



Southern Mallee District Council

2016 2017

Annual Business Plan

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Vision

Sustainability Community Infrastructure

The Council's Annual Business Plan is one of the principal reporting mechanisms for the Council to engage with key stakeholders, customers and other Governments

Each Annual Business Plan forms the Council's intentions and actions for the upcoming financial year

The Council aspires to satisfy the needs and wishes of our customers [ratepayers] by delivering services efficiently and effectively

These actions are aligned to timely economic, financial and social outcomes that means the Southern Mallee is a good, safe and harmonious society to live, to work and to socialise in sport, recreation and other community activities

As the Council continues on a pathway to re-engineer the financial operations, the elected members with the staff are driven to achieve high-level financial sustainability that provides generational equity for all

*The Southern Mallee District Council shall
develop a sustainable community for present and
future generations to enjoy*

11 Introduction



Councillor Andrew Grieger
Mayor
Bews Ward



Councillor Neville Pfeiffer
Deputy Mayor
Bews Ward



Councillor Allan Dunsford
Bews Ward



Councillor Dennis Hyde
Kelly Scales Ward



Councillor Robert Sexton
Bews Ward



Councillor Mark White
Kelly Scales Ward



Councillor Bruce Summerton
Kelly Scales Ward



Councillor Stacey Milde
Kelly Scales Ward



Councillor Brian Toogood
Bews Ward



2 The Southern Mallee

The Southern Mallee District Council, formed in 1997, is an amalgamation of the Pinnaroo and Lamerook District Council's

The region is nearly 6,000 square kilometres and is typical of the pioneering spirit, which laid the foundations for a thriving, prosperous and diverse community

Situated approximately two hours drive east of Adelaide along the Dukes and Mallee Highways, the community of around 2,500 people is settled in two primary townships, Lamerook and Pinnaroo, as well as three smaller communities of Geranium, Parrakie and Parilla

With Primary Production around Horticulture and Dry Land Farming as the principal economic activity, the region is well served with Health and Hospital Care, Education services, Public Safety, Retail and Hospitality services

2 The Southern Mallee

The region is South Australia's largest producer of horticultural products and is Australia's largest producer of fresh potatoes

Dry land farming consists of cereal grain crops, sheep, cattle and pork

There are also commercial Pistachio, Olive, Hay and small seed growing along with Turf Farming activities in the region

There are more than 336,000 hectares of conservation parks with outstanding walking trails, native birds, wildflowers, camping and four-wheel drive tracks



3 Strategic Thinking and Directions

Liveability

The foundation to any community is its liveability

The community, and the townships within the community, enjoy high-level liveability with health, education, safety, sport, recreation, open space and entertainment services and opportunities

In order to continue operation and support for Open Space, Public Amenities and Public Buildings, Sporting and Recreation Reserves, Public Amenities and Public Buildings and Swimming Pools, the Council proposes to invest \$647,000 in refurbishing Councils Plant and Equipment.

Future Opportunities

A measureable and tangible approach to delivering satisfying services to customers in terms of;

Infrastructure	Roads, Footpaths, Open Space, Refuse and Waste, Environment
Social	Health, Aged Care, Child Care, Sport and Recreation, Open Space
Economy	Tourism, Heritage and History
Sustainability	Finance and economic sustainability with high level Risk Management and Workplace Health and Safety

Future Challenges

Sustaining high-level participation rates, low unemployment and reduced dependency on Government is a measurable challenge for the Council

The Council is able to contribute to maintaining these economic drivers by working with Government, Local Business, Industry

3 Strategic Thinking and Directions Future Challenges

and Employers and attracting development programs around Traineeships, Apprenticeships and Cadetships

In addition, the Council will work with Government, Local Business, Industry and Employers on initiatives around population retention and growth

Community Engagement and Connection

The Council has now formed Community Engagement, Progress and Development Committees for each township and the Draft Annual Business Plan provides for funding \$50,000 to support local and specific community initiatives and \$20,000 to support a community wide grant program

It is anticipated these committees will make a better connection between the community at large, individual communities and the Council

Disclosure and triple bottom line

At every opportunity, as the Council progresses towards a financial and economically sustainable platform that builds on existing infrastructure and community enjoyment whilst responsibly protecting the environment.



3 Strategic Thinking and Directions

Strategic Backbone

The Council's existing Strategic Plan provides the following objectives;

- Objective 1 A sustainable natural and built environment which meets the needs of a diverse community and economy
- Objective 2 Deliver a governance system that is responsive and takes into account the everyday expectations of the average ratepayer or person living in the community
- Objective 3 A vibrant economy with an expanding and diverse mix of businesses
- Objective 4 Healthy and resilient communities by working together



3 Strategic Thinking and Directions

Work Health and Safety

The Southern Mallee District Council is self-insured under the Local Government Risk Services Workers Compensation Scheme and is committed to using available resources to meet its compliance and safety requirements. The council underpins its work in this area with a get everyone home safely philosophy.

The council works closely with Local Government Risk Services Workers Compensation Scheme to meet this objective.

Risk Management

The Southern Mallee District Council has built a framework for its Risk Management that consists of its Risk Management Policy and Strategic and Operational Risk Register.

4 Overview

The 2016 2017 Draft Annual Business Plan is a progressive step for the Council as it continues on a pathway to building an economically and financially sustainable, vibrant and well-connected representative group of Elected Members, Staff and Community Leaders

This Draft Annual Business Plan provides for an increase in General Rates Revenue of 1.5% [this is in line with CPI] in the dollar. Last year the increase was 2.50% with the previous 2 years being 2.75% and 3% respectively.

