



Annual Business Plan **2025/26**



Acknowledgement of Country

The City of Victor Harbor acknowledges the Ramindjeri and Ngarrindjeri people as the Traditional Custodians of the land and surrounding waters where we live and work. We acknowledge their deep connection to Country and pay our respects to Elders past, present and emerging. This respect is extended to Aboriginal and Torres Strait Islander people across Australia.

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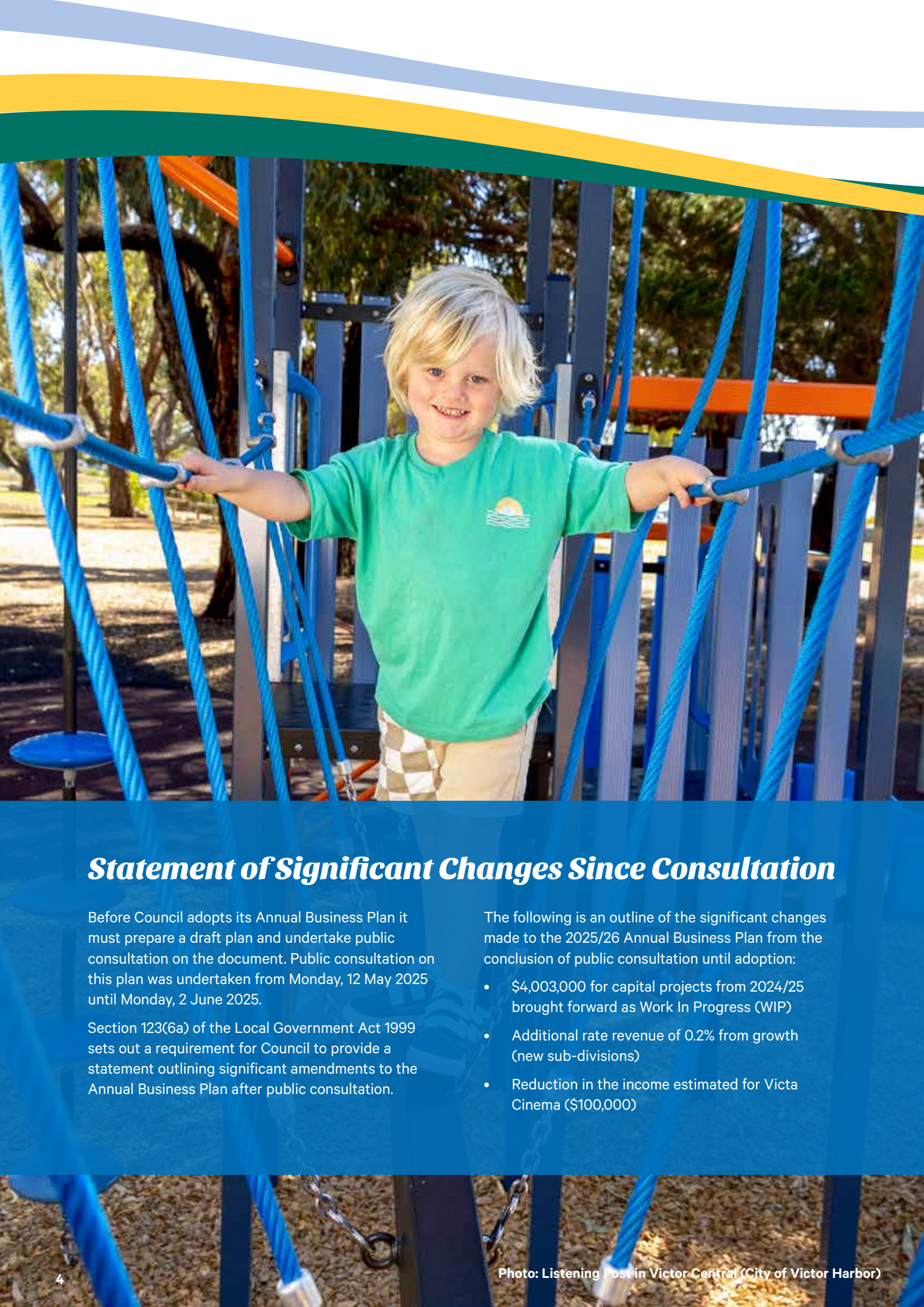
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Annual Business Plan and Budget Adoption

The 2025/26 Annual Business Plan and Budget was adopted on 23 June 2025.





Statement of Significant Changes Since Consultation

Before Council adopts its Annual Business Plan it must prepare a draft plan and undertake public consultation on the document. Public consultation on this plan was undertaken from Monday, 12 May 2025 until Monday, 2 June 2025.

Section 123(6a) of the Local Government Act 1999 sets out a requirement for Council to provide a statement outlining significant amendments to the Annual Business Plan after public consultation.

The following is an outline of the significant changes made to the 2025/26 Annual Business Plan from the conclusion of public consultation until adoption:

- \$4,003,000 for capital projects from 2024/25 brought forward as Work In Progress (WIP)
- Additional rate revenue of 0.2% from growth (new sub-divisions)
- Reduction in the income estimated for Victa Cinema (\$100,000)

Annual Business Plan and Budget at a Glance

The 2025/26 Annual Business Plan shows how Council will allocate its budget and what services, programs and projects will be delivered during the year to contribute to achieving the community's long term aspirations.

The key components of the 2025/26 Annual Business Plan are outlined in the table (right), and explained in more detail throughout this document.



Key Planned Activities

14 key planned activities have been identified to contribute towards achieving the Council's long term aspirations

Capital Budget

Net Capital Expenditure of \$15,916,300

- Capital Expenditure of \$18,587,800
- Capital Income of \$2,671,500

Operating Budget

Operating deficit of \$4,249,700

- Operating Expenditure of \$42,487,600
- Operating Income of \$38,237,900

The deficit will be funded through borrowings to minimise the impact on Council rates and spread the cost of the Regional Community, Sport and Recreation Precinct and Corporate Systems Replacement projects over a number of generations (more information on pages 36, 45 and 59).

Rates

Average rates revenue increase of 5%

- 4.0% – General Rate
- 1.0% – The Precinct

Growth of 1.5%

Financial Sustainability

- **Operating deficit ratio of -11.1%** is outside the Council's target range of 0% to 3% (noting that the adjusted ratio is -3.0% when key major projects are removed as they will be funded through borrowings in recognition of their intergenerational impact)
- **Net financial liabilities ratio of 47.3%** is below Council's target maximum of 90%
- **Asset renewal funding ratio of 144.5%** is outside of Council's target range of 90% to 110%.

Annual Business Plan and Budget at a Glance

2025/26 Key Projects and Initiatives

The following is a snapshot of key projects and initiatives featured in the 2025/26 Annual Business Plan and Budget. These initiatives support Council's commitment to making Victor Harbor a premier destination to live, work, invest, and visit.

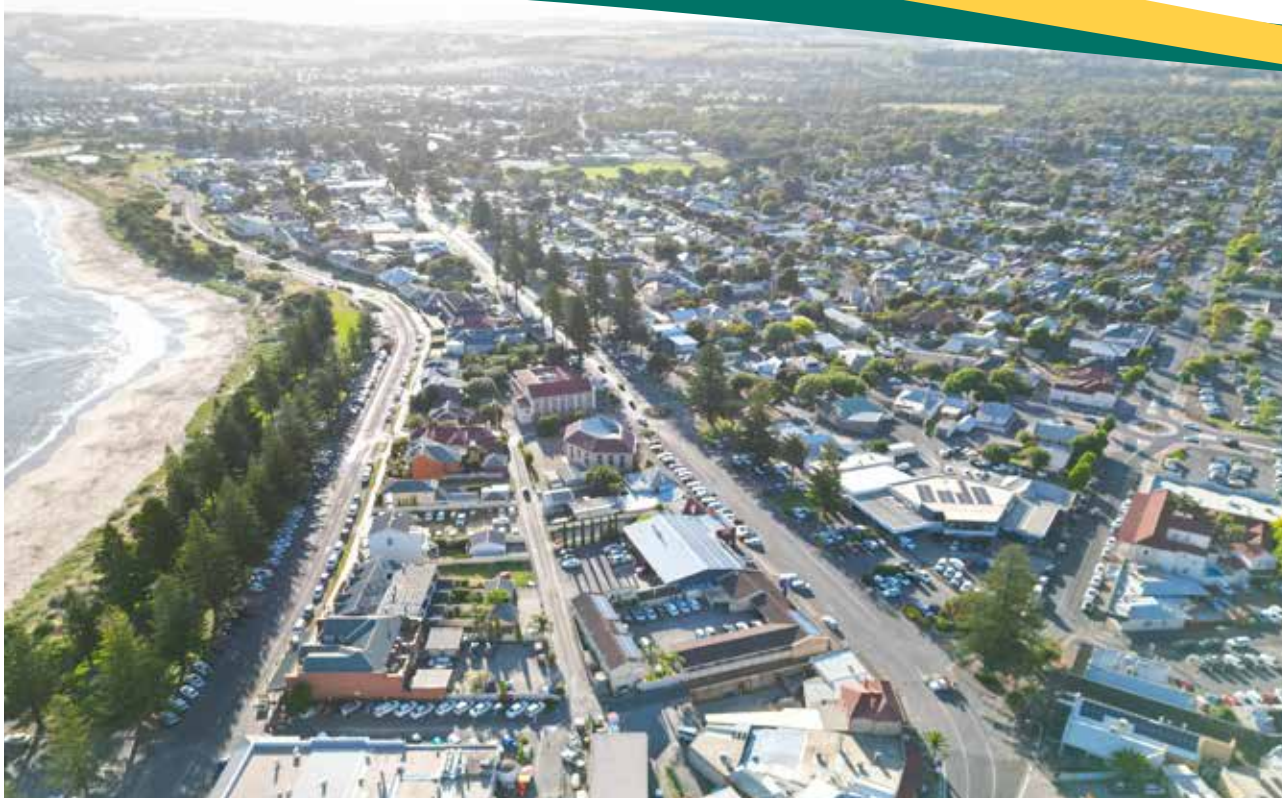
While not an exhaustive list of Council activities, this selection highlights projects likely to be of interest to the community. For a detailed breakdown of Council's budget allocations, please refer to pages 46 to 62.

Project Name	Budget (\$)
Arts and Culture	
Arts and Culture Centre Detailed Design (C)	1,115,000
Arts and Culture Grant Program (O)	10,000
Christmas Decorations (installation and removal) (O)	20,500
Culture Strategy: Arts and Heritage actions (O)	25,000
Community and Development Administration	
Community Grant Program (O)	57,700
Encounter Community Centre contribution (O)	60,000
Caring Neighbourhood Program	
Caring Neighbourhood Program delivery (O)	403,700
Cemetery	
Cemetery Terrace and Lawn Expansion Development (C)	47,400
Tabernacle Cemetery Conservation (O)	33,500*
CEO Administration	
Service Level Reviews (Open Space and Environment, Finance) (O)	60,000
Civic Centre	
Civic Centre Solar System Replacement (C)	779,400

Project Name	Budget (\$)
Council Chambers Audio Visual (C)	201,400
Coastal Environment	
Soldiers' Memorial Reserve Beach Access (C)	212,000
Yilki Sea Defence Wall - Stage 1 (C)	5,073,900*
Community Wellbeing	
Sport and Recreation Facilities Grant Program (O)	100,000
Council Members	
2026 Election Preparations (O)	40,000
Economic Development	
Business Victor Harbor Grant (O)	156,000
Investment Attraction Strategy Actions (O)	20,000
Victor Harbor Destination Brand Marketing Campaign (O)	51,500
Engagement	
Demographic Sustainability and University City Strategy (O)	50,000
Engineering	
Asset Revaluations (roads, kerbing, footpaths, car parks and traffic) (O)	184,000
Environment	
Climate Change Actions (O)	69,700

Project Name	Budget (\$)
Coastal Monitoring Partnership with Flinders University (O)	37,000
Festivals and Events	
Festivals and Events Grant Program (O)	30,500
New Year's Eve Event (O)	47,300
Fleurieu Families	
Fleurieu Families program delivery (O)	489,000
Footpaths	
Encounter Bikeway (Olivers Parade - reroute to below reserve) (C)	246,000
Footpath maintenance (O)	96,800
Footpath replacement program (C)	230,600
Lamont Road Footpath (from Cudmore Road to Wattle Drive) (C)	153,700
Ridgeway Street Footpath (Russell Street to Franklin Parade) (C)	61,500
Shared Path (Investigator College to Encounter Bay Recreation Grounds) (C)	246,000
Governance	
Outsourcing of internal audits (O)	35,000
Library	
Extension of library opening hours (O)	21,500
Parking Control	
Encounter Bay Football Club Car Park Bitumising (C)	268,700
Parks and Gardens	
Community Garden and Nursery (C)	203,000
Playground maintenance (O)	31,700
Playground Renewal and Upgrades (C)	98,400

Project Name	Budget (\$)
Rates Administration	
Rating Review (O)	20,000
Southern Communities Transport Scheme	
Southern Communities Transport Scheme service delivery (O)	810,900
Sealed Roads	
Canton Place Footbridge (C)	153,700
Mont Rosa Road Sealing (C)	76,900
Road reseal program (C)	615,000
Sealed road maintenance (O)	201,000
Whalers Road Reconstruction (C)	1,845,000
Sport	
Encounter Bay Netball Courts Resurfacing (C)	205,000
Regional Community, Sport and Recreation Precinct (O)	2,550,000
Victor Harbor Tennis and Netball Courts Resurfacing (C)	625,000*
Victor Harbor Yacht Club Upgrade (C)	235,200
Stormwater	
Crozier Road Stormwater Upgrade (C)	1,025,000*
Traffic	
Esplanade Pedestrian Crossing (C)	184,500
Unsealed Roads	
Unsealed road maintenance (O)	233,000
Unsealed roads resheeting program (C)	461,300



Message from the Mayor and CEO

Victor Harbor continues to experience both growth and change. With this growth comes opportunity – and responsibility. Council is undertaking significant work to ensure that growth is managed in a way that protects what makes Victor Harbor special: our unique character, treasured natural environment, and coastal lifestyle.

