

Alexandrina Council



Revenue Strategy

2025–2028



Our revenue plan to thrive



Alexandrina Council acknowledges the Ngarrindjeri, Ramindjeri, Peramangk and Kurna people, the traditional owners of the lands and waters of our district. We pay our respects to their Elders past and present and extend that respect to other Aboriginal and Torres Strait Islander people also.

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About this Strategy

It is fundamental to Council's operation that it continues to balance the needs of the community, deliver outstanding service whilst maintaining our long-term financial sustainability.

Council endorsed the Revenue Strategy 2025–2028 at the 20 May 2024 Council Meeting. This strategy explains how Council sources the revenue needed to fund its activities for 2025 to 2028.

We consider how alternative forms of revenue can be generated, creating growth across the district to spread the total rates funding more widely and how the funding burden will be apportioned between ratepayers and other users of Council services. This is with the expectation of reducing the general rates tax burden on Alexandrina ratepayers.

This reduced reliance on general rates provides transparency and a more equitable distribution of the tax burden across all service users either as visitors to Alexandrina or ratepayers.

This strategy underpins our long-term financial sustainability and increases the diversity of our funding streams. This is not only good business practice but is a response to the uncertainty and pressures in today's economic climate.



Revenue Strategy



Our Strategic Framework

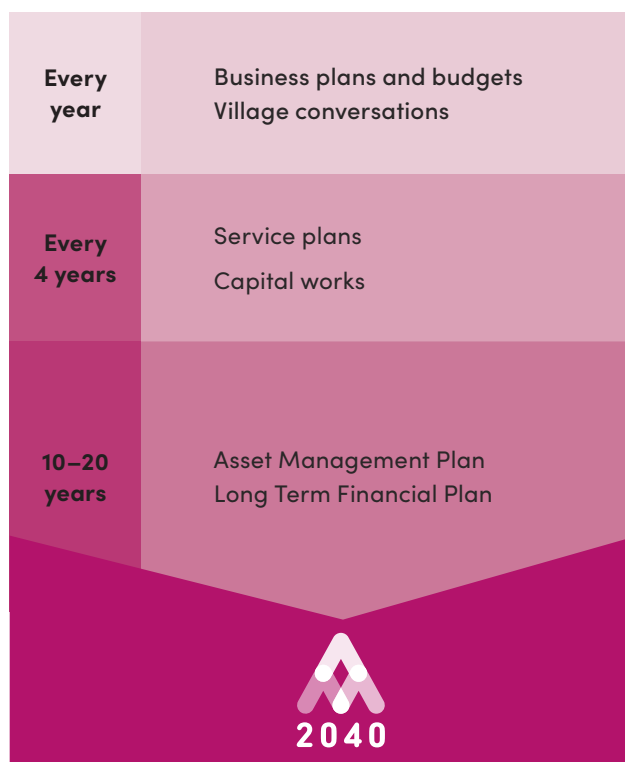
This plan is an important part of Council's integrated strategic planning framework all of which is created to achieve the vision for our community as set out in our *Community Strategic Plan, A2040*.

Goals and strategies outlined in this plan support the objectives of A2040 that guides the development of the *Annual Business Plan*, budget, and Council's *Long Term Financial Plans*.

Launched in February 2021, *A2040 Plan* articulates a strong vision for our community to thrive as Liveable, Green, and Connected

- **Liveable Alexandrina** is defined by distinctive villages, places and spaces, unique natural environments and transport networks that support active lifestyles, employment, vibrant cultures, and productive enterprise.
- **Green Alexandrina** is climate-ready, a place where nature is valued, and resources are managed sustainably and creatively for a new economy.
- **Connected Alexandrina** is an inclusive, friendly region with strong community spirit, where all people are empowered to achieve their potential and inspired to get involved.

The A2040 suite of plans



Our Revenue

Alexandrina Council provides a wide range of services and infrastructure for the local community and collects revenue to cover the costs of providing them.

Our revenue sources comprise:

- **General rates, service charges and levies** including community wastewater system charges, Finniss water scheme, and the regional landscape levy.
- **Grants, subsidies, contributions, and reimbursements** including capital grants for new and upgraded assets, from federal and state government and third parties.
- **User charges and fees** for several services and facilities provided by Council.
- **Statutory charges and fines** including planning and development, health and animal management legislation.
- **Other income** including investment income, resources received free of charge, and share of results from the activities of joint ventures and associates.

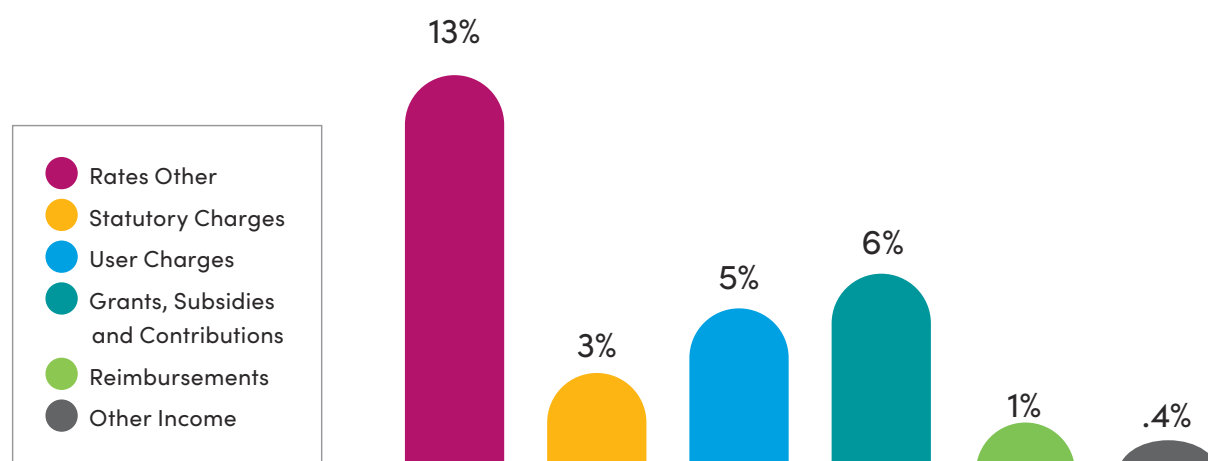
General Rates are the most significant revenue source and represent 72% of the operating income within the 2024-25 Annual Budget.