CWMS Services fees have no proposed increase. Last year there was no increase and with the previous two years being 2.75% and 5% respectively

To ensure financial sustainability through a balanced budget the Council has applied a user pays methodology and in 2015/16 introduced a Mobile Garbage Bin Collection Service Charge of \$175 per bin per annum. The fee introduced in 2015/16 only partially offset the annual cost of providing a weekly rubbish and monthly recycle collection Council intends

to leave this charge at \$175 and work towards a fully recovered service.



4 Overview

This minor CPI increase in revenue reflects the Council's aspiration to cement its financial sustainability and to create generational equity within the wider community.

For the sixth successive year, the Council is proposing not to increase its long-term loan facilities

Importantly the Council remains committed to accelerating the reduction of the long-term debt position at the earliest opportunity

Revenue

Total revenue is forecast at \$7.54m and made up of \$3.8m in taxation revenue [Council Rates and Service Charges], \$3.1m in government grants and \$0.67m in other income.

Expenditure

Total expenditure is forecast at \$7.2m and made up of \$2.66m in employment costs, \$2.3m in depreciation, \$0.16m in finance costs and \$2m in contractual services, materials and other expenses.



4 Overview

Other Material Activities

Mallee Child Care on the Go Service

The Child Care Service continues to make a vital and significant contribution to harmony, sustainability and the attractiveness of the community.

For some time the operations have been constrained within fixed income streams from the Australian Government and a limited capacity to grow service fees. The current plan provides for income of \$641,000 and expenses of \$646,000 and generates a deficit of \$5,000.

Significant changes to the funding model were proposed for by the Australian Government and were to be introduced in July 2017. However that proposed new model has been delayed by the Australian Government for a further twelve months. During the period, the Council will continue negotiations with the Australian Government to ensure the funding for the service moving forward.

Importantly the Council has an underlying funding contractual obligations and community orientated commitment to managing a prosperous Child Care Service in the region.

Parilla Workers Accommodation Facility

During the period it is forecast the facility will generate revenue of \$150,000, attract operating costs of \$136,000 and produce a surplus of \$14,000.

4 Overview

Outcome for the Council

The Draft 2016 2017 Annual Plan forecasts a consolidated surplus of \$314,000.

This amount represents a clear and tangible progression for the Council as it becomes less reliant on the Australian Government and moves to high-level sustainability, measured surpluses, lower debt and increased investment in community infrastructure, services and development.

This Draft Plan has a reasonable surplus which is due to extra grant money received for Roads to Recovery which will be spent on ensuring Councils roads are maintained.



5 Key Performance Indicators

Local Government has a number of benchmark Key Performance Indicators

The Council shares the view that these Indicators are a fair, open and transparent measure of Local Government and the Council's more specifically performance

As the Council continues re-engineering the financial model for present and future Council operations, the Council will enthusiastically seek to satisfy and exceed these benchmarks

5.1 Financial Sustainability and Financial Performance Measures

Amendments to the Local Government Act in 2005 combined with an independent review initiated by the Local Government Association into the long-term financial sustainability of South Australian Council's clearly indicated that there was a need for Councils to take a longer view into their financial planning and sustainability in working towards their goals.

Subsequently, the Council will review its Long-term Financial Plan and Strategic Plan and prepare an Infrastructure and Asset Management Plan.

Each of these planning instruments and tools will be reviewed periodically to maintain relevancy and currency.

The Council is committed to ensuring its long-term financial sustainability.

The 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 the Infrastructure and Asset Management Plan, so as to minimise whole-of-life-cycle costs of assets.

5 Key Performance Indicators

5.1 Financial Sustainability and Financial Performance Measures

Importantly 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.'

5.2 Operating Surplus Ratio

The Operating Surplus Ratio expresses the operating surplus [deficit] as a percentage of revenue

The operating surplus from the proposed annual business plan for the year is 8%.

This result is slightly higher than Council's strategic target

Within a strategic perspective the average Operating Surplus Ratio is within Strategic Goals.

This result arises as operating expenditure is budgeted to be \$314,000 less than the Council's operating income for the year.

Strategic Target 5% to 10%

5 Key Performance Indicators

5.3 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.

The ratio is calculated by measuring capital expenditure on renewal and replacement of assets relative to its level of depreciation.

The Council has resolved, as indicated in its long term financial plan, that a target of approximately 100% be attained on average each year.

This means that the Council is spending an amount each year equivalent to the depreciation expenses on asset renewal.

The targeted Asset Sustainability Ratio for the year is 109%.

Strategic Target +100%

5.4 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, but excludes equity held in the Council businesses, inventories and land held for resale.

The following table sets out the forecast as at 30 June 2016 and 2017.

5 Key Performance Indicators

5.4 Net Financial Liabilities & Net Financial Liabilities Ratio

Calculation of Net Financial Liabilities	Forecast 30 June 2017 \$'000	Forecast 30 June 2016 \$'000
Gross borrowings	1,982	2,320
Less: Cash and investments	338	381
Equals: Net debt	1,644	1,939
Add: Trade and other payables	572	572
Add: Provisions for employee entitlements	794	794
Less: Trade and other receivables	584	659
Equals: Net financial liabilities	2,426	2,646
Net Financial Liabilities Ratio	31%	37%

Strategic Target 33%

Whilst the Council is aware there is some evidence the maximum level of net financial liabilities may be as high as 100% of total annual revenue [less the NRM levy] the Council is not of the view this approach will build a financial and economically sound and sustainable model that offers generational equity for future Councils.

The Council is committed to maintaining up to date long-term financial plans, with capital expenditure consistent with its asset management plans.

A significant proportion of the Council's net financial liabilities arise from loans associated with long term investments building and upgrading the Communities Waste Water Management Schemes.

Revenue from charges levied specifically on beneficiaries of the services will be sufficient to service and repay these loans.

6 Significant Influences and Priorities

The Council like other Local Government Authorities are influenced by many internal and external forces.