As our population increases, we are making informed decisions to ensure infrastructure and services keep pace, while remaining financially responsible.

The 2025/26 Annual Business Plan and Budget reflects a careful balance. It maintains essential services and infrastructure that support Victor Harbor as a thriving regional centre, while planning responsibly for the future and being mindful of the financial impact on our ratepayers.

Through strategic planning and responsible investment, we are laying the foundation for a community that is vibrant, resilient, and future-ready.

The 2025/26 budget forecasts a capital works program valued at \$15.9 million (net), with just under \$6.6 million allocated to the renewal of existing assets. The remainder is directed toward new infrastructure to meet the needs of our growing population and to improve liveability across the district.

Operating expenditure is projected at \$42.5 million. This includes a \$2.5 million provision for the Victor Harbor Regional Community, Sport and Recreation Precinct, and \$585,000 to continue modernising our internal systems through the corporate systems project. These initiatives are central to Council's efforts to deliver lasting value to the community, and they contribute to a forecast operating deficit of \$4.3 million. However, with a portion of this deficit funded through borrowings, recognising the intergenerational benefits of these projects, the adjusted deficit is just under \$1.2 million.

Council remains in a strong financial position to manage this budget position, with long-term financial planning forecasting a return to modest surpluses in future years to gradually repay debt and ensure ongoing sustainability.

“Through strategic planning and responsible investment, we are laying the foundation for a community that is vibrant, resilient and future-ready”

Our major projects reflect our commitment to investing in a vibrant, connected and future-ready community. The Precinct project is a transformative development that will enhance wellbeing, support active lifestyles, and act as a catalyst for economic growth. Council is negotiating a partnership with a private consortium, Accord, for the delivery of this project to reduce the financial burden on ratepayers and help ensure the long-term viability of the project.

We are also continuing to modernise our organisation through the corporate systems project. This will enhance our internal capabilities, streamline operations, and improve customer service. These improvements are critical to our ability to support a growing population and deliver services efficiently into the future.

Strategic planning is also a key focus in 2025/26. The finalisation of the Urban Growth Management Strategy, supported by a \$220,000 investment, will provide a clear framework for how and where we grow. This strategy will be complemented by further work around a plan to help us retain and attract young professionals and families, while supporting the needs of our ageing population.

Through smart urban planning, environmental stewardship, and thoughtful infrastructure investment, we are ensuring that Victor Harbor grows in a way that enhances quality of life for all.

In line with our commitment to continuous improvement, Council is also undertaking Service Level Reviews to ensure services are being delivered efficiently and effectively. This year's reviews will focus on the Open Space and Environment, and Finance service areas, helping us ensure alignment with community expectations and placing the organisation in a strong position to respond to future challenges and opportunities.

Victor Harbor's strength lies not only in its natural beauty, but in its people. We are proud of our vibrant arts and culture scene, lively community events, and access to modern recreation and nature-based activities. These offerings enrich the lives of residents and visitors alike, and are central to our identity as a welcoming, connected, and forward-thinking city. Council's annual budget is a key tool that enables investments in our community that help to bring this vibrancy, connection, and quality of life to fruition.

As we look ahead, our vision for Victor Harbor remains strong and focused. Victor Harbor is not just a destination, it is a place to call home, and we're making it even better together, for today and for generations to come.



Moira Jenkins
Mayor



Victoria MacKirdy
Chief Executive Officer



About this Plan

Under Section 123 of the Local Government Act 1999, Council is required to have a budget for each financial year. The budget must be considered as a part of Council's Annual Business Plan.

This Annual Business Plan shows how Council will allocate its budget and what services, programs and projects will be delivered in the coming year to achieve specific outcomes set by Council and the community.

This Annual Business Plan is divided into the following sections:

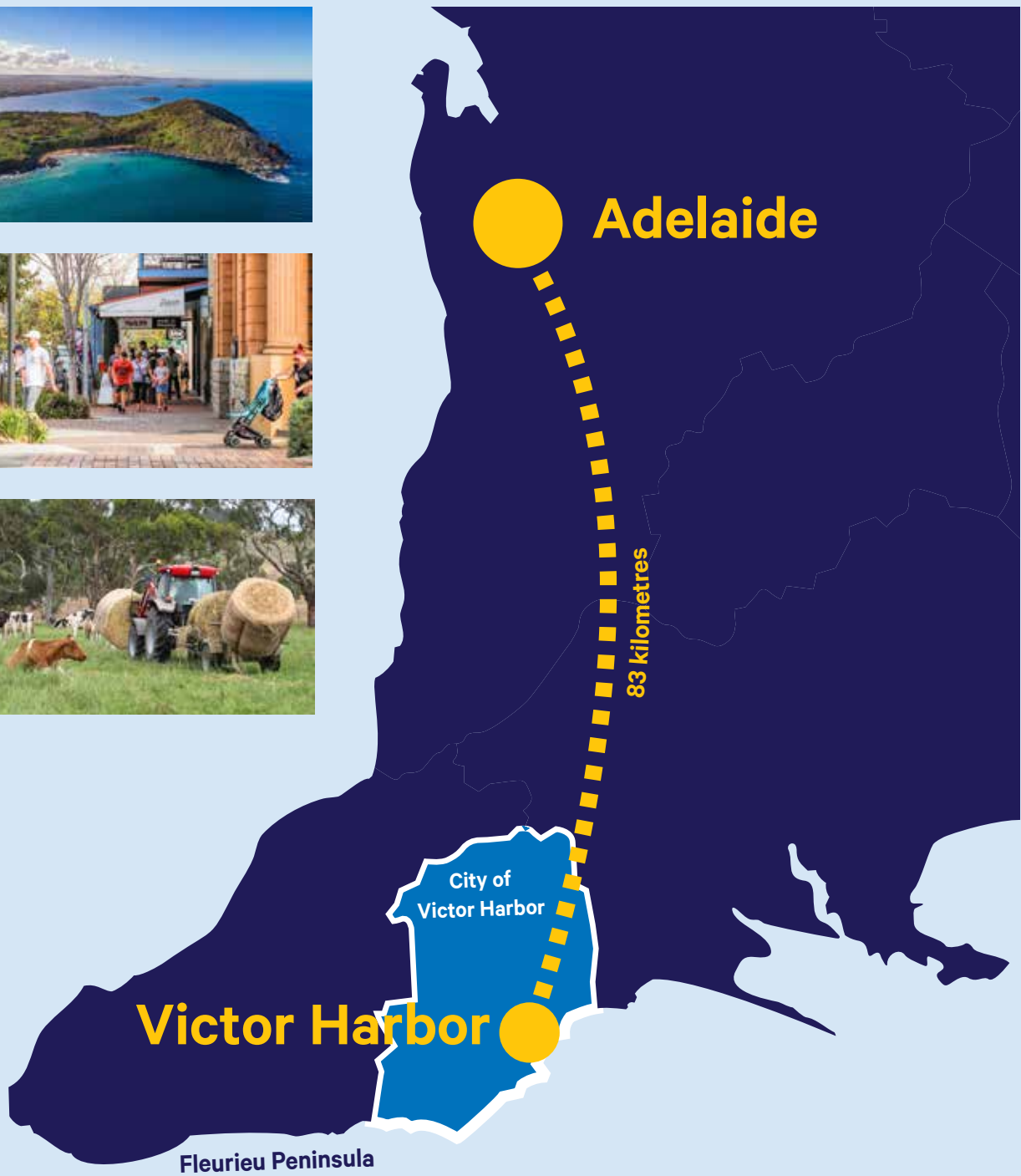
- Introduction (pages 4-10)
- About Our Council Area (pages 11-19)
- Our Strategic Direction (pages 20-33)
- Developing Our Budget (pages 34-45)
- Budget Overview (pages 46-67)
- Measuring Our Success (pages 68-73)
- Council Rates (pages 74-81)

Budgeted financial statements, a copy of the Essential Services Commission of SA's Advice (ESCOSA) to Council, and a budget summary tables are also included as appendices to this plan from page 82.

About Our Council



Our Location



Our Community

The coastal City of Victor Harbor is located on South Australia's Fleurieu Peninsula, about 80 kilometres south of the Adelaide CBD. It is the largest population centre in the Fleurieu region.

Covering around 38,510 hectares with a population of 16,869¹, the City of Victor Harbor offers a high standard of living with a lifestyle that is envied by many. The area boasts a striking, natural landscape where a rural vista wraps around the township and a world-class pristine coastline is anchored by Granite Island and The Bluff. The area's natural assets continually prove to be a large attraction for locals and visitors alike.

Victor Harbor and its surrounds continues to grow. Recent data forecasts our population will grow to 18,776-19,095 by 2031².

Victor Harbor's anticipated growth has implications for the provision of services and infrastructure, as well as how we protect our environment, heritage, lifestyle and sense of community, all of which are highly valued and integral to the city's appeal. Population growth in neighbouring councils also impacts the City of Victor Harbor which has firmly established itself as the service centre for the southern Fleurieu Peninsula region.

This growth, coupled with the reality that more than 40% of our residents are aged over 65, presents unique challenges for our community. The average age of people in Victor Harbor is 60 years, with children aged 0-14 making up 12% of the population, while 42% are aged over 65 years old. In comparison, across Greater Adelaide, the median age is 39 and 19% of the population is aged over 65 years.³

In its planning, Council carefully considers the type and level of services required to support its ageing population. However, measures are required to achieve demographic sustainability, attracting more young professionals and families is critical and this notion is underpinned within the Council's economic strategy.

The City of Victor Harbor's economy is heavily reliant upon income derived from tourism, and Council has been focusing on the development of other key industry sectors including agriculture, building and construction, health and community services and manufacturing.

Being a coastal destination within close proximity to Adelaide, Victor Harbor is a favoured holiday destination and in the summer months the population doubles. Attracting around 1.2 million visitors annually, tourism is seen as the significant contributor to the local economy, contributing an estimated \$663 million to the Fleurieu Peninsula regional economy and directly employing approximately 3,700 people⁴.

Victor Harbor is very much a coastal community with some of South Australia's best surf beaches, coastal outlooks and mediterranean climate favouring outside living. In the cooler months, between May and October, Encounter Bay frequently welcomes Southern Right Whale mothers and calves within its safe waters.

Like other coastal lifestyle regions, the City of Victor Harbor has a high level of unoccupied private dwellings. In fact, around 40% of our ratepayers do not live in the Council area. This presents significant challenges around securing grant funding which is generally based on resident population, and doesn't take into consideration the seasonal influx of residents and the associated demand for services and supporting infrastructure.

Victor Harbor has a welcoming, friendly and family focused community, which is underpinned by a strong volunteer culture. While around one in three people within the City of Victor Harbor volunteer in some capacity, the Council is fortunate to have a dedicated team of around 350 volunteers who assist with the delivery of Council services, programs and initiatives. In terms of a dollar value, it is estimated that this contribution is worth more than \$1 million each year.

¹Australian Bureau of Statistics, Regional Population, www.abs.gov.au, released 26 March 2024

²City of Victor Harbor LGA Profile, Future Urban Pty Ltd, 2023

³2021 Census, Australian Bureau of Statistics, www.abs.gov.au, 2022

⁴City of Victor Harbor LGA Profile, Future Urban Pty Ltd, 2023

Our Vision



Positioning Victor Harbor as a place of choice to live, work, invest and visit

Victor Harbor is an evolving community with a bright future. Identified as a 'satellite city' in the Greater Adelaide Regional Plan, Victor Harbor is set to accommodate significant growth over the coming decades. The expansion presents an exciting opportunity to shape Victor Harbor into a dynamic, economically strong and inclusive community that attracts residents, visitors, jobs and investment.

To ensure sustainable growth, we are committed to retaining and attracting young professionals and families in order to adequately support our ageing population. By fostering a strong local economy, creating diverse employment opportunities, and encouraging business innovation, Victor Harbor will strengthen its position as a regional hub for investment and enterprise. Supporting industries such as tourism, healthcare, construction and professional services will drive long-term prosperity while maintaining the character and coastal lifestyle that makes our city unique.

A vibrant and connected community is at the heart of our vision. With a flourishing arts and culture scene, lively events, and modern recreation facilities, Victor Harbor offers an enriching and fulfilling lifestyle for residents and visitors alike. From festivals and creative industries to sports precincts and nature-based activities, we celebrate the diverse interests and passions of our growing community. Investment in public spaces, infrastructure, and transport will further enhance liveability and ensure that Victor Harbor remains and attraction destination.

As our population grows, we are committed to ensuring that needs of all residents are met. This means investing, or where appropriate advocating for investment, in essential services, healthcare, education, and aged care to support our older residents while providing opportunities for younger generations to thrive. By championing sustainable development, smart urban planning, and environmental stewardship, we will create a balanced, future-ready community that is resilient, inclusive and economically sustainable.

Victor Harbor is not just a place to visit – it is a place to call home. We have the ideal environment for individuals and families looking to establish their future. Through thoughtful planning, investment, and innovation, we are building a strong, diverse, and connected community where people can enjoy a high quality of life, contribute to a thriving economy, and be part of a vibrant and welcoming city. Our vision is clear: to make Victor Harbor the ultimate place of choice to live, work, invest, and visit – today and for generations to come.