Council also provides services on a fee or user charge basis. In general, the nature of these fees or charges depends on whether they relate to statutory or discretionary services. Some statutory charges are set by government legislation, such as planning fees. Where Council can set a fee or charge, these will be set based on the principles outlined within this revenue strategy.

Council's revenue is also dependent on levels of grant funding and contributions provided by government and third parties. Some types of funding are tied to delivering specific services or projects. It is important that Council is clear about what grants it intends to apply for and the obligations these grants create for future service delivery or infrastructure.

Annual Budget 2024-25

Revenue includes capital grants and resources received free of charge but excludes (i) changes in comprehensive income due to revaluations and (ii) profit or (loss) on disposal of assets (Australian Bureau of Statistics GFS Revenue definition)



General Revenue Principles

In setting the mix of pricing strategies for Council revenue, the following generally accepted rating principles and concepts have been considered:

- A pure **Wealth Tax** approach implies that the rates paid for services are dependent upon the value of ratepayer's real property. Such that there is no link to consumption of services or perceived benefits derived by individual taxpayers.
- The pure **Benefit** principle implies there is a clear link between the level of services used or benefits received and the amount of tax paid (opposite of the Wealth Tax principle).
- The **Equity** concept is twofold in that rate payers in similar situations (property value) should pay similar amounts and those who are better off should pay more than those who are worse off. This assumes that the value of a taxpayer's property is indicative of whether they are worse off or better off.
- **Efficiency** of a taxation system (rates) can be achieved by using pricing of services where the taxpayer is sensitive to price. For example, directly charging for specific services can influence demand and lead to more efficient use of resources. This can also reduce inflated demand for services and the resulting additional cost for Councils.
- **Simplicity and Transparency** refers to how easily a rates system can be understood by ratepayers and the practicality and ease of administration.
- **Capacity to Pay** for individual or groups of taxpayers where a property value may not be connected to a taxpayer's ability to pay. This may also occur where taxpayers are asset rich but cash poor.
- **Diversity** of taxpayers within the same property class for tax purposes. Residential households may have a different number of

breadwinners, members, and expenditure patterns. Similarly, property used for business may have small owner operated businesses or large corporations.

- **Sustainability** the extent to which there is a reasonable degree of stability in the rating system, and it is durable and flexible in changing conditions.

Rating and Other Revenue Mix

Rates and other sources of revenue such as fees, charges and grants are determined together. A balance needs to be struck between rating to fund public services, and associated benefits, compared to private services for specific groups or individuals where user fees may be applied.

Many services provided by Council contain an element of both public services and private services (known as "mixed goods").

User charging for services which are mainly public in nature is generally impractical. Examples are roads, footpaths, environmental protection etc. This is because the service and the associated costs cannot be directly associated with individuals or groups of users. The service is for the benefit of all, without exclusion.

Conversely, the cost of private services, their benefits, and therefore pricing for private services, can be attributed to individuals or groups of users. Examples are car parking, planning application fees and water usage.

Long Term Revenue Goals

In formulating the overall revenue strategy Council will work towards achieving the following revenue goals over the four-year period. These long-term goals have been set to improve our long-term financial sustainability and increase the diversity of our funding streams.

Long Term Revenue Goals

General rates revenue will aim to represent no more than 80% of total revenue.

User charges will aim to generate a breakeven financial position, after full cost recovery. This will also apply to statutory charges where Council can set the charge.

Business activities¹ (excluding prescribed services²) will aim to generate a surplus, after full cost recovery, at a minimum of 10% of revenue or 10% return on invested capital for capital projects.

General rates transparency will be increased such that the provision of all wastewater management, waste disposal services and water supply services will be itemised as specific service charges or service rates for each taxpayer. These charges and/or rates will be based on a full cost attribution basis.

Number of properties paying rates in the district will be targeted for an increase of 2.5% per annum.

Sustainable revenue streams will be targeted, and risk assessed to ensure long term funding is available to support the ongoing delivery of service provision at agreed service levels.

¹ - Please refer to Appendix 1 – Competitive Neutrality Application for definition of business activities.

² - Pricing for prescribed services under S155 of Local Government Act 1999 is set in accordance with legislation and is subject to determination under the Essential Services Commission Act 2002 regulating prices, conditions relating to prices, and price-fixing factors for water retail services. Prescribed services include the community wastewater management systems (CWMS), including water recycling, and the Finniss water scheme

Council's General Revenue Principles

In addition to specific revenue raising strategies and principles applied within the following sections, Council will also consider these general principles applicable to all funding sources.

Council General Revenue Principles

- We will continue to strive to identify and investigate **additional revenue sources** to lessen the general rates burden on Alexandrina ratepayers.
- We will enter into **new business activities** or services for **groups of users** only where a robust business case has been developed with a view to maximise returns to Council and funding is available.
- Consideration will be given to incentivising or encouraging taxpayers to work towards the **A2040 Plan** when setting user fees. For example, favourable charging to support activities that have a positive impact on the environment.
- Generally, **public benefit** services will not ordinarily be funded through user charges. This is because everyone benefits from the service, and it is impractical to (i) exclude certain groups from benefiting and (ii) spread the cost across individual users, eg. cost of maintaining a main road.
- In other respects, Council will aim to apply **user charges** to generate revenue where:
 - » Other sources, such as grants to fund the service, have been considered first.
 - » The consumption of services can be defined and easily calculated.
 - » The charge allows users to decide as to whether they want the service or not.
 - » The cost to set up and administer user charges does not outweigh the benefit of doing so.

Special consideration will be given to those Council services that contain both a public and private benefit (known as **mixed goods**). We will consider charging arrangements such as “basic access” for free, and user fees for “value added services”. For example, access to sports facilities or exhibitions where there is both a basic public benefit and other added value services where the benefit is more individually based.

