the Asset Sustainability Ratio, however it has been explained this is a temporary underspend that will be caught up in future years.

The impression of financial sustainability portrayed in this plan rests heavily on the successful implementation of the financial strategy outlined in section 4.

If this plan were to be redrafted without the financial strategy being implemented then it would reveal that Council is in a financially unsustainable position. As it stands although rates, fees & charges are going to increase and services are going to reduce to some extent, this will occur in a controlled strategic manner. The alternative, should Council continued along the existing unsustainable path it is currently on, would be even larger increases in rates, fees & charges and even more disruptive cuts to services than currently outlined in this plan.

6. Services Listed by Department for 2017-18

Administration Services

- Governance functions of Council
- Providing administration support for the whole of Council
- Providing IT support for the whole of Council
- Providing HR and OHS support for Council
- Customer service for the community

Community Services

- Tourism for the community
- Dog control
- Child care services
- Child and Parent Support (CaPS)
- Youth services Service to Aboriginal Youth (STAY)
- Swimming pool facilities
- School Community library
- Economic development with RDAFN
- Planning and development
- Environmental health inspections

Water Services

- Process water for the community from the Bore to the tap

Waste Services

- Provide sewage treatment for the main street and other connected areas
- Provide vac pump facilities to the rest of the community

Infrastructure Services

- Road construction and maintenance
- Parks & gardens
- Plant repairs and maintenance
- Cemetery maintenance
- Waste collection
- Rubbish dump operations
- Airport maintenance

Electricity Services

- Provide electricity to the whole of the community via diesel generators (via contractor)
- Maintenance of the electricity distribution system

7. Capital Expenditure Budget

High Priority Water Service Asset Renewal Items 2017/18

The following items have been identified as a high priority for asset renewal based on an initial risk assessment. No work will be undertaken without a further detailed report to council that will identify the costs involved and the impact the project will have on Council's Financial Sustainability.

- *Upgrade of the potable water distribution pumps.*

These pumps are currently in a state of high maintenance. There are five pumps of which two are currently operating. One only is generally required to be operational but they are so old (20yrs+) that thrust bearings are hard to obtain at short notice and they are regularly in disrepair. It is suggested that two are replaced this financial year and a further one next financial year.

- *Repair of Distribution Tank.*

One of three storage and distribution tanks is in a state of significant deterioration due to substantive corrosion of the internal steel straps rendering the tank potentially unsafe and unserviceable due to the corrosion of tension straps. Two potential solutions are possible however are dependent upon a detailed examination of the straps after buffing to determine if they can continue to operate under tension or require replacement and or the whole tank could be fibre glassed.

The first order assessment is that buffing and rubber or bitumen treatment may be possible as this was used on the adjoining tank successfully however the structural capacity of the straps and wall bolts will require assessment after emptying. If the bolts and straps will not hold the tension a serious repair or replacement strategy will be necessary.

- *Replacement of 10 valves*

This is required due to a deterioration to enable repairs and service of trunk main valves.

- *Replacement of the media filter material*

This will be required to double output from old media filter and improve the efficiency of the RO plant

- *Repair of diffuser at WWTP*

- *Reboring of collapsed low salinity extraction bore at depot*
The collapse of the bore has meant that high value potable water usage is affecting the pressure to customers
- *Conversion of oval irrigation to non-potable water*
By the placement of an RPZ on the mains side and a reconnection of the oval distribution pump to the use of non-potable water a significant load will be removed from the potable supply and reduce the operating cost to the oval and the potable water system.

Notional Allocation \$ 400k

Total Capital Expenditure \$ 400k

Capital expenditure has been restricted to items that are deemed to be essential at this stage. An amount of \$400k has been included as an allocation at this stage and will be refined as the year goes on.

An optimal level of asset renewal would be in the vicinity of \$1.4M however consistent with the financial strategy outlined earlier an allocation of \$400k has been made for the 2017-18 year. The intention is to free up approximately \$1M to fund debt reduction and any remaining operating deficit. Any backlog of infrastructure renewals caused by this strategy will be caught up from 2020 onwards.