**VICTOR
HARBOR**

FEEL IT CALLING

Council Members

The City of Victor Harbor is represented by 10 Council Members (the Mayor and nine Councillors). Council Members form the decision making body that set the strategic direction, form policies and determine priorities for provision of services to the community.



Dr Moira Jenkins
Mayor



Angela Schiller
Councillor



Brayden Mann
Councillor



Carlos Quaremba
Councillor



Carol Schofield
Councillor



David Kemp
Councillor



Dr Marilyn Henderson
Councillor



Michael Quinton
Councillor



Nick McKenzie
Councillor



Stewart Burns
Councillor

Council's Role and Responsibilities

Everything Council does helps to shape the future of Victor Harbor. We want to see Victor Harbor continue to be a place of choice to live, work, invest and visit.

Like all councils in South Australia, the City of Victor Harbor is established and empowered by the SA Government under the Local Government Act 1999. In addition to this, there are more than 50 Acts of legislation that assign roles, responsibilities and powers to Local Government.

Councils provide essential services and facilities to communities. These services are primarily funded through Council rates, a form of taxation.

While every Council must deliver certain mandatory services, others are discretionary and are tailored to community needs depending on a council's size, location, demographic profile, growth patterns and community preferences.

Essentially, this means that every Council provides a different mix of services, in different ways, to different standards. Hence, comparing council rates with other areas is not comparing like for like.

What council must do

The Local Government Act 1999 sets out the role of all councils. This includes:

- being a representative, informed, and responsible decision-maker in the interests of the community
- providing and coordinating services and facilities to develop its community and its resources in a socially just and ecologically sustainable manner
- representing the interests of its community to the wider community and to other tiers of government

- planning at the local and regional level for the development and future needs of its area
- providing for the welfare, wellbeing, and interest of individuals and groups within its community
- managing, developing, protecting and conserving the environment.

By law, councils must provide regulatory services defined by the Local Government Act 1999 and other legislation, as provided below:

- waste collection
- zoning, planning and building safety
- fire prevention and hazard management
- dog and cat management and control
- parking control
- public health and food inspection.

What council chooses to do in response to community need

In response to community need, Council provides the following services and programs:

- library and information services
- economic development and tourism initiatives
- festivals and events
- parks, ovals and sporting facilities
- coastal management and boating facilities
- community facilities and halls
- arts and cultural activities
- family, youth and childrens services
- aged and disability services
- active wellbeing program
- street lighting
- cemeteries
- community grants program.

The role that Council takes on varies depending on the circumstances including legal requirements, relative priorities and funds available.

These roles start from having no role, to being an enabler, provider or leader. The resourcing requirements tend to increase as you move from no role to enabler, with significant resourcing required at the provider level.

Council's leadership role is undertaken through strategic planning, policy development, educating and decision making.

The different roles that Council takes on is outlined in the table below.

Table: **Council Roles**

No role		The council chooses not to have a role in relation to a particular service or activity
Enabler	Information Channel	Information about a service or activity of other bodies is channelled through council communication activities
	Advocate	The council may advocate to another level of government or other organisations for certain things to happen. This could range from a single event (such as writing to a Minister) through to an ongoing campaign
	Facilitator	A step further from advocacy where the council may try to bring parties together to work out a solution to an issue affecting the council area
Provider	Agent	Typically this would involve the council delivering a service, funded by a government agency, that is (or likely to be regarded as) the responsibility of another level of government
	Part Funder	The council either provides funding to another body to meet part of the cost of that body providing a function/service activity, or receives funding from another body (usually a government agency) to meet part of the cost of the council delivering it
	Asset Owner	As the owner (or custodian) of an asset (road, footpath, playground, etc) the council has responsibility for capital, operating and maintenance costs
	Regulator	The council has legislated roles in a range of areas which it is required to fund from its own funds (apart from fees for cost recovery, government grants)
	Service Provider	The full cost (apart from fees for cost recover, government grants etc.) for a service or activity is met by council
Leader	Strategic Planning	The council has a role as a community leader by setting out a strategic plan for the area's future
	Policy Setter	The council sets public policy to guide the operation of the council
	Educator	The council has an important role to assist in educating the community on key issues

Council is Part of Your Every Day

Most people are surprised when they learn about all of the things Council provides for the community. Have you thought about how your every day life is improved by the services provided by the City of Victor Harbor?

Below is a list of the things we do to make Victor Harbor a great place to live, work and play.

Infrastructure & Asset Management Managing and maintaining roads, footpaths, bridges, bicycle paths, street furniture and cemetery 	Waste & Recycling Kerbside waste collection, recycling depot, street cleaning and graffiti removal 	Heritage Heritage advisory services and promotion of local heritage listed places 	Planning & Development Urban planning, building assessments, development assessments 	Customer Service & Information Responding to community requests, providing after hours call centre and community information 
Family, Youth & Children's Services Family support services, youth development programs and events, and immunisation program 	Aged & Disability Services Social support services and supporting planning for aged services 	Library Services Victor Harbor Library service, activities and events 	Tourism Marketing, Events & Attractions Festivals and events, visitor services and attraction, Horse Drawn Tram 	Economic Development Economic development strategy delivery, investment attraction and supporting agribusiness 
Arts & Cultural Activities Victa Cinema, Artisan Markets, public art, arts and culture centre planning, Coral Street Art Space 	Parks & Recreation Maintaining parks, reserves, playgrounds, walking trails, street trees, aquatic centre, boating facilities 	Coastal Protection & Environment Foreshore and estuary maintenance, vegetation management, pest animal and plant control 	Compliance & Parking Dog and cat management, outdoor dining, nuisance and litter control, parking enforcement 	Transport Community transport services, advocating for improved public transport 
Public Health Regulating food safety, waste water systems, water quality, sanitation, swimming pools and spas, vermin control 	Emergency Planning Regional bushfire management plan, local and zone emergency management plans 	Administration Records management, FOI requests, council and committees support, maintaining the electoral roll 	Corporate Services HR, organisational development, financial and risk management, computers and telecommunications 	Community Development Grant programs, community facilities and meeting places, advice, advocating on behalf of the community 



Our Strategic Direction

Strategic Planning Framework

The Council's Strategic Planning Framework assists with strategic decision making, and outlines how our plans deliver on our vision for the City of Victor Harbor.

Our Community Plan 2030 is our roadmap to make sure our regional city remains a place of choice to live, work, invest and visit. It describes what we want Victor Harbor to be like in the future, and how we plan to achieve this.

The Community Plan guides our decision making and centres around six broad aspirations that outline what we want Victor Harbor to be like in the future.

The aspirations include:



We are a caring, connected and active community



We have a culture of innovation, collaboration and creativity



We manage growth and change responsibly



We protect and restore our environment



We have services and infrastructure that meet our community's needs



We are a financially sustainable and well-governed organisation

The Community Plan 2030 is underpinned by a suite of financial and asset management plans.

A key component of the framework is the Annual Business Plan and Budget, which shows how Council plans to spend our money for that year to help deliver on the aspirations within our Community Plan. It also outlines sources of revenue and rating policy, and shows how we intend to measure our performance.

Diagram: Strategic Planning Framework





Strategic Objectives and Key Planned Activities

In preparing the 2025/26 Annual Business Plan and Budget, the Council has considered the strategic directions set out in the Community Plan 2030 and determined to undertake a number of projects and initiatives which respond to the Council's vision for Victor Harbor and contribute to the overall wellbeing of our community.

The following pages highlight five (5) major projects that Council will be continuing in 2025/26 and 14 Key Planned Activities identified to help contribute to achieving the aspirations set out in the Community Plan 2030.

Major Projects



Regional Community, Sport and Recreation Precinct

The Victor Harbor Regional Community, Sport and Recreation Precinct (the Precinct) is a transformative project poised to make a significant impact on our growing community.

The State Government's draft Greater Adelaide Regional Plan forecasts significant growth for Victor Harbor, with our population projected to reach 25,292 by 2041. This includes the development of 13,500 new dwellings, representing 54% of the anticipated housing growth in the Fleurieu Peninsula and 4% of Greater Adelaide's overall growth. This rapid expansion, coupled with the reality that more than 40% of our residents are aged over 65, presents unique challenges for our community.

The Precinct is a strategic response to these challenges. As a premier sport, recreation, and entertainment hub, the Precinct is designed to serve as a catalyst for economic growth, population retention, and community wellbeing. It will help attract younger families and workers, balancing our demographic profile and supporting essential services for our ageing population.

Through extensive investigations and a successful expression of interest campaign, the Council

has identified a partnership opportunity with an experienced private consortium, Accord, aligning with our vision for the Precinct.

The proposal includes:

- Four multi-purpose courts, gymnastics and health club facilities, and meeting spaces.
- Entertainment and large format retail spaces, including a hospitality offering.
- A childcare centre to address critical needs.
- Allied health spaces, enhancing local service offerings.

Subject to a decision from Council to progress the project, following completion of due-diligence and commercial negotiations, the 2025/26 budget allocation will be the first part of Council's contribution to the construction of the Precinct.

Strategic Links



2025/26 Budget Allocation: \$2,550,000

It should be noted that funding for the delivery of The Precinct will be an operating expense (funded through borrowings).





Future Proofing Our Business Systems

In 2025/26, the Council will continue delivering and optimising its transformative corporate software systems.

This major initiative has seen the replacement of a 20-year-old legacy system with a modern platform to support core functions such as finance, HR, payroll, procurement, compliance, customer service, and asset management. The focus in the coming year will be on refining and optimising the new system to maximise its capabilities.

The project is designed to enhance efficiency, improve decision-making through better data management, and enable a more customer-centric approach to service delivery.

It also positions the City of Victor Harbor to respond to emerging technologies and future growth while maintaining a lean organisational structure.

Strategic Links:



2025/26 Budget Allocation: \$585,000

(*Operating expense)



Urban Growth Management Strategy

The SA Government's Greater Adelaide Regional Plan (GARP) came into effect on 17 March 2025. It identifies Victor Harbor as a future 'Satellite City', and sets ambitious growth targets for the Fleurieu region.

Anticipating GARP's release, the City of Victor Harbor has been developing its own evidenced-based Urban Growth Management Strategy (UGMS) to manage the anticipated population and housing growth. The strategy focuses on preserving the town's unique character while promoting balanced growth and environmental sustainability.

In 2025/26 the Council will finalise the Victor Harbor UGMS and develop an implementation plan to support future actions that facilitate strategic infrastructure planning, environmental conservation, and community development, positioning Victor Harbor to benefit from regional growth initiatives while addressing local priorities.

Strategic Links:



2025/26 Budget Allocation: \$220,000*

(*Operating expense)



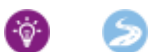
Arts and Culture Centre

Recognising the cultural and economic value of arts and cultural activity, the Council has been working on plans for the development of an Arts and Culture Centre incorporating the Victor Harbor Town Hall, Coral Street Art Space and Victa Cinema.

The Council consider an Arts and Culture Centre to be an integral part of its aspiration to cultivate arts and cultural activity, and position Victor Harbor as a regional arts and cultural destination. It is working towards delivering a centre that incorporates all art forms providing local artists, groups and the broader community with a place to meet, work, exhibit, collaborate and learn.

Council has completed detailed technical design and specification for stage one of the Arts and Culture Centre, incorporating the Victa Cinema component. Completion of detailed design and specifications for the remaining stages will be completed during 2025/26.

Strategic Links:



2025/26 Budget Allocation: \$1,115,000*

(*Capital expense)



Coastal Protection

Rising tides and storm surges are causing severe erosion and damage to the coastline at Franklin Parade, Encounter Bay (otherwise known as Yilki).

Council is acutely aware of growing risks to the natural environmental and coastal infrastructure, and is working towards an effective solution for protecting this highly valued stretch of shoreline.

This project will detail the engineering protection measures required to protect community assets and amenities, including the Encounter Bikeway and Road Infrastructure against sea level rise and storm surges.

Strategic Links:



2025/26 Budget Allocation: \$5,073,900*

(*Capital expense, subject to grant funding)



2025/26 Key Planned Activities

Council use Key Planned Activities to measure its performance. Key Planned Activities are identified through the preparation of the Annual Business Plan and Budget each year.

In 2025/26 Council has identified 14 Key Planned Activities that will help achieve the aspirations set out in its Community Plan 2030. These Key Planned Activities are listed on the following pages.

Council's performance target is to substantially complete at least 90% of the listed Key Planned Activities. For transparency, Council will provide a mid-year progress report of its Key Planned Activities via a Council Meeting, and end of year results will be outlined within the Annual Report.

In addition to the Key Planned Activities, a selection of strategic performance indicators have been identified for each aspiration and will be used to measure and monitor Council's performance. These will be reported via Council's Annual Report.

It should also be noted that there are a number of ongoing services, projects and initiatives that Council delivers. These activities are highlighted in the infographic on page 19 of this plan.





ASPIRATION 1

We are a caring, connected and active community



This aspiration recognises that Victor Harbor's welcoming spirit extends beyond its picturesque landscapes – it is woven into the fabric of daily life. The area is known for its friendly and family-focussed community.

People feel safe in Victor Harbor, making it a haven for families and an ideal place for children to grow up.

Our volunteers are the heartbeat of Victor Harbor. They are important to our thriving community groups, clubs and organisations, all of which provide opportunities for people to feel valued and included.

Victor Harbor's open spaces are more than patches of green, they are integral to the liveability of our town and vitality of our people.

Sport and recreation is deeply embedded in our envied lifestyle; promoting health, activity and social connections.

2025/26 Key Planned Activities

Encounter Community Centre contribution

In recognition that community centres serve as vital hubs that foster social connections, offer volunteering opportunities and encourage community involvement, Council will make provision for a funding contribution to the Encounter Community Centre to support its operations.