A number of significant factors have influenced the preparation of the Council's Annual Plan

6.1 External Influencers

- 6.1.1 Increase in general costs of 1.1% faced by Local Government measured by the annual increase by the Annual increase in the Consumer Price Index [Adelaide December 2015].
- 6.1.2 Increase in Local Government Price Index of 1.1% [September 2015].
- 6.1.3 Increase to insurance cost expected to be approximately 5%
- 6.1.4 Increase to utility cost expected to be approximately 5%
- 6.1.5 Increase in Councils administrative pressures including but not limited to risk management, Work Health and Safety, Legislative compliance, government reporting and Essential Services Commission of SA [ESCOSA] reporting requirements
- 6.1.6 The level of capital and operation services provided across the district.
- 6.1.7 Fees and charges imposed by other governments.
- 6.1.8 Sustainable settings of Council's Long Term and Strategic Planning documents

In response to the above factors, Council has prepared the Draft Annual Business Plan and Budget that will see general rate revenue increase to 1.5%.

6 Significant Influences and Priorities

6.2 Internal Influences

As well as the external influences there were also a number of internal influences upon the Council

- 6.2.1 The impact on salary and wage costs of existing and future Enterprise Agreements for staff
- 6.2.2 Increased community consultation, service and infrastructure needs for a rural community
- 6.2.3 Maintaining service levels with the aim of using innovation and efficiency to reduce costs
- 6.2.4 Requirements to maintain and improve infrastructure assets to acceptable standards including roads, footpaths, lighting, stormwater drainage, street trees and plantings, open space and Council properties
- 6.2.5 Services sought by the community as identified in community consultation phase in preparing the Council's Strategic Management Plan 2012-2015
- 6.2.6 Operation of waste management [resource recovery centre] sites in compliance with guidelines set by the Environment Protection Authority

Council will also continue to review the efficiency of the organisation and will remain focused on maintaining the current levels of service and infrastructure maintenance

6 Significant Influences and Priorities

6.3 Guiding Principals

In response to these factors, and to minimise the burden on rate-payers, the draft annual business plan has been prepared within the following guidelines;

- 6.3.1 Council propose that the draft annual business plan will result in the revenue raised through general rates increasing by approximately 1.50%
- 6.3.2 Continuation of a 5% discount for early payment of rates in full by 12 September 2016
- 6.3.3 Revenue [annual service charge] for Community Wastewater Management Scheme to remain the same to fund the capital investment required to support this highly valuable, long term community infrastructure
- 6.3.4 Mobile garbage bin collection service to remain at \$175 per collection.
- 6.3.5 Major projects including those partnered with other entities including Federal and State Government, other Local Government Authorities and the Private Sector

6.4 Aspirations

The Council, with the Community and its leaders will seek out opportunities, activities and investments where the Southern Mallee will be recognised as a progressive, innovative, environmentally smart, with approaches and activities that protect, enhance and develop our community and the society that lives in it

7 Continuing Services

All Councils have basic responsibilities under the Local Government Act and other relevant legislation

These include:

- 7.1 Regulatory activities including maintaining the voters roll and supporting the elected Council.
- 7.2 Setting rates, preparing an annual budget and determining longer-term strategic management plans for the area.
- 7.3 Management of basic infrastructure including roads, footpaths, parks, public open space, community wastewater.
- 7.4 Street lighting and storm-water drainage; street cleaning, rubbish collection, recycling and waste management.
- 7.5 Development planning and control, including building safety assessment.
- 7.6 Various environmental health services.

In response to community needs the Council also provides further services and programs including:

- 7.7 Community Libraries [Pinnaroo, Lameroo & Geranium]
- 7.8 Community venues such as public halls and sporting grounds.
- 7.9 Economic development activities.
- 7.10 Tourist and historical venues, museum and sites.
- 7.11 Parks and gardens.

7 Continuing Services

In all services, the Council seeks to be responsive to changing needs.

Regular community consultation and engagement are undertaken to check levels of satisfaction and areas for improvement.

The Council also operates a number of facilities on a fee for service basis.

These provide important community benefits while also generating revenue for services and projects of benefit to the district.

7.12 Caravan Park

7.13 Childcare Service

7.14 Halls and Public Venues

7.15 Recreation Facilities

7.16 Residential Tenancy

7.17 Parilla Season Workers Accommodation Facility

7.18 Swimming Centres [Pinnaroo and Lameroo]

8 Capital Expenditure and Project Priorities

8.1 Capital Expenditure

Description	Forecast 30 June 2017	Forecast 30 June 2016
Public Convenience		10,000
Effluent Drainage		80,000
Telephone Communication Towers	20,000	
Sanitary & Garbage	220,000	
Residential Tenancy		20,000
Waste Management		20,000
Footpaths	20,000	
Pinnaroo Depot Office Air Conditioning	6,000	
4 Point Hoist	12,000	
Street Signs Pinnaroo		7,000
RV Sites Lameroo and Pinnaroo	10,000	
Pipe Cross Venning Terrace Pinnaroo	3,500	
Swimming Pools	60,000	20,000
Road Renewals and Upgrades	2,384,000	950,000
Plant and Equipment	647,000	1,115,000
Information Technology		10,000
Total	3,382,500	2,232,000

8 Capital Expenditure and Project Priorities

8.2 Road Construction

Project Name	Investment
Karte Road (4km)	125,000
Hammatt Road (2km)	75,000
Allenby Road (2.4km)	76,000
Chandos Road (2Km)	58,000
Geranium South Road (3.5Km)	1,309,000
Tiller Road (2.5Km)	80,000
Reseals	661,000
Total Investment	2,384,000

8.3 Plant and Equipment

Equipment	Investment
Garbage Compactor	350,000
Backhoe	160,000
Dual Cab Ute	28,000
Triton Dual Cab	34,000
Combination Roller	75,000
Total Investment	647,000

9 Achievements & Non-Financial Performance Measures

9.1 Economic Development

As part of the Council's commitment to re-engineer the Council's Financial Model, the Elected Members have made deliberate decisions to commit expenditure only to essential or critical infrastructure.