8. Funding the Business Plan

8.1 General Rate Revenue

Council has many different ways in which it raises income. Rates income forms a relatively small part of Council income. The estimated general rate income for the 2017-18 year will be \$1.476M. This represents an increase of 5% in the rate revenue compared to the 2015-16 financial year. This will generate an additional \$70k of rate revenue.

8.2 Other Rates and Service Charges

Council also sets a separate rate for the Coober Pedy Sewerage Scheme. This only applies to properties that are on the sewerage scheme or are able to be connected. An increase of 5% has also been factored into the charge for the 2017-18 year. This will generate an additional \$8.5k of service charge.

8.3 Statutory Charges Set by State Government

Council collects the following charges pursuant to regulations set by the State Government. These include:

- Development Applications;
- Dog Registrations;
- Environmental Health Inspections; and
- Freedom of Information applications.

8.4 User Charges Set by Council

Water Supply

Council is making a significant contribution to the ratepayer's water services. The contribution from Council is required as there is insufficient income raised from the community from water charges to cover the costs of supplying the water.

Councils' contribution to this funding shortfall was \$493k in 2014-15, \$618k in 2015-16 and is forecast to be \$406k in 2016-17. These amounts represent losses incurred by Council in the provision of water services. Last year the deficit was funded from rate revenue, in years previous to that the deficits were effectively funded by increased debt from the LGFA.

The 10% increase in water prices has led to a significant improvement as can be seen by the \$212k reduction in the size of the deficit (\$618k - \$406k) however a further 10% increase in charges is required again in 2017-18 and most likely in 2018-19.

Council is also reviewing the service delivery methodology to identify savings that may be generated from improved delivery processes leading to greater efficiency. Success in this endeavour would lead to lower increases than 10% being required in future years.

Alternative markets to sell the water to are also being investigated. Should these eventuate then future price increases will be lower still than the forecast 10% increase for the next 2 years.

The impact of a 10% increase on the typical customer using 50KL is an additional \$44.60.

Price per KL	Actual 2017	Budget 2018
0 - to 50 KL pa	4.31	4.74
51 to 300 KL pa	5.50	6.05
301+ KL pa	6.78	7.45

Child Care Fees

Council is making a significant contribution to Councils child care centre. The contribution from Council is required as there is insufficient income raised from the fees charged to the families using this service to cover the costs of supplying the service.

Councils' contribution to this funding shortfall was approximately \$250k-\$300k in each of the past two years. These amounts represent losses incurred by Council in the provision of child care services. Last year the deficit was funded from rate revenue, in years previous to that the deficits were effectively funded by increased debt from the LGFA.

A report into the child care centre operations and financial sustainability has been prepared and will be discussed by Council in the near future. Based on the findings of this report it is likely that a new structure to deliver these services will be investigated and implemented in due course.

It is intended that the new structure would need to significantly reduce the level of Council contribution. Consultation is ongoing. At this stage minimal increases in fee levels have been built into the 2017-18 budgets however this is expected to change in future revisions of this budget to be undertaken periodically throughout the 2017-18 financial year.

Swimming Pool

The Council is still responsible for running the swimming pool throughout the summer months in consultation with the Coober Pedy Area School.

The fees charged will be similar to in previous years however there is no risk of the pool being closed over summer as the state government, after negotiations with Council, have agreed to fund the shortfall in running costs for the next two years.

This is a good example of Council working with the government to achieve a better outcome for the ratepayers. It is estimated that prior to this arrangement the swimming pool was costing Council approximately \$200k per annum to run. Council identified that this was a service that is usually provided by the State Government and came up with examples of other regional Councils across the state where the state government was funding this service and used this to negotiate a fairer deal for the ratepayers.

The end result is a good example of the purpose of undertaking service reviews as identified in Councils financial strategy. By undertaking a review of the swimming pool services Council has been able to shift the costs of running this service to another entity thereby keeping the service for the community and making a significant annual cost saving.

8.5 User Charges Set by State Government

Council receives a subsidy from the State Government to run the Electricity Supply which means that they determine the electricity tariff rate for Domestic, Commercial and Government organisations.