Budget Allocation: \$60,000

Outdoor Courts Resurfacing

Council will undertake the outdoor courts resurfacing project at two key locations: Encounter Bay and Victor Harbor sporting grounds. This project will involve resurfacing existing outdoor courts to improve safety, functionality, and overall playing conditions for community use. The upgrades will enhance recreational opportunities for residents and visitors, support local sporting clubs, and extend the usable life of these valuable community assets.

Budget Allocation: \$830,000* (*subject to grant funding)

Strategic Indicators

Strategic Performance Indicator	Trend	2025/26 Target
Percentage of population who volunteer	Maintain at current level or increase	≥ 33%
Community satisfaction with parks, gardens, reserves and playgrounds	Maintain at current level or increase	≥ 62%
Community satisfaction with services for older residents	Maintain at current level or increase	≥ 55%
Community satisfaction with services for families, youth and children	Maintain at current level or increase	≥ 38%



ASPIRATION 2

We have a culture of innovation, collaboration and creativity



This aspiration recognises that to see our community prosper and flourish, there is a need to embrace new ideas and technology to create opportunities.

The council understands the importance of providing the right conditions for individuals and the community to prosper, and recognises the importance of collaboration with all levels of government, regional bodies, the private sector and wide community to achieve this.

There is potential to use the creativity within Victor Harbor to enhance our city's vibrancy at the same time as expanding our local economy.

The increasing emergence of arts and cultural activity in Victor Harbor has provided important social and economic benefits to the city. Art in all forms has the capacity to enrich people's lives and contribute to creating a strong, healthy and connected community.

2025/26 Key Planned Activities

Library Hours Extension

The Council will implement extended opening hours at the Victor Harbor Library to better meet community needs and align with similar facilities. From 1 July 2025, the library will open earlier on weekdays and operate longer on Saturdays. The extended hours aim to improve accessibility, support lifelong learning, and provide a welcoming space for all, including during extreme weather events.

Budget Allocation: \$21,500

Business Victor Harbor Collaboration

Continuation of the progressive partnership between Council and Business Victor Harbor that delivers economic outcomes for Victor Harbor.

Budget Allocation: \$156,000

Arts and Culture Program

Council will continue to support and grow arts and culture through its ongoing arts program delivery.

Budget Allocation: \$357,900

Strategic Indicators

Strategic Performance Indicator	Trend	2025/26 Target
Library visits per capita	Maintain at current level or increase	≥ 7.25
Community satisfaction with library services	Maintain at current level or increase	≥ 83%
Victor Harbor's digital confidence index score	Maintain at current level or increase	≥ 64.4%
Community satisfaction with Council's arts and cultural activities	Maintain at current level or increase	≥ 49%



ASPIRATION 3

We manage growth and change responsibly



This aspiration acknowledges that Victor Harbor is going to grow. However, we want growth to be managed so it doesn't impact the elements most loved about Victor Harbor – heritage, character, natural environment, sense of community and relaxed lifestyle.

Population in neighbouring council areas will also impact on the City of Victor Harbor, which has firmly established itself as the service centre for the southern Fleurieu region.

Appropriate planning will assist to maintain this position, at the same time as preserving the attributes of our city that we most value.

Tourism contributes significantly to the local economy, and a new destination brand has been developed to strengthen Victor Harbor's position as the vibrant, creative heart of the Fleurieu Peninsula. This also works to leverage Victor Harbor's identity to attract residents, visitors, workers and investors.

Economic diversification opportunities are ready to be explored, particularly in sectors like aged care, agriculture, construction and manufacturing.

2025/26 Key Planned Activities

Future Ready Victor Harbor Strategy

Council will develop a strategic framework aimed at making Victor Harbor a more attractive, dynamic, and sustainable place for young people to achieve a more balanced demographic and ensure long-term social and economic sustainability. The framework will align with our broader strategic and economic goals, and include consideration of a potential university presence.

Budget Allocation: \$50,000

Destination Marketing Campaign

A destination marketing campaign will be executed to drive positive change in consumer perceptions of Victor Harbor, in line with the Economic Development Strategy and Victor Harbor – Feel It Calling brand.

Budget Allocation: \$51,500

Tabernacle Cemetery Conservation

To conserve the heritage of the six remaining original headstones and six memorial bronze plaques at the heritage-listed Tabernacle Church Cemetery.

Budget Allocation: \$33,500 (*subject to grant funding)

Strategic Indicators

Strategic Performance Indicator	Trend	2025/26 Target
Users of Visit Victor Harbor website (annual)	Maintain at current level or increase	≥ 249,000
% of planning consents completed within statutory timeframes	>85%	> 85%
Community satisfaction with Council's support for local businesses	Maintain at current level or increase	≥ 39%
Average age of the City of Victor Harbor population	Decrease	> 60



ASPIRATION 4

We protect and restore our environment



This aspiration highlights the leading role that the environment plays in contributing to Victor Harbor's liveability.

Victor Harbor boasts several remarkable natural assets including Rosetta Head (The Bluff), Granite Island, Hindmarsh Falls, Glacier Rock and the Inman and Hindmarsh Rivers. The pristine coastal and marine areas, natural vegetation, clean air, and mild climate contribute to Victor Harbor's appeal as a great place to live.

The city's planning efforts focus on preserving these valued environmental features while addressing future challenges. Urban growth must be balanced with the need to protect the natural environment and maintain the character of the landscape and built forms.

Victor Harbor anticipates climate change impacts, such as warmer and drier conditions, more extreme weather events, and rising sea levels. Enhancing community understanding of climate variability and change will help manage adverse effects and seize opportunities for resilience.

2025/26 Key Planned Activities

Climate Change Initiatives

Council will deliver a program of initiatives in response to the climate emergency declaration it made in 2019 including continuing to reduce carbon emissions of Council buildings, undertaking community education initiatives, coastal adaptation projects, facilitating the regional Youth Climate Summit and delivering actions from the Council's Environmental Management Plan.

Budget Allocation: \$69,700

Community Garden and Nursery

Council will develop a community garden and nursery to promote sustainability, social connection, and community wellbeing. This initiative will provide a shared space for residents to learn about sustainable gardening practices, and participate in educational and volunteer programs. The project aims to strengthen community resilience, encourage healthy lifestyles, and enhance green spaces within Victor Harbor.

Budget Allocation: \$203,000

Strategic Indicators

Strategic Performance Indicator	Trend	2025/26 Target
Waste diverted from landfill (%)	Maintain at current level or increase	≥ 65%
Tree canopy cover within urban area	Maintain at current level or decrease	TBC
Quantity of recycled water used by Council	Maintain at current level or increase	> 20,980 kL
Community satisfaction with coastal protection and environment services	Maintain at current level or increase	≥ 48%



ASPIRATION 5

We have services and infrastructure that meet our community's needs



This aspiration acknowledges the infrastructure and services that contribute to quality of life.

Some of these are within Council's remit, such as roads, footpaths, stormwater infrastructure, bridges, parks, playgrounds, walking trails and public buildings. In fact the City of Victor Harbor is responsible for an asset portfolio worth more than \$279 million. Council's main focus is to maintain and renew these assets in a sustainable manner.

In other instances Council plays an advocacy role, lobbying other levels of government for the provision of services and infrastructure outside of Council's area of responsibility such as health, education, transport, community services and some major roads.

Enhancing the community's capacity to deal with emergencies is also a key consideration in working towards achieving this aspiration.

2025/26 Key Planned Activities

Whalers Road Reconstruction

To improve safety and accessibility, Council will commence stage 1 of the upgrade of Whalers Road, Encounter Bay.

Budget Allocation: \$1,845,000

Footpath and Shared Paths Program

The ongoing delivery of the footpath and shared path network supports active lifestyles, enhances local amenity, and aligns with Council's commitment to creating a more walkable and inclusive community. Works have been identified for:

- Ridgeway Street, Encounter Bay (Russell Street to Franklin Parade)
- Lamont Road, McCracken (Cudmore Road to Wattle Drive)
- Connection between Investigator College and the Encounter Bay Recreation Grounds
- Encounter Bikeway (Olivers Parade re-routing)

Budget Allocation: \$937,800

Strategic Indicators

Strategic Performance Indicator	Trend	2025/26 Target
Asset renewal funding ratio	Between 90% and 110%	90% - 110%
Community satisfaction with roads and footpaths	Maintain at current level or increase	≥ 29%
Community satisfaction with traffic management and car parking	Maintain at current level or increase	≥ 34%
SEIFA* index for disadvantage	Maintain at current level or increase	≥ 962



ASPIRATION 6

We are a financially sustainable and well-governed organisation



This aspiration is internally focussed on Council as an organisation. To successfully deliver the community's aspirations for Victor Harbor, the Council must ensure it is a financially sustainable and well-governed organisation.

Informed future planning and leadership is critical to achieve meaningful outcomes and efficient operations.

Victor Harbor has a community that is passionate about being involved in shaping the area's future. People embrace the opportunity to be part of Council's decision making and expect transparent and accountable governance.

There is an expectation that the community will receive a high level of customer service, and the Council will continue a program of service reviews to identify efficiencies in operations.

With a culture built on continuous improvement, we remain focussed on consistently delivering a high level of customer service.

2025/26 Key Planned Activities

Rating Review

Council will undertake a review of the rating structure to ensure that the method applied is fair and equitable across the community, balancing efficiency of processing and reporting. It is considered best practice by the industry to conduct a rating review every four (4) years. The last review was completed in 2021.

Budget Allocation: \$20,000

Service Level Review Program

Council will continue its Service Level Review Program, focusing on two high-priority areas: Open Space and Environment, and Finance. These reviews will assess service demands, resource needs, and operational efficiency in response to community expectations, workforce challenges, and regulatory requirements. The program aims to align service levels with strategic goals, enhance transparency, and support the effective use of the new corporate system.

Budget Allocation: \$60,000

Strategic Indicators

Strategic Performance Indicator	Trend	2025/26 Target
Community satisfaction with Council's customer service	Maintain at current level or increase	≥ 57%
Operating surplus ratio	Between 0 and 5%	0-5%
Net financial liabilities ratio	90% or less	< 90%
Community satisfaction with Council's overall performance	Maintain at current level or increase	≥ 43%



Developing Our Budget

Significant Influences

The 2025/26 budget has been shaped by several important factors, including current economic conditions and the community's long-term vision for Victor Harbor as it continues to grow and change.

Economic Conditions

After a period of elevated growth driven by post-pandemic recovery and stimulus measures, economic growth is expected to stabilise in South Australia. Inflation is steady, with the Consumer Price Index (CPI) forecast to be 2.5% in June 2025.

While CPI gives a general idea of price increases, it doesn't reflect the real cost pressures faced by councils. Council is dealing with higher-than-CPI increases in things like construction materials, insurance, water, and electricity. These rising costs have been factored into the budget to ensure Council remains financially sustainable.

At the same time, Council understands that many residents are still feeling the effects of cost-of-living pressures. Acknowledging this, rate increases have been kept as low as possible, while still ensuring Council's long-term financial sustainability, enabling the delivery of essential services and allowing for strategic investments that help plan appropriately for the future.

Population and Urban Growth

The most significant influence on the 2025/26 budget is the scale and pace of growth forecast for the region. Under the SA Government's Greater Adelaide Regional Plan (GARP), Victor Harbor is projected to grow to a population of 25,292 by 2041. This includes an additional 13,500 dwellings, representing over half of the Fleurieu Peninsula's expected housing growth and contributing 4% to Greater Adelaide's overall growth.

This anticipated growth will substantially increase demand for services, infrastructure and investment in strategic planning initiatives. Council is proactively responding by positioning the organisation and

community to manage this transition effectively. This includes considered investment in service delivery, infrastructure upgrades and transformational projects that support sustainable growth.

The scale of the expected growth requires financial planning. Modest rate increases are included in the 2025/26 budget to support the required investment while keeping the burden on current ratepayers to a minimum. Delaying such investment would lead to larger rate increases in future years and reduce Council's ability to manage growth effectively. To ensure intergenerational equity, Council has adopted a broad approach to borrowings, financing major infrastructure projects through loans to spread the cost over time.

For the purposes of rating, statutory 'growth', defined by the Local Government Reform Act as the increase in the number of properties, was calculated at 1.5% for the 2025/26 financial year.

Property Valuations

Council rates are calculated using capital valuations provided annually by the Valuer-General. For 2025/26, the new valuation data reflects broad increases across the Council area:

- 7% of properties increased by less than 5%
- 50% increased between 5% and 10%
- 43% increased by more than 10%

To moderate the impact of valuation changes on ratepayers, Council's Rating Policy includes a rate capping mechanism. For 2025/26, this policy allows a provision for eligible residential properties to make application to Council for a rebate of the amount by which the general rate amount payable exceeds the 2024/25 general rate payable by 15%. Further detail is provided in the Rating Policy on page 78.



Major Projects

Two major projects have significantly influenced the 2025/26 operating budget and Council rates. The first is the Corporate System Replacement project, which has been allocated \$585,000 in the budget for continued rollout and optimisation. This investment is crucial to modernising Council's core business systems, enabling more informed decision-making, improving customer service, and maintaining a lean, responsive structure in line with both organisational needs and future growth.

The second key project is the Regional Community, Sport and Recreation Precinct. Council is pursuing a partnership model with a private sector consortium to deliver this major community asset. The approach is designed to achieve value for money while addressing current gaps in sport and recreation infrastructure. An allocation of \$2.5 million has been included in the 2025/26 budget to advance this project (subject to Council decision following the finalisation of negotiations and due diligence), with the Council's contribution to the project to be funded through borrowings to support intergenerational equity.