As such, investments are based on priority demand.

This commitment is a critical component of the Council's Strategic Management Plan that sets out to manage long term debt with various treatments including reducing non-critical built assets or infrastructure.

The Council is willing to review its current stock of public buildings and determine whether there is opportunity for incorporating shared resources of existing infrastructure before supporting the construction of additional Council assets.

9.2 Infrastructure

With effective procedures in place, this creates opportunity for extending the whole of life for assets and therefore extending the length of time before capital works need to be incurred.

The Council acknowledges the financial result achieved in the Draft Annual Business Plan [\$314,000] has been achieved in part as a result of a once off increase in the Roads to Recovery Grant in the 2016/17 financial year.

9 Achievements & Non-Financial Performance Measures

9.3 Environment

The mantra of natural resources, environment and heritage working in partnership with day to day business of the Council and landowners has been strengthened under the new Strategic Management Plan

A principle key achievement includes:

- 9.3.1 Progress in developing the Lameroo Community Wastewater Management System [CWMS] to ensure re use of waste water in an effective and efficient manner.

9.4 Corporate Governance and Development

Council over the last thirty six months has spent considerable time better understanding the benefits of its decision to implementing a long-term financial strategy.

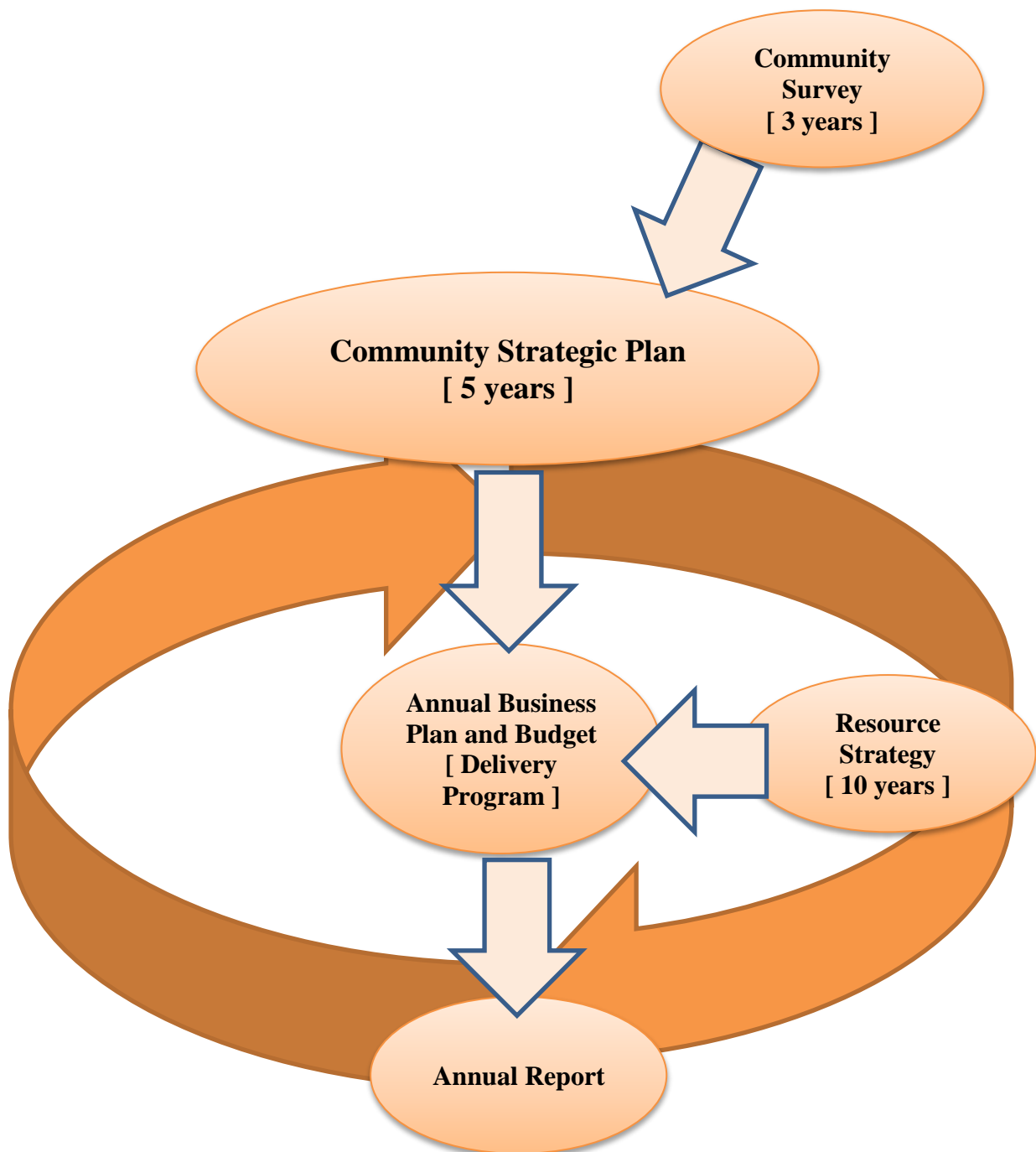
The linking of this plan to other long-term planning tools and instruments will illustrate progress by the Council in achieving financial sustainability and viability.

The Strategic Management Plan reinforced the need for fiscal constraint was a reoccurring theme in light of large capital investment in Community Waste Water Management Schemes for Lameroo and Pinnaroo.