- Electricity Supply Charge
- Electricity Tariff

Council essentially runs a "Balanced" electricity budget, meaning that in broad details the calculation is as follows:

Electricity Expenditure

Minus Customer Tariffs

Equals Subsidy from Minister for Energy

Accordingly from a whole of Council perspective the provision of electricity services in theory does contribute to any of the operating deficits experiences in prior years.

However from a ratepayer perspective the amounts charged to them, as set by the state government, can increase and accordingly can impact directly on the individual community members' financial situation.

The amounts charged to the community by the state government are allegedly reflecting the average amounts paid by the equivalent consumer in a metropolitan area. Concern has been raised that this may not actually be the case and that in particular for the 2017-18 year it is likely that the rate set by the state government will increase significantly.

The greater the amount the government collects from the community the less it needs to pay to Council in the way of a subsidy. The incentive is there for the government to charge more than the metropolitan equivalent.

Accordingly Council is going to undertake a review of how the government determines the prices they set for our community and lobby, if the evidence supports it, to reduce the amounts charged to the community for electricity supply.

8.6 Grants & Subsidies

Local Government receives two types of grant funding, namely:

General Purpose & Local Roads Financial Assistance Grants (Federal)

Council has complete discretion as to expenditure of funds received.

Council's 2016/2017 budget assumes that four quarterly instalments of Federal Government financial assistance grants (both general purpose and local roads components) will be received during 2016/2017.

Specific Purpose Grants

These are to be spent on specific projects or programs. In Council's case include:

- Youth Grant Service to Aboriginal Youth
- Child and Parent Support (CaPS)
- RAES Subsidy
- Diesel Fuel Rebate

9. Rating arrangements & Policies

Background

Rates are a tax levied on properties according to their capital value which are determined by the Valuer General (Valuation SA). The rates which a property owner pays are calculated by multiplying the property valuation by a rate in the dollar.

Strategic Focus

In setting its rates for the 2017/2018 financial year the Council has considered the following:

- the content of its current strategic plan, The District Council of Coober Pedy Strategic Management Plans. The strategic plan was developed following an extensive community consultation process;
- the Budget for the 2017/2018 financial year;
- the current economic climate and relevant factors such as inflation and interest rates, employment opportunities, the downturn in the commodity mining industry, the fluctuating nature of the opal mining and tourism industries;
- the specific issues faced by our community as referred to in section 2 of this plan; and
- the impact of rates on the community, including householders and businesses and the need to balance the community's capacity to pay with the needs and desires of the wider interests that form our community.

Method Used To Value Land

The Council may adopt one of three valuation methodologies to value the properties in its area. They are:

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

The Council has decided to continue to use capital value as the basis for valuing land within the council area. The Council considers that this method of valuing land provides the fairest method of distributing the rate burden across all ratepayers on the following basis:

- The equity principle of taxation requires that ratepayers of similar wealth pay similar taxes and ratepayers of greater wealth pay more tax than ratepayers of lesser wealth;
- property value is a relatively good indicator of wealth and capital value, which closely approximates the market value of a property, provides the best indicator of overall property value;
- The distribution of property values throughout the Council area is such that few residential ratepayers will pay significantly more than the average rate per property.

Adoption of Valuations

The Council adopted the valuations made by Valuation SA for the 2017/2018 financial year. If a ratepayer is dissatisfied with the valuation made by Valuation SA then the ratepayer may object to Valuation SA in writing, within 60 days of receiving the Council's rate notice referencing the valuation, explaining the basis for the objection, provided they have not: (a) previously received a notice of this same valuation under the Local Government Act 1999, in which case the objection period is 60 days from the receipt of the first notice; or (b) previously had an objection to the valuation considered by the Valuation SA. The contact details for the State Valuation Officer are:

State Valuation Office
GPO Box 1354
ADELAIDE SA 5001
Email: lsg.objections@sa.gov.au
Telephone: 1300 653 345

Please note that the Council has no role in this process. It is also important to note that the lodgment of an objection does not change the due date for the payment of rates.