Ongoing Monitoring and Fiscal Responsibility

Council is committed to closely monitoring economic conditions, cost pressures and growth trends to ensure responsive and responsible decision making. The 2025/26 budget aims to strike a careful balance – investing in Victor Harbor's future, continuing to provide important community services, and keeping rate increases as low as possible. By planning ahead through our Long Term Financial Plan, and sticking to this plan, Council will build a strong and sustainable future.

Financial Planning Process

Council aims to meet the needs of the community whilst maintaining a financially sustainable position. Our financial planning process involves the integration of a number of approaches in order to deliver our objectives.

The annual financial planning process includes:

- Business planning undertaken by Council staff in relation to budget requirements, new initiatives and emerging expenditure trends.
- Development of the capital budget based on Asset Management Plans, emerging areas of concern and community feedback.
- Development of the draft operating budget is based on the continuation of current services.
- Preparation of operating budget proposals that represent either new services or activities, or an increase to current service levels.
- Preparation of the Annual Business Plan incorporating the budget, key planned activities, significant projects and the rating policy.

The documents are presented to Council Members in workshops (Information and Briefing Sessions) held over several months. The process also includes a period of public consultation and the consideration of feedback received.

This approach allows Council to make decisions on a budget that provides for community and organisational needs, effectively use rate revenue and ensure intergenerational equity.

The following articulates a range of considerations taken into account during the 2025/26 Annual Business Plan and Budget preparations.

Strategic Management Plans

In setting its annual budget and work plan, the Council is guided by its suite of Strategic Management Plans.

These plans include the Community Plan 2030, Asset Management Plans and Long Term Financial Plan.

Community Plan 2030

Following Local Government elections, all councils are required to review their strategic management plans (Community Plan) within two years.

The review of the City of Victor Harbor's Community Plan 2030 was completed in March 2025 following a four (4) week public consultation.

The 2025/26 Annual Business Plan is informed by the updated Community Plan 2030.

Asset Management Plans

The City of Victor Harbor is responsible for the management, operation and maintenance of a diverse asset portfolio including some that are unique to Victor Harbor. Asset Management Plans have been developed for major assets categories as below:

- Bridges, Stormwater, Kerb and Channel
- Roads, Footpaths, Car Parks and Traffic Devices
- Land, Buildings and Open Space.

Our Asset Management Plans indicate the resources required for maintenance and renewal programs as well as opportunities for expenditure on new infrastructure. They allow Council to consider its strategic and legislative responsibilities whilst providing for the needs of our community.

A review of Council's Asset Management Plans was undertaken concurrently with budget preparations. The revised plans were adopted by Council in May 2025.

Long Term Financial Plan

The Long Term Financial Plan is designed to provide high level financial information and direction over a ten year period and enables Council to plan for the long term financial sustainability of the organisation.

It is informed by the Council's Asset Management Plans and based on a number of assumptions, market trends and known information.

A review of Council's Long Term Financial Plan was undertaken concurrently with budget preparations. The Long Term Financial Plan 2025/26 to 2034/35 was adopted in May 2025.

Current Services

The 2025/26 budget aims to maintain the current level of services both in terms of programs delivered but also maintenance and operations activities.

To find efficiencies and cost savings, the budget was developed from a zero base. The Consumer Price Index (CPI) has only been applied where absolutely necessary, and only to relevant materials and supplies. Price increases have been absorbed as much as possible, and staff will continue to seek additional savings throughout the year.

The Council will continue its ongoing Service Level Review Program to ensure services are delivered effectively, efficiently, and in line with the evolving needs and expectations of the community. This program plays a vital role in maintaining high standards of service by assessing the relevance, quality, and efficiency of current service levels.

As part of the review process, Council will consider staffing levels, the use of technology, procedural improvements, and opportunities for continuous improvement. These reviews will support informed decision-making, help identify areas where resources can be better allocated, and ensure that service delivery remains customer-focused, sustainable, and responsive to change.

Any increase to current services that impacts overall expenditure requirements is presented to Council as a new initiative through the budget bid process.

New Initiatives

Each year, staff prepare budget bids for new or irregular initiatives that are not included in the maintenance of current services for Council's consideration. These bids may come from community feedback or requests, grant funding opportunities, activities identified by administration, or provision of services previously supported by other levels of government.

Budget bids provide the purpose and outcomes expected from the inclusion of the activity, risk assessments, strategic linkages and costings.

New operating initiatives worth \$937,800 have been included within the 2025/26 budget, as detailed below:

Operating budget bids

Project / Initiative	Budget Allocation
Reserve Maintenance Employee (1FTE)	\$93,000
Service Level Reviews	\$60,000
Future Ready Strategy: Attracting young professionals/families and University City investigations	\$50,000
Rating Review	\$20,000
Tabernacle Cemetery Conservation (subject to grant funding)	\$33,500
Encounter Community Centre contribution	\$60,000

Pre-budget commitments

Project / Initiative	Budget Allocation
Corporate System Optimisation Phase (OC792025)	\$585,000
Library Hours Extension (OC4022024)	\$21,500
Resilient Hills and Coasts Partnership (OC4082024)	\$14,800

Cost Savings and Efficiencies

In preparing the 2025/26 budget, Council's Senior Management Team identified approximately \$500,000 in project savings. In recognition of the current economic climate, ongoing efforts to improve efficiency and explore alternative service delivery models continue to be actively explored.

Council has pursued a range of shared resource opportunities with neighbouring councils to achieve efficiencies in operations. Examples of this include the introduction of joint planning and building services with Alexandrina and Yankalilla councils, a joint venture agreement for the management of the Fleurieu Aquatic Centre, and a long-standing arrangement for equipment sharing with neighbouring councils.

Cost-saving initiatives also include expanding the hybrid vehicle fleet to reduce fuel expenses, renegotiating telecommunications contracts to achieve savings, and investing in solar panels to reduce long-term electricity costs.

The Corporate Systems project remains a key driver of organisational change, delivering measurable productivity gains. Staffing efficiencies have enabled redeployment to under-resourced areas like Open Spaces and Procurement, with savings of nearly \$134,000 identified for 2025/26 to help fund the system's Optimisation Phase.

Looking ahead, planned Service Level Reviews will support further efficiency gains and ensure ongoing value for the community.

Financial Sustainability

Local Government Advice Scheme

As part of recent Local Government reforms, an advisory scheme was introduced to give ratepayers confidence that the rates they pay are set at the necessary level for Council to provide the services they value. The Essential Services Commission of South Australia (ESCOSA) is the advisory body overseeing the scheme.

The City of Victor Harbor was a part of the 2023/24 tranche of councils who took part in the scheme. The advice provided to Council is provided in full at Appendix 2. Council's response to the advice is provided on pages 44-45.

Key Financial Indicators

To ensure long term financial sustainability, Council sets targets for Key Financial Indicators.

These indicators help with Council's decision making process as it strives to:

- Achieve and maintain a surplus position over the long term
- Manage borrowings and debt levels prudently
- Employ sound asset management principles
- Achieve intergenerational equity.

As a part of its Long Term Financial Plan review, Council endorsed Key Financial Indicator targets as provided in the table below:

Key Financial Indicator	Target
Operating Surplus Ratio	0% to 3%
Net Financial Liabilities Ratio	Maximum of 90%
Asset Renewal Funding Ratio	90% to 110%*

*To achieve a three year rolling average of 100%

The Annual Business Plan and Budget is measured against the indicators to assess how the current budget is performing against Council's long term financial goals, in line with budget deliberations and Audit Committee recommendations.

More information on the Financial Indicators for 2025/26 is provided on pages 69-73.

Debt Levels

Council has a fixed term loan balance of \$4,881,158 as at 16 June 2025. Included in the balance amount is a community loan to the Victor Harbor Bowling Club totaling \$81,655.

Council also has access to \$10 million Cash Advance Debenture facilities that work similar to a variable loan. This facility is used to manage cashflow requirements during the year. As at 16 June 2025, there was no principal outstanding on Cash Advance Debentures.

Fixed term loan details as at 16 June 2025:

Date of Loan	Principal Amount	Interest Rate	Principal Outstanding	Maturity Date
15/05/2014	\$230,000*	5.80%	\$81,655	15/05/2029
15/06/2017	\$2,500,000	4.40%	\$1,369,453	15/07/2032
15/11/2021	\$5,000,000	3.25%	\$3,430,051	15/11/2031
Total	\$7,730,000		\$4,881,158	

*community loan

Total borrowings at the end of 2025/26 including both fixed term and cash advance debentures is forecast to be approximately \$10 million.



Employees

For the 2025/26 financial year, Council has budgeted for 144 employees, equating to 124.1 full-time equivalent (FTE) positions. This workforce includes 84 full-time employees and 60 part-time employees, and Council also continues to support the development of young professionals through the engagement of five trainees, sourced via third-party arrangements. The Council has a number of positions (8.3 FTE) that are supported by external funding, which helps offset the cost of service delivery and allows Council to provide a broader range of programs and services without placing additional pressure on rate revenue.

In terms of staffing, the 2025/26 budget includes provisions for changes to the Superannuation Guarantee (Administration) Act 1922, which will see the minimum amount of superannuation support employers must provide employees increase from 11.5% to 12% from 1 July 2025. It also acknowledges that Council's Enterprise Bargaining Agreement is currently being negotiated.

While Victor Harbor has experienced sustained population growth and increased development, Council's staffing levels have remained relatively stable in recent years. This has been achieved largely through the absorption of increased workload by existing staff and a focus on operational efficiencies. For 2025/26, there is a net reduction of 2.6 FTE due to the conclusion of temporary maternity leave placements and a further reduction of 1.6 FTE through efficiency improvements. These changes are offset by the addition of three key roles: a new Accountant (1.0 FTE), a Reserve Maintenance Employee (1.0 FTE), and an Enterprise Resource Planning (ERP) System Administrator (1.0 FTE) to support the ongoing optimisation of the Corporate Systems project.

Council's Open Space team continues to experience significant demand. The area under the team's responsibility has expanded by 26 hectares in recent years, driven by strategic land acquisitions and new developments. This expansion, alongside upgraded streetscaping works in the Mainstreet Precinct, has led to increased expectations from the community for

high-quality public space amenity and maintenance. Although contractors are being utilised to help meet these demands, there remains a demonstrated need for an additional 1.0 FTE in the Open Space team to maintain these areas to an acceptable standard.

It is important to highlight that Council's ability to deliver essential services, infrastructure projects, and community programs relies heavily on its people. Services such as community wellbeing programs, urban planning, environmental management, open space maintenance, financial and corporate governance, and customer service are all delivered by skilled, dedicated staff. Human capital is fundamental to our operations. What Council does is delivered by people, for people. Ensuring appropriate staff levels is therefore critical not only to maintaining current service standards but also to responding effectively to the growing and evolving needs of the Victor Harbor community.

Council remains committed to responsible workforce planning, ensuring the organisation is appropriately resourced to deliver efficient, high-quality services in a sustainable and financially responsible manner. It is also important to note that the Council is supported by around 340 volunteers who assist with activities such as visitor services, library, community services, graffiti removal programs, Coral Street Art Space, Southern Communities Transport Scheme, river and coastal protection initiatives. It is estimated that the contribution that volunteers make through their time is worth around \$1 million.

Community Involvement

Each year Council consults with the community on a range of different issues and projects. The feedback obtained during these consultation initiatives is taken into consideration during the Council's annual business planning process.

Council has particularly drawn on findings from Community Satisfaction Surveys undertaken in 2022 and 2023, along with what we learned through the 2023 Australian Liveability Census.

In addition to this the Council also seeks community feedback on this plan through a formal consultation.





ESCOSA Local Government Advice

ESCOSA (the Commission) is South Australia's independent economic regulator and advisory body. It has been given a role by Parliament to provide advice on material changes proposed by local councils in relation to elements of their strategic management plans (SMPs) and on the proposed revenue sources, including rates, which underpin these plans.

At the centre of this initiative is the premise that councils should operate on a long-term financially sustainable basis, for the benefit of ratepayers. The nationally agreed definition of financial sustainability for the local government sector is outlined below:

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

The Council received advice from the Commission in February 2024.

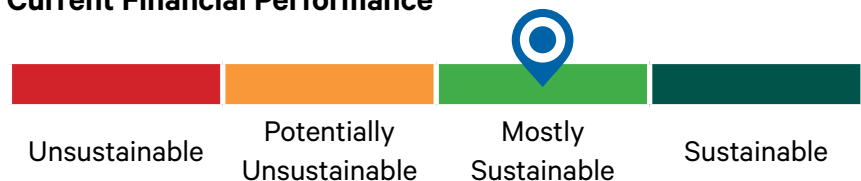
The Council is obligated under the Local Government Act 1999 to publish this advice and its response, if applicable, in its 2025/26 Annual Business Plan and subsequent plans until the next cycle of the scheme. It does not need to publish the attachment to the advice (this will be available with the advice on the Commission's website), nor is it compelled under the Local Government Act 1999 to follow the advice.

A summary of the City of Victor Harbor's financial sustainability performance and the Commission's overview is provided below.

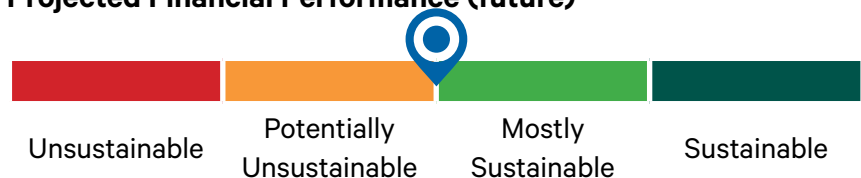
Excerpt from ESCOSA Local Government Advice to City of Victor Harbor February 2024

The Essential Services Commission finds the City of Victor Harbor's current and projected financial performance mostly sustainable taking into account the Council's operating surpluses over the past 10 years, along with strong infrastructure growth and increasing contributions from ratepayers and government grants, and the planned average rate increases of 3.2% p.a. per property over the next 10 years.