9 Achievements & Non-Financial Performance Measures

9.4 Corporate Governance and Development

Council Integrated Planning Structure



10 Grant Funding

Local Government receives funding from the Australian Government and South Australian Government made up of:

10.1 Australian Government

10.1.1 General Purpose, Local Roads and Financial Assistance Grants

The Council has complete discretion as to expenditure of funds received

10.1.2 Roads to Recovery Grants

Funding of this nature is spent on road projects

The Council has complete discretion as to the expenditure of the funds received in term of maintaining, renewing or upgrading roads

10.2 South Australian Government

Special Local Roads funding is provided through the South Australian Local Government Grants Commission from a pool of funds set aside from the Roads to Recovery programme.

The notion of Special Local Roads is supported through Regional Roads of Significance and Regional Strategic Plans that proposed to benefit and satisfy demand for regional connectivity, transport, freight and socialisation attributes.

10 Grant Funding

10.3 Other Grants

The Council aspires to attract funding from Australian and South Australian Government agencies to support community development, economic development, sport and recreation, tourism, heritage conservation and preservation.

10.4 Summary

	Forecast 30 June 2017 \$'000	Forecast 30 June 2016 \$'000
General Purpose	1,245	1,144
Local Roads	391	391
Roads to Recovery	949	809
Special Local Roads	0	0
PPE Entrance contribution from DPTI	0	0
Mallee Child Care on the Go	515	505
Other Grants	0	0
Total	3,100	2,849

11 Funding the Business Plan

A surplus of \$314,000 is forecast for 2016-2017.

The Council's long-term financial sustainability is dependent on ensuring that, on average over time, its expenses are less than its revenue.

Importantly the Council aspires over time to generate moderate surpluses.

These surpluses will be applied to accelerating debt reduction initiatives and to invest in the timely renewal, replacement and development of new community infrastructure.

The Council has a debt reduction program in place that, over time, will satisfy generational equity demands.

Importantly as the re-engineering of the Council's financial model proceeds, any surpluses generated may be applied to accelerate debt reduction programs.

Each of these management initiatives will collectively improve the Council's progress towards satisfying generational equity for future Council's and Community Leaders.

Importantly the Council has available sufficient liquidity to mitigate any unforeseen disasters that are beyond the control and influence of the Council.

The Council's proposed revenue in 2016 2017 includes \$3.20m to be raised from general rates, based on a 1.5.0% increase of cents in the dollar.

11 Funding the Business Plan

Council is granted the power to acquire funds under Sec. 133 of the Local Government Act 1999. Sources of funds include property rates, service charges, statutory and user charges, income from investments, commercial activities together with grants and subsidies.

Summary of Budget Financial Performance:

Operating Revenues	\$7,542
less: Operating Expenditure	\$7,228
Net Operating Surplus	\$314

The Council's draft annual operating revenue will be sufficient to meet expected draft operating expenditure for the 2016 2017 year.

12 Uniform Presentation of Council Finances

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

Definitions and examples of the key components of this report are included in the glossary at the end of this document.

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 of this report 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.

Achieving a zero result on the net lending / borrowing measure in any one year essentially means that the Council has met all of its expenditure [both operating and capital] from the current year's income [with income including amounts received specifically for new / upgraded assets].

12 Uniform Presentation of Council Finances

UNIFORM PRESENTATION OF FINANCES	Forecast 30 June 2017 \$'000	Forecast 30 June 2016 \$'000
Income	7,542	7,261
less Expenses	7,228	7,114
Operating Surplus / (Deficit)	314	147
Less: Net Outlays on Existing Assets		
Capital Expenditure on Renewal / Replacement of Existing Assets	2,533	2,418
less Depreciation, Amortisation and Impairment Expenses	-2,327	-2,252
less Proceeds from Sale of Replaced Assets	-199	-184
Net Outlays on Existing Assets	7	-18
Less: Net Outlays on New and Upgraded Assets		
Capital Expenditure on New / Upgraded Assets	849	56
less Amounts received specifically for New / Upgraded Assets	-873	-422
less Proceeds from Sale of Surplus Assets		
Net Outlays on New and Upgraded Assets	-24	-366
Net Lending / (Borrowing) for Financial Year	331	531

This data indicates that Council will use \$331,000 of its own resources to fund Loan Repayments.

A full explanation of the components to the above Uniform Presentation of Finances is contained in Appendix A.

13 Rating Policy and Structure

Within the Local Government Act 1999, Section 123 sets out the Council's obligations to prepare an Annual Business Plan and Budget.

Section 123 [2d] provides for the annual plan to include a Rating Policy and Structure for the current period and that a summary of the Annual Plan be included with the first rates notice.

13.1 Strategic Focus

In developing the rating policy the Council has been very mindful of current internal and external influencers along with likely future outcomes.

These influencers include;

13.1.1 Long Term Finance, Asset and Infrastructure Plans that provide for the maintenance, renewal and development of appropriate and necessary services, infrastructure and community support.

13.1.2 Local, Regional, State, National and as appropriate International Economic Influencers.

13.1.3 Specific issues faced by the Southern Mallee community.

13.1.4 The immediate and longer term financial sustainability for the Council including the capacity to attract other income to diminish the burden on its customers [Ratepayers], employment costs and the costs associated with supporting the Council's infrastructure [depreciation].

13.1.5 Contributing to the liveability of the Southern Mallee community and society in ways that means the Southern Mallee is a good, safe and harmonious society in which to live, to work and to socialise in sport, recreation and other activities.