Specific and sound **capacity to pay** criteria to be consistently applied where rebates and concessions are given.

Council's Revenue Strategy

Pricing Policy

In determining the revenue mix and pricing strategy we have taken into consideration Council's statutory powers and obligations under the Local Government Act 1999, the requirements of Council's **A2040 Plan**, generally accepted rating principles, and the need for sufficient revenue to fund local service delivery and infrastructure needs.

The most important funding sources are:

- General rates and service charges
- Grants, subsidies, contributions, and reimbursements
- User charges and fees
- Statutory charges and fines
- Other income.

The specific strategies for each of these funding sources are discussed in the next sections.

Overall, all avenues will be pursued to obtain external funds for prioritised works. Similarly, where Council can set fees and charges, it will aim to review these over the preceding two years and increase/ decrease pricing consistent with the application of the user pays principle – that is, as far as possible the cost of providing a direct service will be met by the fees charged.

We have determined that an annual assessment of all fees and charges is excessively costly. A rolling review process for all service areas are subject to review at least every four years.

A schedule of the current user fees and charges is presented as part of the annual budget. In instances where the price does not cover the cost of the service, a rationale will be included to explain the variance and the basis for the subsidy.

The balance of funds required by Council each year must be obtained from general rates revenue. We will strive to achieve our long-term goal of capping this amount at 80% of total revenue. As such, other funding sources will represent at least 20% of total revenue.

Competitive Neutrality Principles

Government and local government within South Australia are obliged to comply with the obligations of the Government Business Enterprises (Competition Act (1996) which deals with competitive neutrality.

These principles are designed to neutralise any net competitive advantage that a local government, engaged in significant business activities, would otherwise have because it is controlled by local government, compared to private business operating in the same market.

When setting fees and charges competitive neutrality must be considered. This is further discussed in **Appendix 1**.



Goolwa, Playground

General Rates Revenue

Legislative and Policy Framework

Council's powers to raise taxes are found in Chapter 10 of the South Australian Local Government Act 1999 and the supporting Local Government (General) Regulations 2013.

All land is rateable except for land that is specifically exempt under legislation. Broadly, exempt land is Crown land or land used by state and local government for a public purpose, certain recreational grounds, and certain universities.

This section of the revenue strategy should also be read in conjunction with Council's *Rating policy* which is issued annually. Council's *Rating Policy* sets out the specific basis and rationale for raising rates each year.

In accordance with the legislative framework, our rating system is based on the **capital value** of your property. This is the most recent valuation by the Office of the Valuer-General effective on 1 July each year.

Rates are calculated by multiplying the valuation of a property by the "adopted rate in the dollar". The "rate in the dollar" is a percentage number that is determined by Council each year.

This is applied to all rateable properties to determine the total rates raised across the Council area.

Council has several means by which it can vary the amounts calculated including setting

- A general "rate in the dollar" for all rateable land.
- Differential "rates in the dollar" for different classes of land.
- Some of the total rates payable levied as a fixed charge amount.
- Service charges for some specific services such as water supply and wastewater management.
- Separate rates and charges for particular local government areas or certain activities.
- Rebates, waivers, deferments, concessions, and exemptions for the payment of rates as defined under legislation

Proposed Rating System

Several scenarios are modelled each year to develop the most suitable rating system. These scenarios may include:

- Using the annual value or site value of land rather than the capital value.
- Using a uniform “rate in the dollar”.
- Using a uniform “rate in the dollar” combined with a fixed charge.
- Using differential “rates in the dollar” for different land classes without a fixed charge.
- Applying rates deferment schemes.
- Changing policy positions on granting concessions and discretionary rebates.

As a result of this modelling the key features and rationale of the rating system for Alexandrina are set out below.

Method Used to Value Land

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

Alternative bases such as site value (SV), which only considers the value of land and not buildings or structures on the land, are not deemed suitable. Under the SV method there would be a significant shift of rates burden from the industrial/commercial sector to residential properties and larger land holdings such as farmland and recreational sectors with no consideration for the value of buildings on these holdings. This would be contrary to a fair and equitable rating system.

Differential General Rates

The Local Government Act 1999 allows councils to differentiate rates based on the use of the land, the locality of the land or on the use and locality of the land. Alexandrina Council has two differential rates being, **primary production** and **general rate**. Primary production is defined in the Valuation of Land Act 1971. Council recognises that the rural sector not only contributes greatly to our economy but also has significant responsibilities in environmental conservation.



Encounter Bikeway, Basham Beach

Council Rating Revenue Principles

- We will also continue to use the **capital value** of a ratepayer’s property as the basis for setting the rates payable.
- We will continue to provide **rate capping** to cushion the impacts of a spike in property valuations each year.
- We will apply a **fixed charge per property** combined with a “rate in the dollar”.
- We will apply **two different “rates in the dollar”** to our two classes of property. The general class and the primary production class.
- We will apply **service charges** for wastewater and water management.
- We will continue to collect the **regional landscape levy** on behalf of the Hills and Fleurieu Landscape Board.
- We will grant **rebates, concessions, remissions, and deferment** of rates payable in accordance with legislation and Council’s rating policies.

This sector does not attract government financial support except in exceptional circumstances; however, local government, which has historically provided a reduction to the general rate, has recognised its contributions.

Council has regard to relative movements in valuation to ensure that the rate burden remains relatively constant between primary producers and other sections of the community. Council will continue to apply a differential rate for primary production.

The primary production “rate in the dollar” is currently 83% of the general “rate in the dollar”.

Specific Area Rates

The Local Government Act 1999 also permits councils to raise a specified area rate in addition to a general rate for land within that area.

This type of rate is used to fund specific work undertaken for a specific portion of the district. The funds raised must be applied to the purpose for which the rate was imposed.

Many new residential developments constructed with a **higher level of amenity** than the surrounding suburbs may attract a specified area rate. This is where specific services are provided by the local government to a defined part of the community that are not otherwise available to the wider community or existing community services require significant upgrade because of the new development. These rates can be for one year only or for longer periods.