Notional Values

Certain properties may be eligible for a notional value under the Valuation of Land Act 1971 where the property is the principal place of residence of a ratepayer. This can relate to certain primary production land or where there is State heritage recognition. A notional value is generally less than the capital value and this will result in reduced rates, unless the minimum rate already applies. Application for a notional value must be made to the Office of Valuation SA.

Business Impact Statement

The Council has considered the impact of rates on all businesses in the Council area. In considering the impact, Council assessed the following matters:

- Council's policy on facilitating local and regional economic development;
- Current local, state and national economic conditions and expected changes during the next financial year;
- The continued limited employment prospects for school leavers and other persons currently unemployed;
- The prospect for a continuation of a low rate of inflation and low interest rates;
- Inconsistent changes in the upward valuation of some property types from the previous financial year;
- Specific infrastructure maintenance and other relevant issues that will benefit the whole of the community.

Council's Revenue Raising Powers

All land within a Council area, except for land specifically exempt (e.g. Crown land, Council owned/occupied land and other land prescribed in the Local Government Act 1999 – refer Section 147 of the Act), is rateable. The Local Government Act provides for a Council to raise revenue for the broad purposes of the Council through a general rate, which applies to all rateable properties, or through differential general rates, which apply to classes of properties. In addition, Council can raise separate rates, for specific areas of the Council or service rates or charges for specific services. The Council also raises revenue through fees and charges, which are set giving consideration to the cost of the service provided and any equity issues.

General Rates – Differential Rating

That, having taken into account the general principles of rating contained in Section 150 of the Local Government Act 1999 and the requirements of Section 153(2) of the Local Government Act 1999, Council, pursuant to and in accordance with Sections 153(1)(b) and 156(1)(a) of the Local Government Act 1999, declares differential general rates on all rateable land within its area for the financial year ending 30th June 2018.

Land Use	Rate payers	Rate % in the \$	Amount to be Collected \$'000
Residential	1269	0.4112	935
Commercial – shop	52	1.3172	145
Commercial – office	8	1.2815	41
Commercial – other	36	1.2017	232
Industry – light	10	1.3400	15
Industry – other	8	1.0450	13
Vacant Land	233	0.2995	102
Other	1	1.2886	0.3

Council has previously decided that Commercial and Industrial Land ratepayers use a larger proportion of Councils funds when compared with residential land ratepayers.

Examples of costs incurred on behalf of commercial and industrial ratepayers include:

- Daily street cleaning
- Daily rubbish removal
- Frequent dust suppression activities
- Public convenience maintenance
- Regulatory & inspection costs
- Hutchison Street maintained to a high standard
- Seventeen mile road constructed to a higher standard and maintained to a higher standard than residential roads
- Tourism initiatives. E.g. Tourism centre, festivals and other marketing

Council will be raising total rate revenue including service charges and separate rates of \$2.2M

Fixed Charge

The Council intends to impose a fixed charge of \$410 this is an increase of \$20 from the amount levied for 2016-17 year. The fixed charge is levied against the whole of an allotment (including land under a separate lease or license). Only one fixed charge is levied against two or more pieces of adjoining land (whether intercepted by a road or not) if they are owned by the same owner and occupied by the same occupier. The reasons for imposing a fixed charge is the Council considers it appropriate that all rateable properties make a contribution to the cost of creating and maintaining the physical infrastructure that supports each property.

A total of \$663k will be collected from fixed charges which is equal to 45% of total rate revenue.

Separate Rate

Pursuant to Section 154 of the Local Government Act 1999, Council will consider declaring a separate rate in that part of the District Council of Coober Pedy within the "Defined Area" (as adopted in the Budget for 2015/2016) for the purposes of the Coober Pedy sewerage scheme. That rate shall be .4300cents in the dollar of the capital value of the rateable land, with the exception of those properties that cannot be connected to the system. It is budgeted for Council to collect a total of \$180k from this separate rate. The amount collected will only be expended on the operation and maintenance of the said sewerage scheme.

NRM Levy

The NRM levy is collected from the ratepayers on behalf of the State Government. The levy will be \$61per ratale property. It will be shown on the rate statement separately. The amount budgeted to be collect from this levy is \$96k. This amount will be paid directly to the State Government.