13 Rating Policy and Structure

13.2 Method Used to Value Land

The Council may adopt one of three valuation methodologies to value land and improvements in the community and include;

13.2.1 Capital Value being the value of the land and all the improvements on the land.

13.2.2 Site Value being 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.

13.2.3 Annual Value being a valuation of the rental potential of the property.

The Council has determined to continue to use Capital Values as the basis for valuing land within the Council area as the Council believes this method provides the fairest method of distributing the rate burden across all ratepayers on the following basis;

13.2.4 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.

13.2.5 Property value is a relatively good indicator of wealth and capital value, which closely approximates the market value of a property and provides the best indicator of overall property value.

13.2.6 The distribution of property values throughout the Council area is such that few residential ratepayers will pay significantly more than the average level of rates payable per property.

13 Rating Policy and Structure

13.3 Adoption of Valuations

A Council may employ or engage a valuer to value the land in the area or it may use the valuations provided by the Valuer-General, or it may use a combination of both subject to certain restrictions.

The Valuer-General is a statutory officer appointed by the Governor.

The Council has adopted the most recent valuations made by the Valuer-General.

If a ratepayer is dissatisfied with the valuation made by the Valuer-General then the ratepayer may object to the Valuer-General in writing, within sixty days of receiving the notice of the valuation, explaining the basis for the objection, provided they have not:

13.3.1 Previously received a notice of this valuation under the Local Government Act, in which case the objection period is sixty days from the receipt of the first notice; or

13.3.2 Previously had an objection to the valuation considered by the Valuer-General.

It is to be noted, however that regardless of the sixty day limitation period before lodging an objection to the valuation the Valuer-General may, for good reason, determine to accept an objection lodged outside this time period.

13 Rating Policy and Structure

13.4 Objection To Valuation

A person may object to a valuation of the Valuer-General by notice in writing, setting out the reasons for the objections, and the Valuer-General must consider the objection.

If the person then remains dissatisfied with the valuation the person has a right to a review.

Applications must be made within twenty one days of receipt of the notice of the decision (in relation to the objection) from the Valuer-General.

A payment of the prescribed fee for the review to be undertaken together with the review application must be lodged in the State Valuation Office, who will then refer the matter to an independent Valuer.

If the person remains dissatisfied with the valuation then they have a right of appeal to the Land and Valuation Court [Section 24, 25A, 25B & 25C of the Valuation of Land Act 1971].

The address of the State Valuation Office is 101 Grenfell Street, Adelaide SA 5000 [GPO Box 1354, Adelaide SA 5001] and the telephone number is 1300 653 346 [general enquiries] 1300 653 345 [objections enquiries].

Special Note

The Council has no role in the process of considering an objection to a valuation.

Also, it is important to note the lodgement of an objection does not change the due date for the payment of rates.

13 Rating Policy and Structure

13.5 Notional Values

Certain properties may be eligible for a notional value, where the property is the principal place of residence of a ratepayer, under the Valuation of Land Act 1971.

This relates to some primary production land or where there is State heritage recognition.

Any owner that believes that they are entitled to a 'notional value' must apply in writing to the State Valuation Office.

13.6 Business Impact Statement

The Council has considered the impact of rates on businesses in the Council area, including primary production.

In considering the impact, Council assessed the following matters:

13.6.1 Those elements of the Council's strategic plans relating to business development.

13.6.2 Local, Regional, State, National and as appropriate International Economic Influencers.

13.6.3 Specific issues faced by the Southern Mallee community.

13.6.4 Immediate, short and medium term projects and initiatives that will principally benefit industry and business development.

13.6.5 Movement in the Consumer Price Index [CPI] and other relevant indices.

13.6.6 Valuation changes in commercial and industrial properties compared with valuation changes in residential properties in the region.

13 Rating Policy and Structure

13.6 Business Impact Statement

13.6.7 Council through elected member's consultation with ratepayers.

13.6.8 The equitable distribution of the rate burden between classes of ratepayers who receive broadly comparable services and are generally similarly impacted upon by prevailing economic conditions.

13.6.9 Council's policy on facilitating local economic development preference for local suppliers where price, quality and service provision are comparable to suppliers outside the Council area.

13.6.10 Council has considered incentives for attracting new business and has adopted the following policy;

' That Council provide a full rebate on rates on increased capital improvements for five years on new business premises if the business employs 3 or more persons and that Council is receptive to additional incentives on an individual application basis '

13 Rating Policy and Structure

13.7 Council's Revenue Raising Powers

All land within a Council area, except for land specifically exempt (e.g. Crown land, Council occupied land and other land prescribed in the Local Government Act – 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.

The list of applicable fees and charges is available at the Southern Mallee District Council Day Street Pinnaroo or on our website: www.southernmallee.sa.gov.au.

A Goods and Services Tax at a rate determined under the Goods and Services Tax Act 1999 will be charged on those fees not given exemption under the Act.

13.8 Differential General Rates

The 2016 2017 Draft Annual Plan proposes to raise General rate revenue of \$3.20m in a total operating revenue budget of \$7.54m.

13 Rating Policy and Structure

13.8 Differential General Rates

The Council has decided to impost differential general rates on the following classes of properties:

13.8.1 a general rate in the dollar of 0.008277 for all properties located in the townships of Lameroo, Geranium, Parrakie, Parilla and Pinnaroo.

13.8.2 a general rate in the dollar of 0.007297 for all other rateable land in the district.

By applying these differential rates to the valuations provided by the Valuer General, The Council intends to raise \$218,607 from the township rate, \$448,466 from the township other rate, as well as \$2,531,471 from the rural rate

This represents a 1.5% increase in the rate in the dollar in the amounts raised last year.

Under the existing rating arrangements, Council's rural rate is lower than its township rate.

The Council has assessed the need for a differential rate based on the varying levels of service delivery and degrees of access to town services, such as waste management, footpaths, street lighting, recreation facilities and playgrounds.