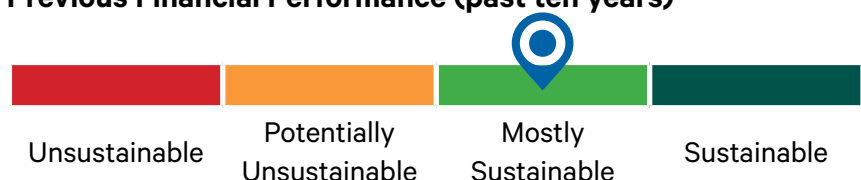
Current Financial Performance



Projected Financial Performance (future)



Previous Financial Performance (past ten years)



ESCOSA Local Government Advice

The following outlines the advice provided to the City of Victor Harbor and the Council's response.

ESCOSA Advice	Council Response
Budget Considerations	
1. Undertake a review of its Long Term Financial Plan on annual basis in accordance with s.122(4)(a)(i) of the LG Act.	Council's undertook a review of its Long Term Financial Plan concurrently with budget preparations. This review was complete in May 2025. The next review is scheduled to be undertaken during the 2025/26 financial year.
2. Continue its good practice of reviewing inflation forecasts in its budget and forward projections, given the potential for higher short-term inflation outcomes, followed by a return to long-term averages.	Noted. Council will continue to review inflation forecasts with each annual budget and as well as during the review of the Long Term Financial Plan.
3. Continue its good practice of reviewing the rateable property growth forecasts in budget projections each year, to ensure that they remain current and do not create a need for additional rate increases to generate the same level of projected revenue.	Noted. Council will continue to review property growth forecasts with each annual budget as well as during the review of Long Term Financial Plan.
Provide Evidence of On-going Cost Efficiencies	
4. Report any actual cost savings in annual budgets (and long-term financial plans, as appropriate), to provide evidence of cost growth constraint and efficiency achievement across its operations and service delivery.	Council is in the midst of a Corporate System Replacement that aims to streamline a number of corporate functions and authorisation processes. A register is being maintained to identify and investigate potential cost savings for future budgets. This information will then be incorporated into the Annual Business Plan when relevant.
5. Include efficiency goals and projected cost savings in Long Term Financial Plans, to provide further evidence of cost growth constraint and efficiency achievement across its operations and service delivery.	The 2025/26 to 2034/35 Long Term Financial Plan includes commentary about about efficiencies and projected cost savings. Key to this will be Council's Service Level Review program and rollout of new corporate system to achieve efficiencies and identify areas for improvement.
Refinements to Asset Management	
6. Consider reviewing the timing, scale and need of the Precinct and proposed Arts Centre.	Consideration is being given to options other than a Council build / operate model for the Precinct to minimise the financial impact on the community. Stakeholder engagement for the design is underway, along with due diligence actions including business case and prudential report. The Arts Centre remains scheduled in the latter years of the Long Term Financial Plan.

ESCOSA Advice	Council Response
7. Provide more funding for asset renewal, rather than prioritising initiatives which involve new or upgraded infrastructure.	Council intends to fully fund asset renewals as required in the Asset Management Plans with no funding gap identified in the Long Term Financial Plan. The impact of Council decisions in regard to new or upgraded infrastructure can severely impact the ability to deliver renewal projects both in labor and funding resources. Risks associated with construction / acquisition of new assets are detailed within agenda reports for Council decision.
Reporting and Containing Rate Level	
8. Continue reporting in annual business plans the estimated average annual change for its five categories of land use, together with the quantum of annual revenue it expects to collect from these different categories of rates.	Noted. Council is committed to providing the Expected Statement of Rate Revenue detailing the average annual charges for each land use category.
9. Consider recovering the costs for the Precinct and proposed Arts Centre via user pay charges instead of general rates.	Noted. The financial viability of both projects will be considered as part of the prudential report and business case development. The principles of fairness and equity in relation to recovery of costs will be considered and included as part of public consultation.
10. Consider publicly separating out each project in the Council's overall accounts.	Noted. Separate reporting is provided for the Sport and Recreation Precinct and the Arts and Culture Centre where there is a material impact on rates and / or services. See pages 24, 25 and 59 of this plan.
11. Continue to seek grant funding for the Precinct and Arts Centre projects, noting the need to recoup a reasonable proportion of grant-funded capital costs over time from users.	Noted. Council is continuing to investigate funding and or partnership avenues to reduce the impact of the new facility on ratepayers. Both projects are subject to grant funding and/or external partnerships.

A copy of the full advice from the Commission is provided at **Appendix 2**.



Budget Overview



Capital and Operating Budgets

The Council's budget has two components, capital and operating. The following provides an overview of each budget.

Capital Budget

The capital budget outlines where the City of Victor Harbor will invest in infrastructure for the council area. It provides funding for the construction of facilities, improvements to existing facilities, and the purchase and installation of major equipment. Council's capital budget is informed by the draft capital works program which sets out the capital projects it intends to carry out over a 10 year period.

Capital expenditure of \$18,587,800 will be funded through sale of assets, grants, reserves and loans.

Grants totalling \$2,520,800 have been included in the budget as well as \$150,700 for sale (trade-in) of plant and machinery.

Reserves and loan borrowings will be used to fund the remaining capital expenditure. Loan borrowings will be as per Council's Treasury Management Policy, with cash advance debentures (similar to a variable loan/overdraft) used to minimise long term borrowings in accordance with cashflow requirements.

Loan borrowings of up to \$10 million are anticipated initially funded through Cash Advance Debentures. The conversion to fixed term loans will be considered as part of the annual treasury review in May 2026.

Operating Budget

The operating budget is a plan to finance the operation of Council. It sets out the amount of money the Council expects to spend each year for ongoing operational expenses. Council rates are set according to the operating budget.

Operating expenses of \$42,487,600 will be funded by revenue of \$38,237,900 resulting in a deficit budget of \$4,249,700. The deficit is mainly attributed to Council's contribution towards The Precinct and corporate system replacement projects and will be funded through borrowings in recognition of the intergenerational impact of the projects.

Council receives revenue from a number of sources with rate revenue representing over 85% of total revenue. Rate revenue including rebates, Regional Landscape levy, remissions and fines totals \$32,501,500.

Remaining revenue sources include:

- User pay charges which relate to fees imposed for use of Council services - \$2.2 million
- Statutory charges which apply to regulatory or compliance activities - \$0.7 million
- Grants and contributions from other levels of government and developers - \$2.3 million
- Other income such as donations, credit interest and reimbursements - \$0.5 million.



Budget Breakdown 2025/26

The following pages provide a detailed overview of forecast expenditure for each project area (budget category) in the 2025/26 financial year.

The capital and operating budget tables present the estimated full cost of delivering each activity.

To support understanding, a description of each project area is included, outlining the key services and initiatives funded within that budget category.

A summary table of all budget categories can be found in **Appendix 3**.



Project Area: **Business Activities**

Project Area Overview

Council undertakes business activities that build on Victor Harbor's key environmental and cultural assets, and support and promote Victor Harbor as a year round tourist destination.

The Victor Harbor Horse Tram Authority is a subsidiary of Council and was established in October 2018 to oversee the operations, business development and marketing of the Victor Harbor's iconic Horse Tram service.

The Council purchased the Victa Cinema (building and business) in 2020 with plans to incorporate the facility into the future Arts and Culture Precinct.

2025/26 Budget Summary

Capital			
Project area	Revenue	Expenses	Net Result
Horse Tram	0	25,600	(25,600)
Victa Cinema	0	55,500	(55,500)
Total	0	81,100	(81,100)

Operating			
Project area	Revenue	Expenses	Net result
Horse Tram	140,900	500,900	(360,000)
Victa Cinema	800,000	995,500	(195,500)
Total	940,900	1,496,400	(555,500)

*Horse Tram includes \$360,000 for costs associated with the Victa Harbor Horse Tram Authority (Section 42 Subsidiary)



Project Area: **Civil Services**

Project Area Overview

Council's civil services function oversees a broad array of infrastructure and project management function.

Activities include maintenance of sealed roads and bridges, shoulder maintenance of rural roads, maintenance and grading of unsealed roads, maintenance and planning for new footpaths, walking trails and shared pathways, along with stormwater projects, kerbing and kerb crossovers.

Council enhances scenic amenity by providing a street tree planting program, roadside and roundabout maintenance, and the provision and maintenance of street furniture.

A depot is maintained for the storage of plant and machinery, and to support the activities of the outdoor staff team.

The activity area also assists to maintain a safe road and pedestrian network through the provision of traffic management activities.

2025/26 Budget Summary

Project area	Capital		
	Revenue	Expenses	Net Result
Depot	0	22,500	(22,500)
Environment & Infrastructure Admin	0		0
Engineering	0		0
Fleet and Equipment	150,700	563,400	(412,700)
Footpaths	0	1,028,800	(1,028,800)
Kerb	0	287,000	(287,000)
Operations Admin	0		0
Sealed Roads	0	2,890,100	(2,890,100)
Stormwater	500,000	1,218,000	(718,000)
Streetscape	0	52,200	(52,200)
Traffic	0	261,400	(261,400)
Unsealed Roads	0	461,300	(461,300)
Total	650,700	6,784,700	(6,134,000)

Project area	Operating		
	Revenue	Expenses	Net result
Depot	0	315,400	(315,400)
Environment & Infrastructure Admin	0	522,900	(522,900)
Engineering	0	844,500	(844,500)
Fleet and Equipment	0	827,800	(827,800)
Footpaths	0	675,700	(675,700)
Kerb	0	862,900	(862,900)
Operations Admin	0	1,260,800	(1,260,800)
Sealed Roads	437,800	4,526,800	(4,089,000)
Stormwater	0	824,000	(824,000)
Streetscape	9,400	1,046,200	(1,036,800)
Traffic	0	487,500	(487,500)
Unsealed Roads	0	797,800	(797,800)
Total	447,200	12,992,300	(12,545,100)



Project Area: **Coastal Protection and Environment**

Project Area Overview

Council aims to ensure that our natural environment is protected and healthy by undertaking a range of natural resource management initiatives including coastal and estuarine management works, roadside vegetation management, and providing support for community groups involved in environmental projects.

Council also aims to ensure our community can better manage the impacts of climate change by working closely with regional councils in the implementation of our regional climate change adaptation plan.

2025/26 Budget Summary

<i>Project area</i>	<i>Capital</i>		
	<i>Revenue</i>	<i>Expenses</i>	<i>Net Result</i>
Coastal Environment	1,500,000	5,385,900	(3,885,900)
Coastal Maintenance	0	0	0
Environment	0	0	0
Total	1,500,000	5,385,900	(3,885,900)

<i>Project area</i>	<i>Operating</i>		
	<i>Revenue</i>	<i>Expenses</i>	<i>Net result</i>
Coastal Environment	0	19,200	(19,200)
Coastal Maintenance	0	102,100	(102,100)
Environment	0	1,167,500	(1,167,500)
Total	0	1,288,800	(1,288,800)



Project Area: **Communications**

Project Area Overview

Council plays an important role as an information provider to community and stakeholders. Council's communications and engagement function works to provide information to the community in relation to Council policies, programs, services and initiatives utilising a range of different methods. It also works to drive participation and engagement with programs, activities and events delivered, or supported, by the City of Victor Harbor.

The City of Victor Harbor is committed to providing the highest quality customer service, within the scope of our operational capacity. This includes managing enquiries in-person, via telephone and online, in addition to collecting and monitoring feedback to improve service quality.

This activity area also manages council rates administration, enquiries and revenue collection, as well as corporate business planning.

2025/26 Budget Summary

Project area	Operating		
	Revenue	Expenses	Net result
Customer Services	100	571,200	(571,100)
Engagement	0	473,600	(473,600)
Rates Administration	76,900	536,000	(459,100)
Total	77,000	1,580,800	(1,503,800)



Project Area: **Community Facilities**

Project Area Overview

Council provides a range of key community facilities that aim to encourage community participation and interaction. Activity areas include halls and community meeting places, such as the Town Hall, Recreation Centre and Old School Building Community Centre.

Council manages the Victor Harbor and Inman Valley Cemeteries with cemetery administration staff able to assist families to select the burial options for their loved ones.

Council also provides and maintains a number of public toilets including toilets accessible for people with disabilities, nappy services and sharps disposal service. A pump out station for recreation vehicles is also provided.

Council maintains spatial data to inform planning and operations, and supports the efficient use of its infrastructure assets through appropriate permits, licences and leases.

2025/26 Budget Summary

Project area	Capital		
	Revenue	Expenses	Net Result
Cemetery	0	47,400	(47,400)
Old School Building	0	0	0
Property	0	552,500	(552,500)
Public Conveniences	0	0	0
Recreation Centre	0	76,900	(76,900)
Senior Citizens	0	0	0
Town Hall	0	5,100	(5,100)
Total	0	681,900	(681,900)

Project area	Operating		
	Revenue	Expenses	Net result
Cemetery	223,900	222,200	1,700
Old School Building	14,000	38,200	(24,200)
Property	437,600	885,500	(447,900)
Public Conveniences	0	369,300	(369,300)
Recreation Centre	128,400	354,800	(226,400)
Senior Citizens	0	52,400	(52,400)
Town Hall	20,400	144,800	(124,400)
Total	824,300	2,067,200	(1,242,900)



Project Area: **Community Services**

Project Area Overview

Council supports a range of initiatives that aim to improve the quality of life, independence and wellbeing of residents by encouraging community participation, interaction and facilitating access to health, education and community services.