We do not currently charge a specified area rate. Council will investigate whether this method of raising rates is applicable for 2025 to 2028 by reviewing all development activity throughout this period.

Fixed Charge

Council considers it appropriate that:

- **All rateable properties contribute** to the cost of administering Council’s activities.
- All rateable properties contribute to the cost of creating and maintaining the physical infrastructure that supports each property.

Approximately 20% of Council’s general rate revenue is generated via the fixed charge applied to each property.

Rate Capping

Rate capping is where the current year rates for a property are compared to the previous year. If the increase is more than a set percentage, then the current year rates increases are capped at a set percentage.

Council will continue the application of rate capping for a principal place of residence, the main property where you live. In the 2021–22 and 2022–23 financial years, rates were capped at a **12%** increase on the previous year. From 2024–25, rates are capped at 15%.

For properties other than principal place of residence, rates are capped at 50% for the 2024–25 financial year. An application needs to be made to Council to obtain a cap for properties which are not a principal place of residence.

Specific conditions for rate capping are set in Council’s *Rating Policy*.

Appendix 2 sets out how differential rates, fixed charges and rates capping are applied to calculate the general rates due from each ratepayer.



Regional Land Levy

Council will continue to collect the Regional Landscape Levy (formerly 'NRM levy') wholly on behalf of the Hills and Fleurieu Landscape Board. The total amount to be collected is prescribed by and fully remitted to the Board.

A separate rate is applied to the capital value of each rateable property. Rebates are available as set out below.

Rates Service Charges

Community Wastewater Management Systems (CWMS)

Council maintains and manages Community Wastewater Management Systems for the townships of Goolwa, Strathalbyn, Port Elliot, Hindmarsh Island, Mount Compass, and Milang, and applies a separate additional charge for all properties serviced by these systems.

Service charges are calculated in accordance with the regulatory framework as set out in S155 of the Local Government Act 1999, the Local Government (General) Regulations 2013 and Local Government Association SA guidance for costing and pricing of CWMS. Price setting is also subject to price determinations by the Essential Services Commission (ESCOSA) under the Essential Services Commission Act 2002.

Broadly, Council will set the annual service charge based on the average annual long term full cost of providing the service shared amongst those who receive the service. The cost is allocated to each user depending on the number of CWMS "Property Units" attributed to each serviced property. The Local Government (General) Regulations 2013 set out how "Property Units" are calculated. The long term cost of providing the service includes allowances for direct and indirect costs, capital replacement, cost of capital and unquantified risks.

A uniform annual service charge amount is applied across all townships as the nature of the service delivered is the same.



Sailing, River Murray

Finniss Water Scheme

Council supplies non-potable water (not suitable for drinking) to a restricted number of properties in Finniss from an SA Water supply.

Service charges are calculated in accordance with the Local Government Act and Regulations. They are also subject to price determination by ESCOSA.

The principles for setting the annual service charge are on a similar basis as for CWMS.

Rates Rebates and Concessions

Rebates

The Local Government Act 1999 (Act) and Council's *Rating Policy* sets out the conditions under which rebates are available for rates due. Some rebates are mandatory under the Act whilst others are discretionary.

Broadly, the Act requires 100% mandatory rebates are given where land is used for:

- Health services
- Religious purposes
- Public cemeteries
- The Royal Zoological Society.

and up to 75% mandatory rebates are given where land is used for:

- Community services organisations
- Education – government schools and registered non – government schools
- University accommodation.

The Act also allows Council to grant discretionary rebates. We have considered a range of factors for determining when discretionary rebates are available. These include the nature of the services Council provides in the area for which the rebate is sought compared to elsewhere, the community need for the activities being provided by the ratepayer and whether these activities are aiding or providing relief to disadvantaged people.

However, Council is not required to provide either a mandatory or discretionary rebate where the land use is for business or income generating purposes.

Council's *Rating Policy* provides detailed eligibility guidance upon which a ratepayer is entitled to a rebate of rates.

Rebates are not available for service charges.

Concessions

Concessions are available for full or partial waiver of rates due to hardship and for deferment of rates payable for certain ratepayers. Please refer to Council's *Rating Policy* for specific details.



Past and Proposed Rate Levels

Source	Year	Total Rates (\$'000)	Rates Increase (%) ¹	Adelaide CPI @ June (%)	Operating Revenue (%)	Total Revenue (%)	Rates Per Property (\$)	No. of Rateable Properties	No. of Properties Growth
ACTUAL	2018-19	33,333		1.4%	69%	64%	\$1,784	18,685	
ACTUAL	2019-20	34,848	4.5%	0.8%	72%	67%	\$1,857	18,765	0.4%
ACTUAL	2020-21	35,792	2.7%	2.8%	69%	64%	\$1,835	19,503	3.9%
ACTUAL	2021-22	37,440	4.6%	6.4%	67%	65%	\$1,907	19,632	0.7%
ACTUAL	2022-23	40,321	7.7%	6.9%	69%	62%	\$2,059	19,580	-0.3%
BUDGET	2023-24	43,729	8.5%	7.9%	73%	68%	\$2,202	19,861	1.4%
BUDGET	2024-25	48,020	9.8%	4.8%	72%	66%	\$2,382	20,158	1.5%
LTFP	2025-26	51,367	7.0%	2.6%	72%	70%	\$2,516	20,420	1.3%
LTFP	2026-27	54,895	6.9%	2.5%	73%	71%	\$2,654	20,686	1.3%
LTFP	2027-28	58,664	6.9%	2.5%	74%	72%	\$2,800	20,954	1.3%
LTFP	2028-29	62,690	6.9%	2.5%	75%	73%	\$2,953	21,227	1.3%

The 2024-25 Budget has a 7.9% rates increase which is CPI of 4.8% plus 3.1% for Sustainability. Rate revenue increases by 9.8% when Properties growth is included. The Long Term Financial Plan for 2025-26 and for the 3 years after includes increases of CPI + 3% to accommodate additional funding required for sustainability and to allow for timely delivery of major projects. In addition, an increase in rateable properties is estimated at 1.3% per annum for the LTFP.