13.8.3 Land Use

Land use is a factor to levy differential rates.

If a ratepayer believes that a particular property has been wrongly classified by the Council as to its land use, then the ratepayer may object to that land use [to the Council] within sixty days of being notified.

13 Rating Policy and Structure

13.8 Differential General Rates

13.8.3 Land Use

The objection must set out the basis for the objection and details of the land use that, in the opinion of the ratepayer, should be attributed to that property.

The Council may then decide the objection as it sees fit and notify the ratepayer.

A ratepayer also has the right to appeal against the Council's decision to the Land and Valuation Court.

Special Note

It is important to note the lodgement of an objection does not change the due date for the payment of rates.

13.9 Minimum Rate

A Council may impose a minimum rate, if it has not imposed a fixed charge, to ensure all Ratepayers contribute equitably towards the provision of basic services at a reasonable level.

Where two or more adjoining properties have the same owner and are occupied by the same occupier, only one minimum rate is payable by the ratepayer.

Where a Council imposes a minimum rate it must not apply to more than 35% of properties in the Council area.

The Council has decided to impose a minimum rate of \$536.

13 Rating Policy and Structure

13.10 Natural Resources Management [NRM] Levy

The Southern Mallee District Council is within the area covered by the South Australian Murray Darling Basin Natural Resources Management Board and is required under the Natural Resources Management Act 2004 to fund the operations of the Board.

The Council satisfies this obligation by imposing a separate rate against rateable properties within its area based on the Capital Value of rateable land.

Within this Draft Annual Business Plan, the revenue to be collected is \$110,804.

The Southern Mallee District Council is operating as a revenue collector for the South Australian Murray Darling Basin Natural Resources Management Board in this regard and has no input into the charges that are imposed.

Revenue from this levy is not retained by the Council, nor does the Council determine how the revenue is to be invested and acquitted.

13.11 Service Charge - CWMS

As set out in Section 155 [2] of the Local Government Act 1999, the Council imposes an annual service charge on properties in Lameroo and Pinnaroo for the Community Wastewater Management Schemes to meet the operational and capital costs of the schemes.

The Council will recover this cost through an annual service charge of \$572 per unit occupied land and \$286 per unit vacant land per rateable assessment.

Where the service is provided to non-rateable land, a service charge is levied against the land.

13 Rating Policy and Structure

13.12 Service Charge – Mobile Garbage Collection

In 2016-17 Council intends to apply a service charge for its Mobile Garbage Collection.

For the purpose of meeting the costs associated with the collection and disposal of domestic and other garbage Council intends on charging \$175 per bin collection service per year and \$150 for any additional bin.

13.15 Postponement of rates – Seniors

Ratepayers who hold a State seniors card or who are eligible to hold a State Seniors card and have applied for one are able to apply to Council to postpone payment of rates on their principal place of residence.

Postponed rates remain as a charge on the land and are not required to be repaid until the property is sold or disposed of.

Interest, at the rate prescribed in the Local Government Act 1999, will be charged and compounded monthly on the total amount postponed, until the debt is paid.

13.16 Other Concessions

Department for Families and Communities administers Council Rate concessions available to a range of eligible ratepayers receiving State and Commonwealth allowances.

If you are a low income earner who meets the Departments threshold apply through the DFC Hotline 1800 307 758.

For more information visit www.sa.gov.au/concessions

13 Rating Policy and Structure

13.17 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.

The Council has adopted the following policy in relation to the rebate of rates:

The Council also provides a Rate Rebate for the 2016 2017 year pursuant to Division 5 of the Local Government Act 1999 to achieve the following;

A maximum vacant unused land rate payable for the Parilla and Geranium townships of \$402 [2015-2016 \$396].

For all and any other vacant unused land the maximum rate payable is \$203 [2015-2016 \$200].

13.18 Sale of Land for Non-payment of Rates

The Local Government Act 1999 [Section 184] provides that Council may sell any property where the rates have been in arrears for three years or more.

The Council is required to provide the principal ratepayer and the owner [if not the same person] 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.

13 Rating Policy and Structure

13.19 Payment of Rates

Council rates are billed quarterly in accordance with the Local Government Act 1999. The instalment due dates are proposed to be 5 September 2016, 5 December 2016, 6 March 2017 and 5 June 2017.

Council Rates may be paid by telephone, internet using the Bpay through participating banks, by mail to PO Box 49, Pinnaroo SA 5304 and or in person or by EFTPOS using a savings or cheque account and or a credit card.

The due dates for payments are shown on the front of the rate notice. Ratepayers unable to pay their rates by the quarterly billing due dates may apply to the Council to arrange an alternative payment option in accordance with Chapter 10 of the Local Government Act 1999.

13.20 Discount for Early Payment of Rates

The Council will provide a discount of 5% only on their general rate to any ratepayer who pays their rates in full by 5 September 2016.

13.21 Late Payment of Rates

The Local Government Act provides that Councils impose a penalty of 2% 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 Council may meet because it has not received the rates on time.

13 Rating Policy and Structure

13.21 Late Payment of Rates

The Council imposes late payment penalties strictly in accordance with the Local Government Act.

The Council has adopted the following policies in respect of due dates and unpaid rates:

13.21.1 Payments received in the mail on the day after the last day nominated by the Council to pay any debt to the Council will be treated as being received on the last day nominated to pay any debt provided that the requirements of the Interpretation Act are also considered where the last day to pay falls on a Saturday, Sunday, Public Holiday or Grace Day granted to employees by the Council, resulting from the Council's offices being closed.

13.21.2 That Council do not remit fines raised on outstanding rates, unless for exceptional circumstances that may include circumstances as death, medical and health conditions.

13.21.3 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, and

Second, to satisfy any interest costs, and

Third, in payment of any fines imposed, and

Fourth, in payment of rates, in date order of their imposition, starting with the oldest account first.