Council is actively involved in the planning, coordination, and development of community services, with many activities undertaken in partnership with community groups, agencies and neighbouring councils.

Activity areas include aged services, youth development, social inclusion initiatives, community transport, support for families and children, access and inclusion initiatives, volunteering and community grants programs.

Many of these programs rely on external funding.

2025/26 Budget Summary

Project area	Operating		
	Revenue	Expenses	Net result
Active Wellbeing	0	256,900	(256,900)
Caring Neighbourhood Program	297,700	403,700	(106,000)
Community Assistance	1,000	301,600	(300,600)
Community Bus	0	0	0
Fleurieu Families	305,300	489,000	(183,700)
Positive Ageing	85,500	137,100	(51,600)
SCOTS	644,700	810,900	(166,200)
Youth Development	0	213,900	(213,900)
Total	1,334,200	2,613,100	(1,278,900)



Project Area: **Corporate Services**

Project Area Overview

Council maintains the Victor Harbor Civic Centre and provides a range of corporate services to support efficient and effective levels of service delivery.

Council undertakes annual and long term financial planning, various accounting functions, payroll services, management of incoming and outgoing records in accordance with the State Records Act, and information technology and communication services.

Council aims to provide a safe and healthy workplace and develop an adaptable, skilled and satisfied workforce.

Corporate Service costs are distributed across activity areas as FCA, or Full Cost Allocation.

2025/26 Budget Summary

Capital			
Project area	Revenue	Expenses	Net Result
Corporate & Customer Admin	0	0	0
Civic Centre	0	1,585,400	(1,585,400)
Finance	0	0	0
Human Resources	0	0	0
Information Management	0	0	0
Information Technology	0	662,400	(662,400)
Payroll	0	0	0
WHS and Risk Management	0	0	0
Total	0	2,247,800	(2,247,800)

Operating			
Project area	Revenue	Expenses	Net result
Corporate & Customer Admin	800	425,800	(425,000)
Civic Centre	500	598,200	(597,700)
Finance	0	1,120,100	(1,120,100)
Human Resources	0	404,000	(404,000)
Information Management	0	236,400	(236,400)
Information Technology	0	2,322,700	(2,322,700)
Payroll	0	112,300	(112,300)
WHS and Risk Management	0	715,500	(715,500)
Total	1300	5,935,000	(5,933,700)

*These figures are provided for information to show the costs associated with corporate service delivery. The amounts in the above activity areas are distributed throughout all other activities (full cost attribution) resulting in a net zero to corporate services.



Project Area: **Economic Development and Tourism**

Project Area Overview

Council supports the local economy through a range of initiatives that encourage a competitive environment for business growth, promote innovation and collaboration, and attract investment in our city.

Activity areas include things such as delivery of Economic Development Strategy actions, Mainstreet activation programs, business support, and contribution to the activities of Regional Development Australia – Adelaide Hills, Fleurieu and Kangaroo Island.

Activity areas that support and promote Victor Harbor as a year round tourist destination include festivals and events, tourism marketing activities and provision of the Victor Harbor Visitor Centre which incorporates the South Australian Whale Centre.

2025/26 Budget Summary

Project area	Capital		
	Revenue	Expenses	Net Result
Economic Development	0	0	0
Festival and Events	0	0	0
Victor Harbor Visitor Centre	0	9,200	(9,200)
Fleurieu Study Hub	0	0	0
Total	0	9,200	(9,200)

Project area	Operating		
	Revenue	Expenses	Net result
Economic Development	86,000	650,400	(564,400)
Festival and Events	20,000	319,300	(299,300)
Victor Harbor Visitor Centre	161,000	872,200	(711,200)
Fleurieu Study Hub	174,800	174,800	0
Total	441,800	2,016,700	(1,574,900)



Economic Development Differential Rate

Council collects differential rates on commercial and industrial properties at 30% and 15% above the base rate respectively. The amount above the base rate is transferred to a cash reserve and used to fund activities that assist in supporting economic development of the City.

Approximately \$470,000 will be raised in 2025/26. These funds will assist with the delivery of a portion of the Council's economic development initiatives.

The investments by the Council into the area of economic development have been informed by the City's Economic Development Strategy and Investment Attraction Strategy. The strategies focus on stimulating growth in local jobs, businesses and investment.

The projects supported through the differential rates collected in this budget will include:

- Council's contribution to support regional organisations, including Regional Development Australia and Fleurieu Peninsula Tourism.
- Funds that support attracting and hosting a number of major events to the City, some examples include the SA Viking Festival, Winter WhaleFest,

the Sid James Victor Harbor Triathlon and the SummerSalt concert held on Kent Reserve.

- A funding partnership with Business Victor Harbor that supports the appointment of an Executive Officer and team to deliver initiatives that support local businesses to grow the local economy. Joint initiatives delivered under this partnership are focused around the local business uptake of the Victor Harbor Destination Brand and the implementation of the Victor Harbor Investment Attraction Strategy.
- Delivery of a destination marketing program of initiatives that drives interest in Victor Harbor as a holiday destination, through modern digital marketing techniques.
- Implementation of the Victor Harbor Investment Attraction Strategy, including the creation and maintenance of an investment attraction website, promotional videos and an investment prospectus seeking to attract and grow businesses that advance the needs of the Victor Harbor economy.



Project Area: **Governance**

Project Area Overview

Council aims to operate in a strategically planned environment, provide effective levels of service delivery and ensure governance and legislative compliance.

This project area includes costs for Council's major projects, the Regional Community, Sport and Recreation Precinct and corporate systems replacement project.

Council maintains regional, state and national relationships through membership of groups such as the Local Government Association (LGA) of SA, Southern and Hills LGA, Regional Development Australia – Hills, Fleurieu and Kangaroo Island and Coastal Councils group.

Council Members are supported to fulfil their role as the governing body of Council.

This project area also includes Council's internal control function.

2025/26 Budget Summary

Project area	Operating		
	Revenue	Expenses	Net result
CEO Admin	635,800	2,134,800	(1,499,000)
Council Members	0	444,000	(444,000)
Governance	500	373,200	(372,700)
Total	636,300	2,952,000	(2,315,700)

*CEO Admin includes \$30,000 for costs associated with the Southern and Hills Local Government Association (Section 43 Subsidiary).



Regional Community, Sport and Recreation Precinct

The Regional Community, Sport and Recreation Precinct (The Precinct) is the Council's flagship project. It aims to provide a place for people of all ages to connect through sport, recreation or social activities. The cornerstone of The Precinct will be a facility that caters for growing indoor sport and recreation activities.

Throughout the development of The Precinct project, affordability and financial sustainability have been prime considerations for Council. Following significant investigations and analyses undertaken to determine the feasibility of the project, the Council made the decision to explore potential partnership opportunities with the private sector. This approach was a way to balance the prime considerations. It also helps ensure the delivery of a facility that provides the best outcome for the broader community in terms of addressing gaps in current facility provision and achieving value for money.

South Australian company, Accord was identified as a potential partner through a formal expression of interest process. Subsequently, commercial-in-confidence negotiations are underway to set out the terms of any future partnership and define parameters around the delivery of much-needed facilities with the best interest of the community being paramount.

It is expected that the commercial negotiations will conclude later this year following the completion of significant due-diligence and prudential reporting, with Council to subsequently make a decision on whether to progress the project. However, in terms of a budget provision for 2025/26, the Council has allowed for a \$2.5 million contribution to the Developer (with a further \$9.2 million anticipated to be budgeted for 2026/27) and \$50,000 for legal / consultancy fees to support the negotiations.

This contribution is attributed to the operating budget and funding through borrowings to spread the cost over generations and minimise the impact on the ratepayers of today.

The upfront costs required of Council under the proposal are significantly lower than what was estimated for Council to construct and operate the facility itself. There are also grant funding opportunities that Council will pursue to further reduce the upfront contribution. Also favourable is that, in addition to the sport and recreation facility, the proposal includes much-needed community facilities like childcare and allied health, and open space for passive recreation activities, which aligns with the intent of being a multi-purpose community hub.



Project Area: **Library and Cultural Services**

Project Area Overview

Council cultivates a vibrant community culture by facilitating and supporting arts and cultural activities, festivals and events, activating streets and public spaces, and providing infrastructure that supports arts and cultural activities.

Activity areas include arts and culture community grants, artisan markets, digital art program and planning for a new Arts and Culture Centre.

Council provides a library service including various programs and events, a home delivery service, services for the visually impaired, outreach services, early childhood programs, school holiday programs, and local history programs.

2025/26 Budget Summary

Project area	Capital		
	Revenue	Expenses	Net Result
Arts and Culture	0	1,115,000	(1,115,000)
Coral Street Art Space	0	45,000	(45,000)
Library	0	4,500	(4,500)
Total	0	1,164,500	(1,164,500)

Project area	Operating		
	Revenue	Expenses	Net result
Arts and Culture	10,000	262,100	(252,100)
Coral Street Art Space	20,000	134,500	(114,500)
Library	135,000	1,583,000	(1,448,000)
Total	165,000	1,979,600	(1,814,600)



Project Area: *Open Space and Recreation*

Project Area Overview

Council provides and maintains open space and recreation facilities that aim to meet the needs of the community and encourage active recreation.

Activities include the development and maintenance of playgrounds, ovals and sporting facilities, the provision of a recreation and sport small grants program, the development and maintenance of parks and reserves and revegetation of key public open spaces.

Council also maintains the Encounter Lakes waterway, develops and maintains walking trails, undertakes pest plant and animal control and pine tree removal programs.

Council contributes to the operation of the Fleurieu Region Aquatic Centre, and supports the development of strong and sustainable sporting clubs through its active wellbeing program.

2025/26 Budget Summary

<i>Capital</i>			
<i>Project area</i>	<i>Revenue</i>	<i>Expenses</i>	<i>Net Result</i>
Open Space Admin	0	16,900	(16,900)
Parks & Gardens	0	757,800	(757,800)
Sport	520,800	1,065,200	(544,400)
Total	520,800	1,839,900	(1,319,100)

<i>Operating</i>			
<i>Project area</i>	<i>Revenue</i>	<i>Expenses</i>	<i>Net result</i>
Open Space Admin	0	1,496,300	(1,496,300)
Parks & Gardens	11,400	1,670,900	(1,659,500)
Sport	38,600	3,796,500	(3,757,900)
Total	50,000	6,963,700	(6,913,700)



Project Area: **Public Safety**

Project Area Overview

Council undertakes a number of regulatory functions to support the public health, safety and residential amenity of the community.

Activity areas include ensuring compliance with the minimum standards that apply to building and construction work, encouraging responsible dog and cat ownership, fire prevention, licencing of supported residential facilities, inspections of food premises, septic tank inspections, water quality testing, medical waste disposal, immunisation programs and impounding livestock.

Council supports the amenity value of local areas through implementing the Local Nuisance and Litter Control Act and regulating Council parking areas.

2025/26 Budget Summary

Capital			
Project area	Revenue	Expenses	Net result
Building Control	0	0	0
Cat Control	0	0	0
Dog Control	0	0	0
Fire Prevention	0	0	0
Health Control	0	0	0
Parking Control	0	268,700	(268,700)
Regulatory Control	0	30,500	(30,500)
Total	0	299,200	(299,200)

Operating			
Project area	Revenue	Expenses	Net result
Building Control	77,300	280,900	(203,600)
Cat Control	25,500	2,400	23,100
Dog Control	160,700	602,400	(441,700)
Fire Prevention	9,500	27,200	(17,700)
Health Control	26,500	238,300	(211,800)
Parking Control	236,800	223,200	13,600
Regulatory Control	2,500	223,800	(221,300)
Total	538,800	1,598,200	(1,059,400)



Project Area: **Town Planning**

Project Area Overview

Council provides for sustainable development and residential amenity by assessing development applications in accordance with the Planning and Design Code. This applies to a range of development activities including land divisions, residential dwellings, sheds and carport, swimming pools, fences and retaining walls, jetties and pontoons, and commercial, industrial and retail developments.

Council aims to create safe open spaces and public areas through good urban design and plan for appropriately zoned land to meet current and projected needs.

Council aims to identify and protect unique heritage character or built form, and supports property owners to maintain heritage listed items by providing a heritage advisory service.

2025/26 Budget Summary

Capital			
Project area	Revenue	Expenses	Net result
Community & Development Admin	0	93,600	(93,600)
Planning	0	0	0
Total	0	93,600	(93,600)

Operating			
Project area	Revenue	Expenses	Net result
Community & Development Admin	0	1,192,600	(1,192,600)
Planning	276,500	1,101,400	(824,900)
Total	276,500	2,294,000	(2,017,500)



Project Area: **Waste Management**

Project Area Overview

Council aims to provide a sustainable waste management system by working with the Fleurieu Region Waste Authority who are responsible for providing and operating waste management services on behalf of the four constituent councils.

This includes the operation of the region's waste transfer stations and the provision of waste, recycling and green waste kerbside collection services, as well as public litter and event bin collections.

Council provides a street cleaning program and also monitors and maintains the closed Victor Harbor landfill site in accordance with the Victor Harbor Landfill Environmental Management Plan and Environmental Protection Agency licence conditions.

2025/26 Budget Summary

Project area	Operating		
	Revenue	Expenses	Net result
Waste Management	3,100	2,643,500	(2,640,400)
Total	3,100	2,643,500	(2,640,400)

*Waste Collection includes \$2,400,000 for costs associated with the Fleurieu Regional Waste Authority (Section 43 Subsidiary).