Notes:

1. Budget 24-25 as adopted by Council on 24 June 2024.
2. Long Term Financial Plan (LTFP) as adopted by Council on 24 June 2024.
3. General rates revenue excludes: (i) service charges for CWMS and the Finnis Water Scheme and (ii) the Regional Landscape Levy.
4. Total revenue includes operating revenue, resources used free of charge and income for new and existing asset upgrades.
5. CPI rate for 24-25 represents annual increase from Dec 22 to Dec 23 for Adelaide.
6. CPI rate applied within the LTFP adopted by Council on 22 February 2021, effective from 1 July 2021.
7. LTFP general rates increases includes CPI plus 1.3% for properties growth and 3% for sustainability.

Grants



Grants, Subsidies, Contributions, and Reimbursements

Funding sources other than rates and user charges consists of other third-party funding. This may be through grants, subsidies, contributions, or reimbursements. Much of this funding is from grants and discussed in more detail below.

Contributions are also discussed further below.

Subsidies relate to government wage subsidies for apprenticeships and other wage related expenditure.

Reimbursements mostly relate to amounts received from Council tenants for property running costs.

Grants

Grant revenue represents income usually received from other levels of government. Some grants are one-off and for the delivery of specific projects, whilst others can be of a recurrent nature and may or may not be linked to the delivery of projects.

Operating grants are to fund running costs and exclude amounts specifically received for new / upgraded assets (i.e., the acquisition or enhancement of assets). These latter grants are known as **capital grants**.

Rural and regional councils are highly dependent upon grant funding.



Specific Principles

- We will **actively pursue** all grants, subsidies, contributions, and reimbursement opportunities to fund our prioritised activities identified within the **A2040** plan.
- We will explore **partnering with neighbouring councils** to take advantage of regional incentives.
- We will only **apply for and accept external funding** if it is consistent with the Community Vision and does not lead to the distortion of **A2040 Plan** priorities.
- Projects which are reliant on grant funding will not proceed until a **signed funding agreement** is in place.
- Services that are specifically **funded by operating grants will be delivered** in line with the level of funding provided. Any decrease in funding will have an equal decrease in service delivery.
- **Whole of life costs and ongoing grant conditions** will also be considered when assessing acceptance of Capital Grants to ensure ongoing operating costs can also be funded in the long term without increasing the overall rates burden.
- We will aim to secure at **least 50% grant funding** to contribute to the cost of new and existing asset upgrades.

Recurring Grants

The following are specific grants that occur annually and are incorporated within our Long Term Financial Plan (LTFP):

- State Financial Assistance Grant Program (\$2.3M)
- Federal Roads to Recovery Program (\$0.6M).

The state financial assistance grant is provided by the Commonwealth Government under the Local Government (Financial Assistance) Act 1995. This is distributed by the state annually to local governing bodies within South Australia.

The financial assistance grant program consists of two parts:

- a general-purpose component, which is distributed between the states and territories according to population and
- an identified local road component, which is distributed between the states and territories according to historical proportions.

This grant is “untied” in the hands of local government, allowing councils to spend the grant according to local priorities. Council applies the local roads component to road rehabilitation projects in its and utilises the general-purpose component to fund Council operations and capital works.

Discontinuation of any of these recurring grants would likely require Council to re-assess the scope or quality of its service delivery to make a corresponding reduction to its expenses.

One-off Grants

The *A2040 Plan* sets out the key initiatives that Council intends to undertake over a four-year time horizon. The accompanying annual budget and *LTFP* then incorporates Council’s funding source assumptions for those key initiatives.

Many major initiatives will require an upfront investment greater than the annual rates revenue can afford in a single financial year. For these projects Council will plan and advocate for external grant funding.

The annual budget and *LTFP* includes any required grant funding and the corresponding council cash contributions which may be required by the associated grant funding body.

The *LTFP* adopted in February 2021 anticipates \$19.6M will be required to fund new or upgraded assets over the 10-year period. Funding of \$11.5M has been secured and \$8.6M is still in progress or has been reviewed based on the revised requirements for each project. See **Appendix 3** for further detail.

In addition to pursuing planned grant funding priorities, council officers monitor new grant funding programs and will submit applications if further funding becomes available that will benefit the community. In this way, ratepayers will receive greater total value for money versus the rates they pay.



Port Elliot

Contributions

Open Space Developer Contributions

Part 15, Division 2 (S198) of the Planning, Development and Infrastructure Act 2016 relates to open space contributions required from applicants who submit development applications under certain circumstances. Broadly, and subject to the specific details within this Act, a contribution to Council is required of up to 12.5% of the area to be developed which is then held as open space. This is where the developer will be dividing the area into twenty or more allotments and at least one of these is less than 1 hectare.

The fair value of this land or the equivalent financial contributions are recognised as revenue by Council and is then applied to acquire or develop land as open space.

Infrastructure Developer Contributions

Other developer contributions, including those secured by separate rates, will be modelled based on the projected growth in the number of rateable properties in the district and indexed according to the applicable contribution types.

Contributions will be considered to fund essential infrastructure works to support growth or upgrade of amenities within specific areas.

Private Works Contributions

Council will undertake private works on a full cost recovery basis, plus a commercial return. Services will be provided alongside the private sector where gaps have been identified in the local market.

User Charges and Fees

User Charges and Fees

Council's powers to raise fees and charges are found in Chapter 10 Part 2 of the South Australian Local Government Act 1999 and the supporting Local Government (General) Regulations 2013.

User fees and charges are those that Council will charge for the use of a wide range of services and community infrastructure.

Examples of user fees and charges include:

- Council property leases, hire fees and licences
- Permits required and fines issued under Council by-laws
- Tourism and business support, tourist attractions and events
- Shared services and advisory fees
- Providing information, materials or copies or extracts from Council records
- Connection fees, water supply and water recycling
- Access to Council managed facilities or community services such as libraries, swimming pools, sports stadiums, car parks, and cemeteries.

The provision of infrastructure and services form a key part of Council's role in supporting the local community.

The Local Government Act 1999 allows councils to set non-statutory fees and charges at a level that recovers the full cost of providing those services.