Service Charges

Pursuant to Section 155 of the Local Government Act 1999, Council proposes that a water service charge in the form of an access charge be set for the 2017/2018 financial year and that the access charge is to be included on the rate notice.

Access Charges will be increase by 10% as outlined earlier in the fees and charges section of this document. Access Charges set as follow

- Vacant Land (Land Use 8) - \$170p.a.
- Residential & Other (Land Use 1 & 9) - \$214p.a.
- Business with usage last year less than 300 kilolitres (Land Use 2-6) - \$423p.a.
- Commercial with usage last year over 300 kilolitres (Land Use 2-6) - \$803p.a.
- Aged Pensioner Concession (Residential – Land Use 1) - \$110p.a.

It is budgeted for Council to collect a total of \$387k from this service charge. The amount collected will only be expended on the operation and maintenance of the community water supply

Furthermore Council proposes via its Fees and Charges Schedule that water usage charges will be as follows as outline earlier in section 8.4

Discretionary Rebates

The following is an extract of Councils Rating Policy section # 4:

4. Discretionary Rebates

4.1 The Council may in its absolute discretion grant a rebate of rates or service charges in any of the following cases pursuant to Section 166 of the Act –

4.1.1 Where it is desirable for the purpose of securing the proper development of the area (or a part of the area);

4.1.2 Where it is desirable for the purpose of assisting or supporting a business in its area;

4.1.3 Where it will be conducive to the preservation of buildings or places of historic significance;

4.1.4 Where the land is being used for educational purposes;

4.1.5 Where the land is being used for agricultural, horticultural or floricultural exhibitions;

4.1.6 Where the land is being used for a hospital or health centre;

4.1.7 Where the land is being used to provide facilities or services for children or young persons;

4.1.8 Where the land is being used to provide accommodation for the aged or disabled;

4.1.9 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;

4.1.10 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;

4.1.11 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; and

4.1.12 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 change in the basis of valuation used for the purposes of rating, rapid changes in valuations, or anomalies in valuations.

4.2 The Council may grant a rebate of rates up to and including 100% of the relevant rates or service charges. The Council may grant a rebate for a period exceeding one year, but not exceeding 10 years in respect of those cases identified at 4.1.1, 4.1.2 or 4.1.11 above.

4.3 The Council has an absolute discretion –

4.3.1 To grant a rebate of rates or service charges in the above cases; and

4.3.2 To determine the amount of any such rebate.

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

Pensioner Concessions, State Senior Card Ratepayer (Self-Funded Retiree) and Other Concessions

Until recently, the State Government funded concessions on Council rates. These concessions were formerly available to the holders of pensioner concession cards, veterans, low-income earners, unemployed, students and self-funded retirees. These concessions were all abolished by the State Government with effect from 30 June 2015. From 1 July 2015, the State Government has elected to replace these concessions with a single “cost of living payment” provided directly to those entitled. This payment may be used to offset Council rates. Note that not all former recipients of rates concessions will be entitled to the new payment.

To check eligibility, contact the Department for Communities and Social Inclusion (DCSI) Concessions Hotline 1800 307 758 or at www.sa.gov.au/. The separate concession entitlements for Council Community Waste Water Schemes (CWMS) remain unchanged. Should you be entitled to the State Government funded concession on CWMS rates this will be reflected on the rate notice.

Payment of Rates

Payment of rates will be by way of four (4) equal (or approximately equal) installments per year notwithstanding that any rate account can still be paid in full following the issue of the first installment account.

Rate accounts (30 day accounts) will be issued in respect of the four payments with the proposed due dates for each payment to be as follows:

- 29 September 2017
- 15 December 2017
- 16 March 2018
- 15 June 2018

Rates may be paid:

- In person, at the Council Offices during the hours of 8.30am to 4:30pm, Monday to Friday. EFTPOS facilities are available for payments.
- By post, to District Council of Coober Pedy, PO Box 425, Coober Pedy SA 5723
- By internet at <http://www.cooberpedy.sa.gov.au>

Any ratepayer who may, or is likely to, experience difficulty with meeting the standard payment arrangements is invited to contact the **Rates & Property Officer on 08 8672 4600** to discuss alternative payment arrangements. Such inquiries are treated confidentially by the Council.