APPENDIX A

Explanation of Uniform Presentation of Finances

Uniform Presentation of Finances

Income

less Expenses

Operating Surplus / [Deficit]

Less Net Outlays on Existing Assets

Capital Expenditure on Renewal and Replacement of Existing Assets

less Depreciation, Amortisation and Impairment Expenses

less Proceeds from Sale of Replaced Assets

Net Outlays on Existing Assets

Less Net Outlays on New and Upgraded Assets

Capital Expenditure on New and Upgraded Assets

less Amounts received specifically for New and Upgraded Assets

less Proceeds from Sale of Surplus Assets

Net Outlays on New and Upgraded Assets

Net Lending / [Borrowing] for the 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

APPENDIX A

Explanation / Examples of Components of Uniform Presentation of Finances

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 and Upgraded vs Renewal and Replacement of Assets

The following definitions have been obtained from the South Australian Local Government Model Financial Statements (see <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

APPENDIX A

New and Upgraded vs Renewal and Replacement of Assets

It is possible for capital expenditure to be a *combination of renewal as well as upgrade*

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

This is particularly prevalent in this Council region due to the increased volume of B-double traffic experienced in recent times that has required some existing roads to be rebuilt to higher standards

It is important to note that if the Council is not able to replace its existing assets in a timely manner then new assets should not be built unless they are identified as critical and or essential

By building new assets the Council is effectively building new liabilities and demand on future operating expenditure, as the assets usually do not generate revenue, cannot be sold and will need to be maintained and eventually replaced

APPENDIX B - Statutory Statements

STATEMENT OF COMPREHENSIVE INCOME	Forecast 30 June 2017 \$'000	Forecast 30 June 2016 \$'000
INCOME		
Rates	3,775	3,704
Statutory Charges	29	29
User Charges	424	416
Grants & Subsidies	3,100	2,849
Investment Income	15	15
Reimbursements	99	122
Other Revenues	100	126
Total Operating Income	7,542	7,261
EXPENDITURE		
Employee Costs	2,660	2,596
Materials, Contracts & Other Expenses	2,075	2,078
Finance Charges	166	188
Depreciation	2,327	2,252
Total Operating Expenditure	7,228	7,114
OPERATING SURPLUS/(DEFICIT)	314	147
Gain / loss on disposal & fair value adjustments Amounts specifically for new or upgraded assets	873	422
NET SURPLUS / [DEFICIT] transferred to Equity Statement	1,187	569

APPENDIX B - Statutory Statements

BALANCE SHEET	Forecast 30 June 2017 \$'000	Forecast 30 June 2016 \$'000
ASSETS		
CURRENT ASSETS		
Cash & Cash Equivalents	386	381
Trade & Other Receivables	584	584
Inventories	64	64
Total Current Assets	1,034	1,029
NON-CURRENT ASSETS		
Financial Assets	63	75
Infrastructure, Property, Plant & Equipment	49,457	48,601
Total Non-Current Assets	49,520	48,676
TOTAL ASSETS	50,554	49,705
LIABILITIES		
CURRENT LIABILITIES		
Trade & Other Payables	572	572
Borrowings	330	330
Short Term Provisions	767	767
Total Current Liabilities	1,669	1,669
NON-CURRENT LIABILITIES		
Long Term Borrowings	1,652	1,990
Long Term Provisions	27	27
Total Non-Current Liabilities	1,679	2,017
TOTAL LIABILITIES	3,348	3,686
NET ASSETS	47,206	46,019
EQUITY		
Accumulated Surplus	10,196	8,982
Asset Revaluation Reserve	36,723	36,723
Other Reserves	314	314
TOTAL EQUITY	47,206	46,019

APPENDIX B - Statutory Statements

STATEMENT OF CHANGES IN EQUITY	Forecast 30 June 2017 \$'000	Forecast 30 June 2016 \$'000
ACCUMULATED SURPLUS		
Balance at end of previous reporting period	8,982	8,413
Net Result for Year	1,187	569
Transfer from Reserves	0	0
Transfer to Other Reserves	0	0
Balance at end of period	10,169	8,982
ASSET REVALUATION RESERVE		
Balance at end of previous reporting period	36,723	36,723
Gain on Revaluation of Property Plant & Equipment	0	0
Balance at end of period	36,723	36,723
OTHER RESERVES		
Balance at end of previous reporting period	314	314
Transfers from Accumulated Surplus	0	0
Transfers to Accumulated Surplus	0	0
Balance at end of period	314	314
TOTAL EQUITY AT END OF REPORTING PERIOD	47,206	46,019

APPENDIX B - Statutory Statements

CASH FLOW STATEMENT	Forecast 30 June 2017 \$'000	Forecast 30 June 2016 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		
Operating Receipts	7,527	6,450
Investment Receipts	15	15
Payments		
Operating Payments to Suppliers & Employees	-4,735	-4,674
Finance Payments	-166	-188
Net Cash provided by (or used in) Operating Activities	2,641	1,603
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts		
Grants specifically for new or upgraded assets	873	422
Sale of replaced Assets	199	184
Reduction in Investments		
Repayments of loans by community groups	12	
Payments		
Expenditure on renewal and replaced assets	-2,533	-2,418
Expenditure on new and upgraded assets	-849	-56
Loans made to community groups		
Net cash provided by (used in) Investing Activities	-2,298	-1,868
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts		
Proceeds from borrowings		
Payments		
Repayment of borrowings	-338	-330
Net Cash Provided by [Used in] Financing Activities	-338	-330
Net Increase / Decrease in Cash	5	-595
Opening Cash and Cash Equivalents	381	976
Closing Cash & Cash Equivalents	386	381