Council typically sets fees and charges in line with the following principles:

- Full Cost Recovery Pricing
- Market Pricing
- Subsidised Pricing.

Specific Principles

- **Leasing, hire or licencing of council property** will be at market rates determined by an independent valuer unless a specific concession applies.
- Use of **Council's property portfolio** will be arranged to optimise both Council objectives and property rental yields.
- Where **utilities** and other services are used by the tenant during the term of the lease, hire or licence then these will be recovered from the tenant on a full cost recovery basis.
- Where services are enjoyed by both taxpayers and **visitors** to Alexandrina alike, then contribution to the cost of service delivery will be sought from all users where it is practical to do so. For example, car parking.
- Where services are **in limited in supply** then concessions will be given in favour of local ratepayers ahead of visitors to Alexandrina.
- We will review revenue generation initiatives on an ongoing basis which **positively impact on our environment**. These may include, but not limited to, expansion of water and waste circular economy initiatives and use of Council land for carbon offset schemes.
- **"Back-office expertise"** will be leveraged by providing shared services to other entities.
- Individual **tourism activities or events subsidies** will not exceed \$10,000 per event such that the balance is funded by user charges.
- Where **subsidies are given**, Council will provide the rationale and basis for the subsidy.

Full cost recovery pricing aims to recover all direct and indirect costs incurred by Council. This pricing is used where a service provided by Council benefits individual customers specifically, rather than the community. In principle, fees and charges aim to be set at a level that recovers the full cost of providing the services. Animal management service charges are an example of full cost recovery.

Market pricing is where Council sets prices based on the competitive prices of alternate suppliers. In general market price, at a minimum, aims to represent full cost recovery plus an allowance for profit after taking into consideration competitive neutrality principles, refer to **Appendix 1**. An example of this includes leasing of Council property.

Subsidised pricing is where Council subsidises a service by not passing the full cost of that service onto the customer. This is where the predominate purpose is to provide a community service to meet government policy objectives rather than generate a profit. Subsidies may range from full subsidies, where the service is free of charge, to partial subsidies, where Council provides the service to the user with a discount. The subsidy may be funded from other sources such as commonwealth and state funding programs

Examples of subsidised pricing are swimming pool user fees, hire of sports fields, and use of libraries

Council determines the extent of the subsidy for services consistent with the public and private benefit principle discussed earlier and in line with community expectations. A subsidy will be given for mixed goods services where the service is both for the public benefit and for individual private benefit.

Mechanisms may include “basic access” for free, and a user fee is charged for “value added services”. For example, access to sports facilities or exhibitions where there is both a basic public benefit and other added value services where the benefit is more individually based.

Council Property Leasing, Hire and Licencing

Where parts of Council’s property portfolio are not required to deliver on Council objectives then this property will be available for leasing, hire or licence. This will be at market rates unless the tenant applies for an eligible community group concession as set out below:

Eligible Concession Group	Concession Arrangement
Community Group – no commercial activity	Council provides full concession for property lease rental ³
Community group – minor commercial activity	Council provides a concession for the majority of the property lease rental ³
Community group – major commercial activity	Property lease rental at market rate with proportionate concession provided by Council ³

³ – Subject to external accounting opinion

Please refer to the *Lease and Licence Policy* for more specific details and terms.



Permits and Fines

Local by-laws are established to protect public health and safety and for order and good governance in Alexandrina. Permits are required to undertake certain activities under these by-laws.

Council will set the price for each permit on a full cost recovery basis.

Fines for breach of Alexandrina by-laws will be set at the greater of (a) a full cost recovery basis and (b) at a level commiserate with seriousness of the offence and sufficient to deter future breaches.

By-law fines and expiation fees are subject to maximum amounts as set out in Chapter 12 Part 1 of the South Australian Local Government Act 1999.

Tourism, Culture and Business

Services which support the local business community and attract and support visitors to and within the district are by nature business activities.

Council will set the price for these services, attractions, and community events on a commercial basis.

Some activities such as cultural events or exhibitions may have both a public and private benefit and therefore subsidised pricing will apply. Subsidised pricing will be set only to the extent that the net cost to Council of an event or service per annum does not exceed \$10,000.

Shared Services and Advisory

Council advisory services such as planning, environmental management, environmental health, finance, information technology, and strategic advisory are charged on a commercial basis

Information, Materials and Council Records

Fees are based on a reasonable estimate of the direct cost to Council in providing the information, materials, copies, or extracts.

Connection Fees, Water Supply and Water Recycling

In addition to annual service charges Council will also charge developer headworks charges and property owner connection fees for establishing a community wastewater management system (CWMS) or water supply to new land allotments. These are charged on a basis that ensures any augmentation costs and net increases in the cost of maintaining these services are born by new users.

Council also provides services for the recycling of wastewater and stormwater for onward commercial application. These services are charged on a commercial basis with a return on invested capital. Such fees aim to ensure CWMS users are not subsidising this service.

In addition to annual service charges for the Finnis water scheme, water usage per Kilolitre is also charged on a full cost recovery basis.