The Council has adopted a policy that where the payment of rates will cause a ratepayer demonstrable hardship, the Council is prepared to make available extended payment arrangements.

Late Payment of Rates

The Local Government Act provides that Councils impose a penalty of a 2% fine on any payment for rates, whether instalment or otherwise, that is received late. A payment that continues to be late is then charged an interest rate, set each year according to a formula in the Act, for each month it continues to be late. The purpose of this penalty is to act as a

genuine deterrent to ratepayers who might otherwise fail to pay their rates on time, to allow Councils to recover the administrative cost of following up unpaid rates and to cover any interest cost. The prescribed interest rate for 2017-18 financial year has not been declared. When the interest rate is declared the Council will publish the rate and circulate this information by the most practical means at its disposal at the time.

The Council issues a final notice for payment of rates when rates are overdue i.e. unpaid by the due date. Should rates remain unpaid more than 21 days after the issue of the final notice then the Council refers the debt to a debt collection agency for collection. The debt collection agency charges collection fees that are recoverable from the ratepayer.

When the Council receives a payment in respect of overdue 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 costs;
- third – in payment of any fines imposed;
- fourth – in payment of rates, in chronological order (starting with the oldest account first).

Rebate of Rates

The Local Government Act requires Councils to rebate the rates payable on some land. Specific provisions are made for land used for health services, community services, religious purposes, public cemeteries and educational institutions. Discretionary rebates may be applied by the Council under Section 166 of the Act.

Council (by Policy) has agreed to grant other specific rate rebates pursuant to the said Act.

Council's Rate Rebate Policy for the 2017-18 financial year is available for inspection at the Council Offices during normal business hours.

Postponement of Rates – Hardship

Section 182 of the Local Government Act permits the Council, on the application of the ratepayer, to partially or wholly remit rates or to postpone rates, on the basis of hardship. Where the ratepayer is suffering hardship in paying rates he/she is invited to contact the **Rates & Property Officer on 08 8672 4600** to discuss the matter. Council treats such inquiries confidentially.

Postponement of Rates – Seniors

Application may be made to Council for postponement of the payment of any amount of rates in excess of \$500.00, for the current or a future financial year by –

- A ratepayer who holds a current State Seniors Card issued by the State Government, (prescribed ratepayer) or spouse of a prescribed ratepayer;
 - Where the rates are payable on the principal place of residence;
 - Where the land is owned by the prescribed ratepayer, or the prescribed ratepayer and his or her spouse, and no other person has an interest, as owner, in the land.

Any rates which are postponed will become due and payable:

- When the title to the land is transferred to another person; or
- There is a failure to comply with a condition of postponement.
- Interest will accrue on the amount postponed at the prescribed rate per month until the full amount is paid.
- Postponement is available as a right and can only be refused when the applicant/s has/have less than 50% equity in the property.

Sale of Land for Non-Payment of Rates

The Local Government Act provides that a Council may sell any property where the rates have been in arrears for three years or more. The Council is required to notify the owner of the land of its intention to sell the land, provide the owner with details of the outstanding amounts, and advise the owner of its intention to sell the land if payment of the outstanding amount is not received within one month.

Application of the Policy

Where a ratepayer believes that the Council has failed to properly apply this policy it should raise the matter with the Council. In the first instance contact, the **Rates & Property Officer on Ph: 08 8672 4600** . If after this initial contact, a ratepayer is still dissatisfied they should write to the Chief Finance Officer, District Council of Coober Pedy, PO Box 425, Coober Pedy SA 5723, or email dccp@cpcouncil.sa.gov.au .

For further information:

PO Box 425
Coober Pedy SA 5723
08 8672 4600

Appendix A: Uniform Presentation of Finances

The Uniform Presentation of Council Finances together with the results of the Key Financial Indicators provides a summarised report that focuses on Council's finances at a strategic level.