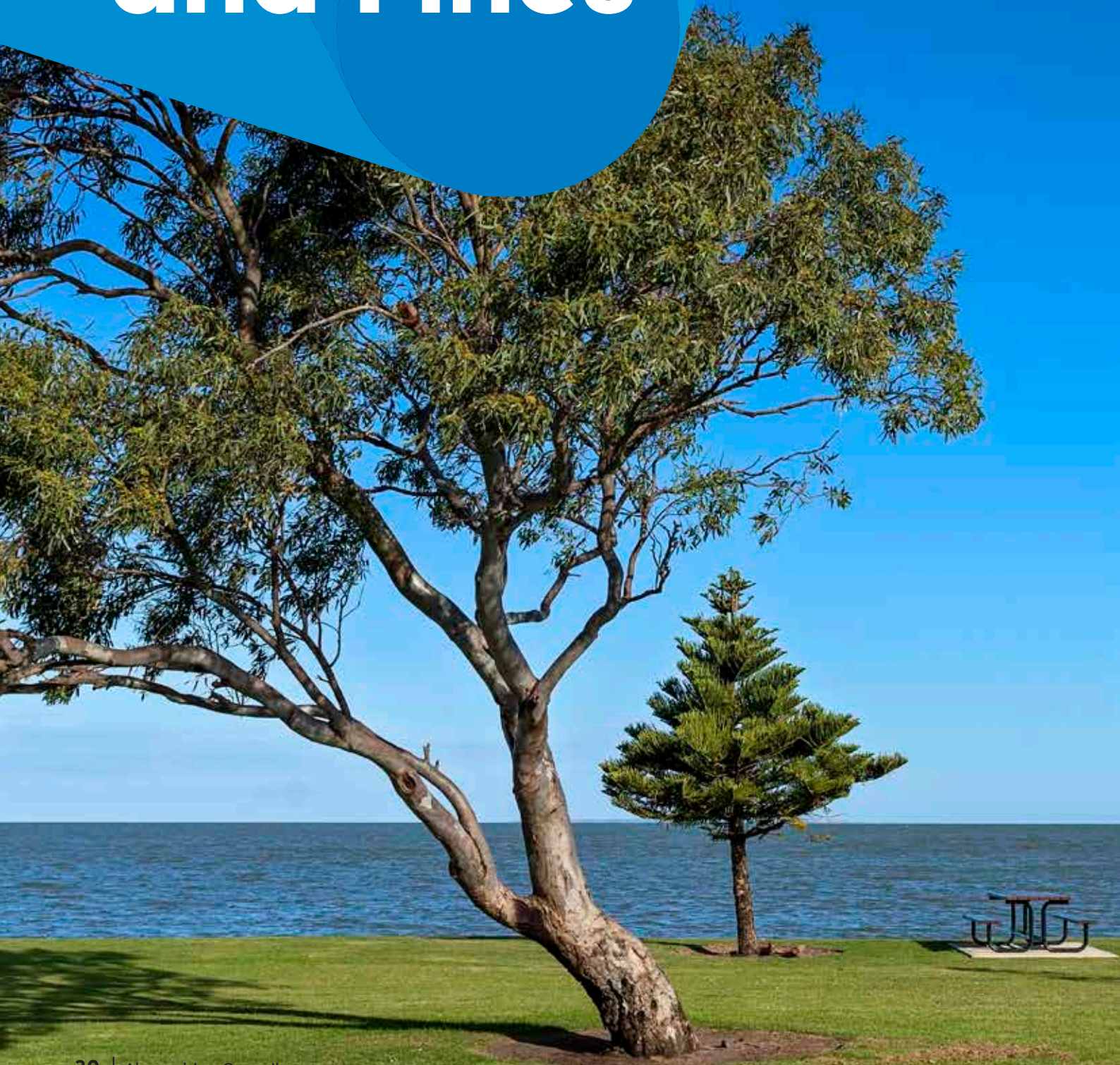


Facilities Management and Community Services

Our facility management and community services are categorised as follows to determine the fee charging basis

Service	Benefit Category	Funding Source	User Charge Basis
Parks, beaches and other public recreational spaces – general use	Public	General Rates	Free
Parks, beaches and other public recreational spaces – commercial use	Private	Business Activity	Profitable Market Price
Libraries – basic services	Public	General Rates	Free
Sports stadiums & swimming pools – general use	Mixed	User Charge	Subsidied Rates
Sports stadiums & swimming pools – commercial use	Private	Business Activity	Profitable Market Price
Cemeteries	Private	User Charge	Full Cost Recovery
Community transport	Private	User Charge	Full Cost Recovery
Animal management	Private	User Charge	Full Cost Recovery
Health services – food safety	Private	User Charge	Full Cost Recovery
Assets for hire	Private	Business Activity	Profitable Market Price
Car parking	Private	Business Activity	Profitable Market Price

Statutory Charges and Fines



Statutory Charges and Fines

Council is also responsible for charging fees for services that are prescribed in legislation. This will include fees such as building licence fees, development applications and animal related fines.

The rates used for statutory fees and fines are generally advised by the state government department responsible for the corresponding services or legislation, and councils will have limited discretion in applying these fees.

Where Council does have discretion to set these fees then these will be on a full cost recovery basis.

Other Income

Consists of amounts that are more one-off or administrative in nature:

Workers' compensation

- Donations
- Insurance bonuses
- Fuel and diesel rebates
- Investment income
- Resources received free of charge and
- Share of results from the activities of joint ventures and associates.

Summary

Our view is that the proposed revenue and rating strategy and pricing puts due emphasis on equity and capacity to pay. The proposed increases in rates are relatively moderate and help to address sustainability and allow for timely delivery of major projects.

Specific Principles

- We will dispose of Surplus Land and Assets to reinvest into activities identified within the A2040 plan.
- Where feasible "other income" revenue opportunities will allow greater engagement of and connection with causes personal to the rate payer. This may include discretionary donations tied to specific initiatives within the annual rates bill or adoption and maintenance of specific Council assets such as "adopt a tree" programs.

Administrative and Other Updates

It is recognised that from time to time, circumstances may change leading to the need for minor administrative changes to this document. Where an update does not materially alter this document, such a change may be made administratively. Examples include a change to the name of a council department or minor update to legislation which does not have a material impact. However, any change or update which materially alters this document must be by resolution of Council.

This revenue strategy is subject to revision every four years in conjunction with development and adoption of Council's strategic management plans including the *Long Term Financial* and *Asset Management* plans.

Appendix 1 – Competitive Neutrality Application

Background

In 1994 the Council of Australian Governments (COAG) accepted, in principle, the recommendations of a report entitled **National Competition Policy** (“the Hilmer report”). COAG endorsed subsequent reforms to implement most of the recommendations. These reforms included the **Competition Principles Agreement (CPA)** and, in particular, **clause 7 applicable to local governments**.

An updated **clause 7 statement** was agreed between the state government and the local government association of South Australia in May 2002. This statement, the *Government Business Enterprises (Competition) Act 1996* and the **department of treasury and finance SA policy statement and implementation guidance** form the framework for implementing National Competition Policy by local government entities in South Australia.

This Appendix 1, sets out how the competitive neutrality principles are to be applied in practice at Alexandrina Council.

Scope

The intent of the principles is to apply these to the business activities of Council and not all the activities of Council.

Business activities are defined as primarily the production of goods or services:

- for sale in the market
- having a commercial or profit making focus

- there is user charging for the goods or services and
- the activity is not primarily funded from rate or grant revenue.

It does not include activity where the local government intention is predominantly regulatory or policymaking, or where the achievement of community benefits is the main priority of the activity even if there is some cost recovery.

Further, competitive neutrality only applies to business activities which are significant in the relevant market.

Council activities which are considered primarily as business and significant in the relevant market are identified as:

- Private works
- Property leasing and hall hire
- Souvenirs, commission sales and certain tourism activities and events such as the Paddle Steamer Oscar W cruises
- Certain commercial uses of our sporting and recreational facilities
- Car parking.

Note that pricing for prescribed services under *S155 of Local Government Act 1999* is set in accordance with legislation and is subject to determination under the *Essential Services Commission Act 2002* regulating prices, conditions relating to prices, and price-fixing factors for water retail services. Prescribed services include *Community Wastewater Management Systems (CWMS)*, including water recycling, and the Finniss water scheme.

Lastly, competitive neutrality principles are only applied where the benefits of applying the principles, such as increased market contestability, outweighs any cost associated with implementing them.



Wastewater treatment plant, Strathalbyn

Method

Alexandrina Council applies the competitive neutrality principles using the **cost reflective pricing approach**.

This method is chosen because Council's business activities are either:

- a small portion of a larger department delivering local government activities (e.g., private works within the public works department) or
- the alternative competitive neutrality approaches such as corporatisation or commercialisation are difficult to apply to smaller business activities (e.g., Paddle Steamer Oscar W cruises).

Cost reflective pricing is **calculated by** considering all of the following to arrive at a price which is competitively neutral:

- the **actual costs** of providing the good or service on a full-cost basis including both direct and indirect costs
- then **adjusting for** the cost:
 - **advantages** of local government ownership (eg. non-payment of various taxes, lower cost of finance, mix of commercial and non-commercial activities, exemption from the operation of certain legislation such as the Privacy Act etc.)
 - **disadvantages** of local government ownership (e.g., increased accountability and administration, and higher costs associated with enterprise agreements) **plus**
- **a return on investment.**

Council will ring-fence the cost of business activities within its books and records. Where costs are shared across both business and non-business activities then appropriate cost allocation drivers will be used to apportion these shared costs (eg. facilities which house both business and non-business activities will apportion costs based on floor space).

Adjustments for the relative advantages and disadvantages of local government ownership need not be made if they do not materially affect the overall pricing.

Over the long term, the price for the goods or services should largely reflect this cost calculation methodology. However, the price will also take account of the marketplace, pricing strategies, technological advantages or disadvantages of competitors and the level of competition in the market place.

Appendix 2 –

How Rates are Calculated*

Your Property	Residential Land and Property 	Primary Production Land and Property 
Rate in the Dollar Amount	Capital Value multiplied by the General. Rate in the Dollar (Example: \$400,000 x 0.003515 = \$1,406)	Capital Value multiplied by the Primary Production. Rate in the Dollar (Example: \$800,000 x 0.002917 = \$2,334)
Fixed Charge Amount	PLUS \$415	PLUS \$415
Total A	= \$1,821	= \$2,749
Principal Place of Residence?	YES NO	
Rate Capping	Total A more than last year plus 12%? YES NO Total A more than last year plus 50%? NO YES Total A more than last year plus 12%? YES NO	
Total B	General Rates capped at last year value plus 12% General Rates as per TOTAL A General Rates capped at last year value plus 50% General Rates capped at last year value plus 12%	
Entitled to Rebates and Concessions?	NO – NO CHANGE YES – APPLY	
TOTAL PAYABLE	GENERAL RATES + Service Charges** + Regional Land Levy***	

* - All rates, charges and percentages relate to fiscal year 2022-23 and are for example only

** - Properties serviced by the Community Wastewater Management Scheme and Finniss Water Scheme

*** - Rebates may also apply

Appendix 3 –

Long Term Financial Plan: Grants Income Requirement

LTFP New or Upgraded Assets	"LTFP Total Project Cost (\$'000)"	"LTFP Council Own Funding (\$'000)"	"LTFP Grant Funding Required (\$'000)"	"Total Grant Funding Secured (\$'000)"	"Funding Gap (\$'000)"
New Assets – Major Projects	33,954	18,532	15,422	10,772	4,650
New Assets – Parks & Gardens	900	900			-
New Assets – Buildings	1,100	1,100			-
New Assets – Sealed Roads	3,270	3,270			-
New Assets – Stormwater	-	-			-
New Assets – CWMS	2,370	2,370			-
New Assets – IT	1,894	1,894			-
New Assets – Other	1,500	1,500			-
Upgrade – Sealed Roads	8,160	4,823	3,337	686	2,651
Upgrade – Buildings	3,950	3,950			-
Upgrade – Parks & Gardens	5,500	5,500			
Upgrade – Bridges	750	750			
Upgrade – Kerbs	750	750			
Upgrade – Footpaths	6,140	6,140			-
Upgrade – Stormwater	7,700	7,400	300		300
Upgrade – CWMS	14,695	14,695			-
Upgrade – IT	50	50			-
Upgrade – Other	90	90			-
Sub-Total	92,773	73,714	19,059	11,458	7,601
Indexation	10,297	9,729	567		567
Total 10 Years	103,069	83,443	19,626	11,458	8,168

Notes:

1. LTPF as adopted by Council on 22 February 2021, effective from 1 July 2021.
2. New and upgraded assets expenditure of \$103M is planned across the 10-year period 2022–21.
3. Grant income is required of \$19.6M for the corresponding period. Funding of \$11.5M has been secured and \$8.6M is still in progress or has been reviewed based on revised requirements of each project.



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