Readers are strongly encouraged to take the time to understand how this report is structured and what the implications of the various lines of are in relation to the calculation of the Key Financial Indicators.

Definitions and examples of the key components of this report follow this section of the plan.

The Summary of Financial Position report highlights the operating surplus / (deficit) measure which is considered the most critical indicator of a Council's financial performance.

The result, i.e. Debt Reduction / (Borrowing) for the Financial Year, is the movement in Net Financial Liabilities (Net Lending / Borrowing) for the year based on Council's planned capital and operating budgets for that year.

UNIFORM PRESENTATION OF FINANCES	Forecast 2016-17 \$,000	Budget 2017-18 \$,000
Operating Revenue	13,829	13,311
less Operating Expense	(14,578)	(13,591)
Operating Surplus / (Deficit) before Capital Amounts	(749)	(279)
less Net Outlays on Existing Assets		
Capital Expenditure on renewal and replacement of Existing Assets	83	400
less Depreciation, Amortisation & Impairment	(1,478)	(1,478)
less Proceeds from Sale of Replaced Assets	0	0
Net Outlays on Existing Assets	(1,395)	(1,078)
less Net Outlays on New & Upgraded Assets		
Capital Expenditure on New & Upgraded Assets	0	0
less Amounts Specifically for New Assets	0	0
less Proceeds from Sale of Surplus Assets	0	0
Net Outlays on New & Upgraded Assets	0	0
Net Lending/ (Borrowing) for Financial year	646	799

The above report indicates that Council should reduce its net financial liabilities by another \$799k. Forecast LGFA Debt as at 30 June 2018 is estimated to be \$5.6M.

Explanation of Uniform Presentation of Finances

UNIFORM PRESENTATION OF FINANCES	2012-13 Actual \$'000	2013-14 Forecast \$'000	2014-15 Budget \$'000
Income			
/ess Expenses			
Operating Surplus / (Deficit)	-	-	-
Less: Net Outlays on Existing Assets			
Capital Expenditure on Renewal / Replacement of Existing Assets			
/ess Depreciation, Amortisation and Impairment Expenses			
/ess Proceeds from Sale of Replaced Assets			
Net Outlays on Existing Assets	-	-	-
Less: Net Outlays on New and Upgraded Assets			
Capital Expenditure on New / Upgraded Assets			
/ess Amounts received specifically for New / Upgraded Assets			
/ess Proceeds from Sale of Surplus Assets			
Net Outlays on New and Upgraded Assets	-	-	-
Net Lending / (Borrowing) for Financial Year	-	-	-

Explanation / Examples of Components of Uniform Presentation of Finances

Operating Revenue and Expenditure: Represent the totals from the relevant lines of the Statement of Comprehensive Income (operating statement) for the year being reported on.

Capital Expenditure on renewal and replacement of Existing Assets: e.g. Roads reseals, replacement tractor, building renovations, replacement computer hardware.

Proceeds from sale of replaced assets: e.g. trade in value of a tractor or motor vehicle being replaced.

Capital Expenditure on New & Upgraded Assets: e.g. constructing a new building, constructing a new catchment pond, purchasing a piece of machinery that was not previously on hand.

Amounts specifically for new or upgraded Assets: e.g. Capital grants to partly fund a new CWMS, funds received to build new footpaths that did not previously exist.

Proceeds from Sale of Surplus Assets: Proceeds from the sale of a council building that was no longer required, sale of surplus land.

New / Upgraded vs Renewal / Replacement of Assets

The following definitions have been obtained from the South Australian Local Government Model Financial Statements.

<http://www.lga.sa.gov.au/site/page.cfm?u=769#e4291>

A *new asset* is additional to Council's previous asset complement.

E.g. Roads constructed as part of a Council owned subdivision are new assets. Similarly laying footpaths in areas where they did not previously exist are also new assets.

An *upgraded asset* replaces a previously existing asset with enhanced capability or functionality.

Renewal or replacement of an asset occurs where a previously existing asset is replaced without enhancement of the service capability except where this is incidental and unavoidable.

It is possible for capital expenditure to be a *combination of renewal as well as upgrade*. This is particularly prevalent in this Council region due to the increased volume of B-double traffic experienced in recent times. This has required existing roads to be rebuilt to higher standards.

E.g. the replacement of a road that was initially was a 6 metre wide sheeted surface with an 8 metre width sheeted surface can be considered part replacement and part upgrade.

The important point to understand is that if Council is not able to replace its existing assets in a timely manner then new assets should not be built unless essential. By building new assets Council is effectively building new liabilities as the assets usually don't generate revenue (e.g. roads) cannot be sold and will need to be maintained and eventually replaced.

Appendix B: Statutory Financial Statements

STATEMENT OF COMPREHENSIVE INCOME	Forecast 2016-17 \$,000	Budget 2017-18 \$,000	Movement \$,000
INCOME			
Rates	2,064	2,184	121
Statutory Charges	19	19	0
User Charges	5,798	5,816	17
Grants & Subsidies	4,935	4,681	(255)
Investment Income	15	15	(0)
Other Revenues	996	596	(400)
Total Operating Income	13,829	13,311	(517)
EXPENDITURE			
Employee Costs	4,408	4,323	(85)
Materials, Contracts & Other Expenses	8,461	7,615	(846)
Depreciation	1,478	1,478	0
Finance Charges	232	175	(57)
Total Operating Expenditure	14,578	13,591	(987)
OPERATING SURPLUS/(DEFICIT)	(749)	(279)	470
NET SURPLUS / (DEFICIT) transferred to Equity Statement	(749)	(279)	470

STATEMENT OF FINANCIAL POSITION	Forecast 2016-17 \$,000	Budget 2017-18 \$,000
ASSETS		
CURRENT ASSETS		
Cash & Cash Equivalents	219	219
Trade & Other Receivables	2,003	2,003
Inventories	501	501
Total Current Assets	2,723	2,723
NON-CURRENT ASSETS		
Financial Assets	0	0
Infrastructure, Property, Plant & Equipment	26,963	25,885
Other	0	0
Total Non-Current Assets	26,963	25,885
TOTAL ASSETS	29,686	28,608
LIABILITIES		
CURRENT LIABILITIES		
Trade & Other Payables	1,287	1,287
Borrowings	215	230
Short Term Provisions	262	262
Total Current Liabilities	1,764	1,779
NON-CURRENT LIABILITIES		
Long Term Borrowings	6,188	5,375
Long Term Provisions	176	176
Total Non-Current Liabilities	6,364	5,551
TOTAL LIABILITIES	8,128	7,329
NET ASSETS	21,558	21,278
EQUITY		
Accumulated Surplus	8,574	8,294
Asset Revaluation Reserve	12,959	12,959
Other Reserves	25	25
TOTAL EQUITY	21,558	21,278

STATEMENT OF EQUITY	Forecast 2016-17 \$,000	Budget 2017-18 \$,000
ACCUMULATED SURPLUS		
Balance at end of previous reporting period	9,323	8,574
Net Result for Year	(749)	(279)
Balance at end of period	8,574	8,294
ASSET REVALUATION RESERVE		
Balance at end of previous reporting period	12,959	12,959
Balance at end of period	12,959	12,959
OTHER RESERVES		
Balance at end of previous reporting period	25	25
Balance at end of period	25	25
TOTAL EQUITY AT END OF REPORTING PERIOD	21,558	21,278

STATEMENT OF CASH FLOWS	Forecast 2016-17 \$,000	Budget 2017-18 \$,000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		
Operating Receipts	13,813	13,296
Investment Receipts	15	15
Payments		
Operating Payments to Suppliers & Employees	12,926	11,938
Finance Payments	232	175
Net Cash provided by (or used in) Operating Activities	671	1,199
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments		
Expenditure on renewal/replaced assets	83	400
Net cash provided by (used in) Investing Activities	(83)	(400)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments		
Repayment of Borrowings	744	799
Net Cash Provided by (Used in) Financing Activities	(744)	(799)
Net Increase / Decrease in Cash	(155)	0
Cash and Cash Equivalents at start of reporting period	375	220
Cash & Cash Equivalents at the end of the reporting period	220	220