Subsidiaries

Council has a number of subsidiaries under Division 3, Section 42 and 43 of the Local Government Act 1999. A description of these subsidiaries and the Council's contribution in 2025/26 is outlined in the following pages.



Victor Harbor Horse Tram Authority (Section 42)

Council Contribution in 2025/26	
Operating	\$360,000
Capital	\$25,600
Total	\$385,600

Established in 2018 by the City of Victor Harbor, this organisation is responsible for overseeing the operations, business development and marketing of the Horse Tram service to Granite Island. The operating budget allocation for this subsidiary is \$360,000.

Under the Charter, the Victor Harbor Horse Tram Authority provides Council with recommendations for capital works each year as part of the budgeting process. Council has considered these recommendations and provided funding of \$25,600 for the provision of horse stock.



Southern and Hills Local Government Association (Section 43)

Council Contribution in 2025/26	
Operating	\$30,000

This organisation undertakes regional coordination, representation and marketing on behalf of the member councils to improve the wellbeing of the region. Member councils include City of Victor Harbor, Alexandrina Council, Kangaroo Island Council, District Council of Yankalilla, Mount Barker District Council and Adelaide Hills Council.

The operating budget allocation for this subsidiary is \$30,000.



Fleurieu Regional Waste Authority (Section 43)

Council Contribution in 2025/26

Operating	\$2,400,000
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Established in 2010 by the City of Victor Harbor, Alexandrina Council, District Council of Yankalilla and Kangaroo Island Council, this organisation is responsible for the waste management function across the Fleurieu Peninsula and Kangaroo Island areas. The operating budget allocation for this subsidiary is \$2,400,000.

Surpluses or losses incurred by the Fleurieu Regional Waste Authority after Council contributions are processed as either an increase or a reduction in Council's equity in the Authority. No budget allowance has been included with a breakeven position expected.



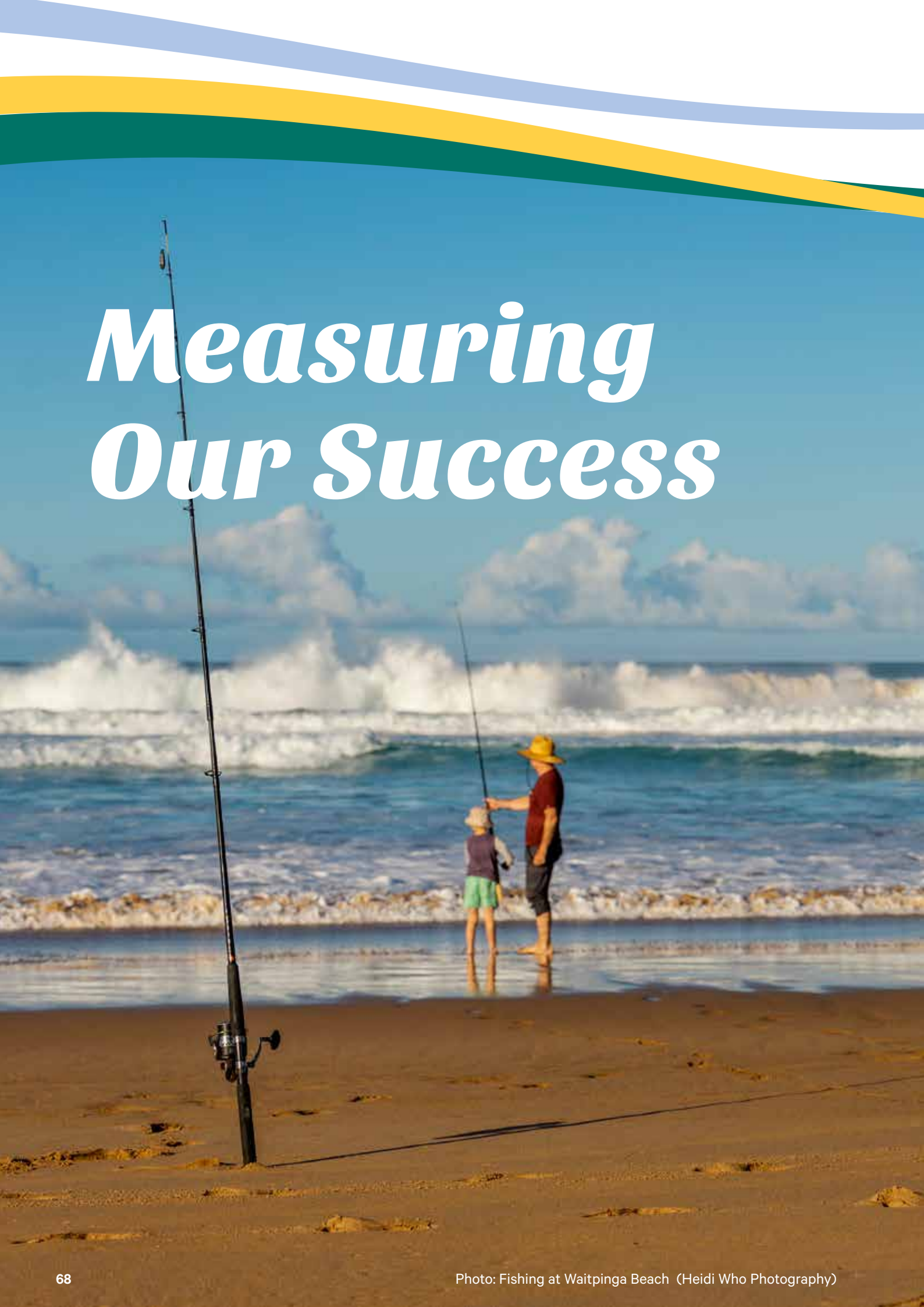
Fleurieu Regional Aquatic Centre

After nearly a decade of oversight, the Fleurieu Regional Aquatic Centre Authority (the Authority) handed back governance responsibilities to its constituent councils, Alexandrina Council and the City of Victor Harbor, in August 2024.

Established in 2015 as a joint subsidiary of both councils, the Authority played a pivotal role in the successful delivery and management of the Fleurieu Aquatic Centre. Recognising that the Centre has now entered a more mature phase of operation, the Authority initiated a governance review in 2023. The review identified an opportunity to achieve greater efficiencies by transitioning oversight to the councils, without impacting day-to-day operations.

In response, the constituent councils resolved to manage the facility through a Joint Venture Agreement. This new structure will allow both councils to draw on existing skills and resources, reduce the administrative burden associated with operating a regional subsidiary, and maintain a strong focus on service delivery.

The City of Victor Harbor's contribution to the Fleurieu Aquatic Centre in 2025/26 is \$459,500. In addition to this, there will be a recognition of \$290,000 for depreciation within the City of Victor Harbor's financials.

A photograph of a man and a child fishing on a beach. The man, wearing a red shirt and a yellow hat, is standing in the shallow water, holding a fishing rod. The child, wearing a purple shirt and green shorts, is standing next to him, also holding a fishing rod. In the foreground, a fishing rod is stuck upright in the sand. The background shows waves breaking on the shore under a blue sky with white clouds. The top of the image has decorative wavy bands in blue, yellow, and green.

Measuring Our Success

Our Measures of Success

The City of Victor Harbor measures and monitors its performance on a regular basis to ensure delivery of Community Plan 2030 outcomes as well as the delivery of services and projects. There are a number of ways in which we do this, as outlined below.

Key Planned Activities

Council will undertake a mid-year and end of year review of its progress towards completing Key Planned Activities. Council's performance target is to substantially complete at least 90% of the listed Key Planned Activities. In 2025/26, 14 Key Planned Activities have been identified. The activities are outlined on **pages 25-31** of this plan.

Levels of Service Delivery

Council will report on the levels of service it provides to the community, including comparisons with levels of service in previous years when appropriate. Council also monitors customer requests, complaints and other feedback.

Further to this it is planned Service Level Reviews for the Open Space and Environment, and Finance business units will be undertaken in 2025/26.

Strategic Indicators

As a part of the development of the Community Plan 2030, Council identified desired outcomes and indicators of success for each aspirations. These indicators will show how effective Council has been in making a difference in order to achieve its vision.

Budget Reviews

Council undertakes three regular budget reviews throughout the year. The mid-year review involves a thorough review of all budget items, and the final review identifies any major changes to predict the end of year result. A number of service areas undertake monthly reviews and reporting of financial performance.

Annual Report with Audited Financial Statements

Council will report on its performance in its Annual Report. Annual Reports are available to the community and are provided to the State Government for tabling as the official annual record of the past year's activities and performance of Council.

Key Financial Indicators

Key financial indicators provide a robust assessment of financial performance and sustainability. They provide a measurement and monitoring guide to assist in Council's decision making. Targets are outlined within the Long Term Financial Plan 2025/26 to 2034/35, and these have been included within this Annual Business Plan. Estimates and commentary is provided on the following pages in regards to these ratios.



Our Measures of Success

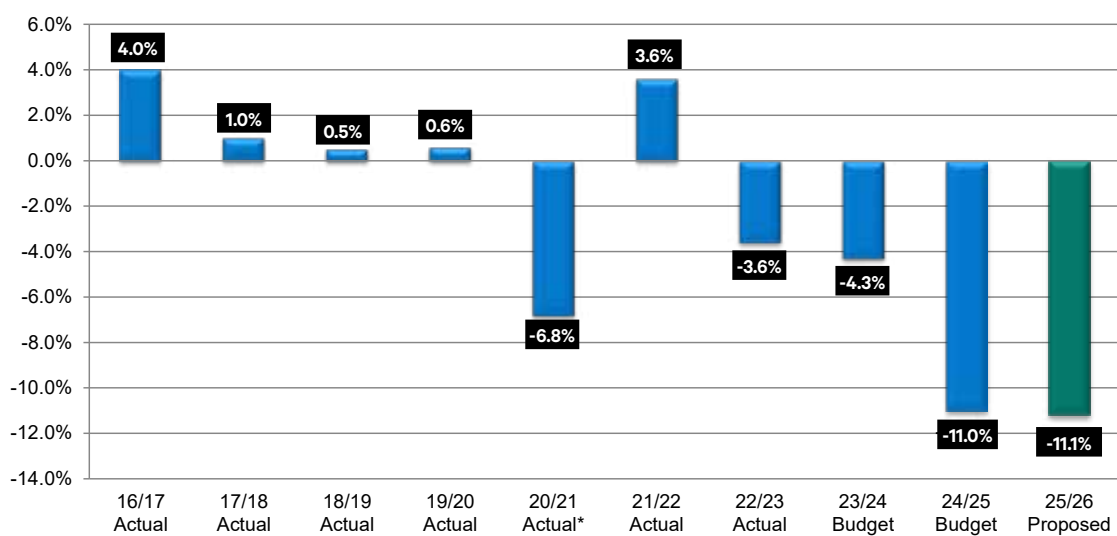
Operating Surplus (Deficit) Ratio

This ratio expresses the operating surplus (deficit) as a percentage of total operating revenue. A positive ratio indicates that all operating expenses are being fully funded by operating revenue and current ratepayers are meeting the costs of the services that they are using. It should be noted that prior to 2020/21, Council achieved 10 consecutive years of operating surpluses.

An operating deficit ratio of -11.1% is projected in 2025/26 which is outside Council's target of between 0% and 3%. This is impacted by the Council decision to minimise rate increases through the use of borrowings to fund the Council's corporate system software replacement project and the contribution required to progress the Regional Community, Sport and Recreation Precinct. The adjusted ratio, excluding the two projects, is a deficit ratio of -3.0%.

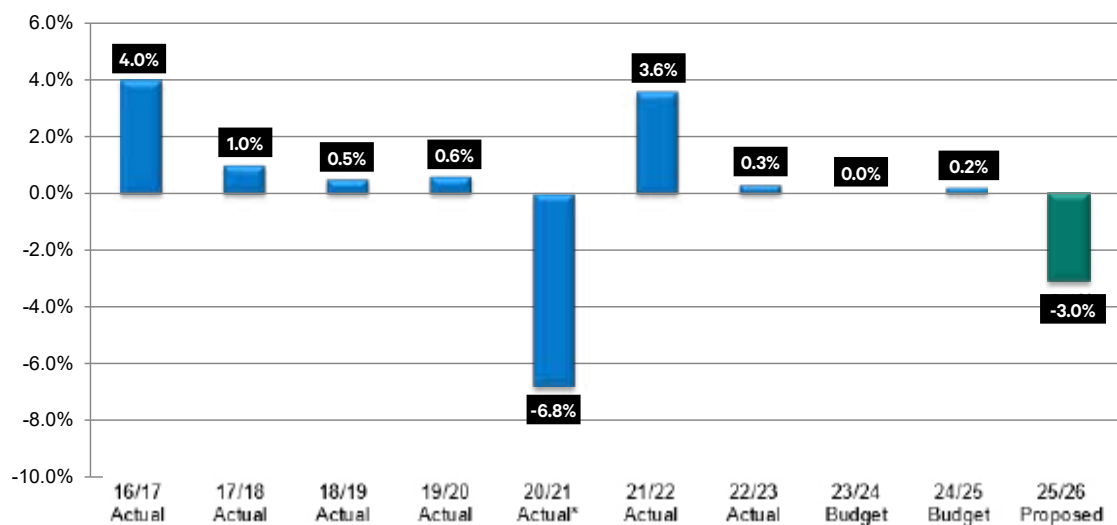
The graph (right) outlines the Council's Operating Surplus (Deficit) Ratio over the last 10 years, including the 2025/26 forecast.

Operating Surplus (Deficit) Ratio



*Recognition of Asbestos Contamination Liability for Fleurieu Regional Waste Authority.

Adjusted Operating Surplus (Deficit) Ratio



*Recognition of Asbestos Contamination Liability for Fleurieu Regional Waste Authority.

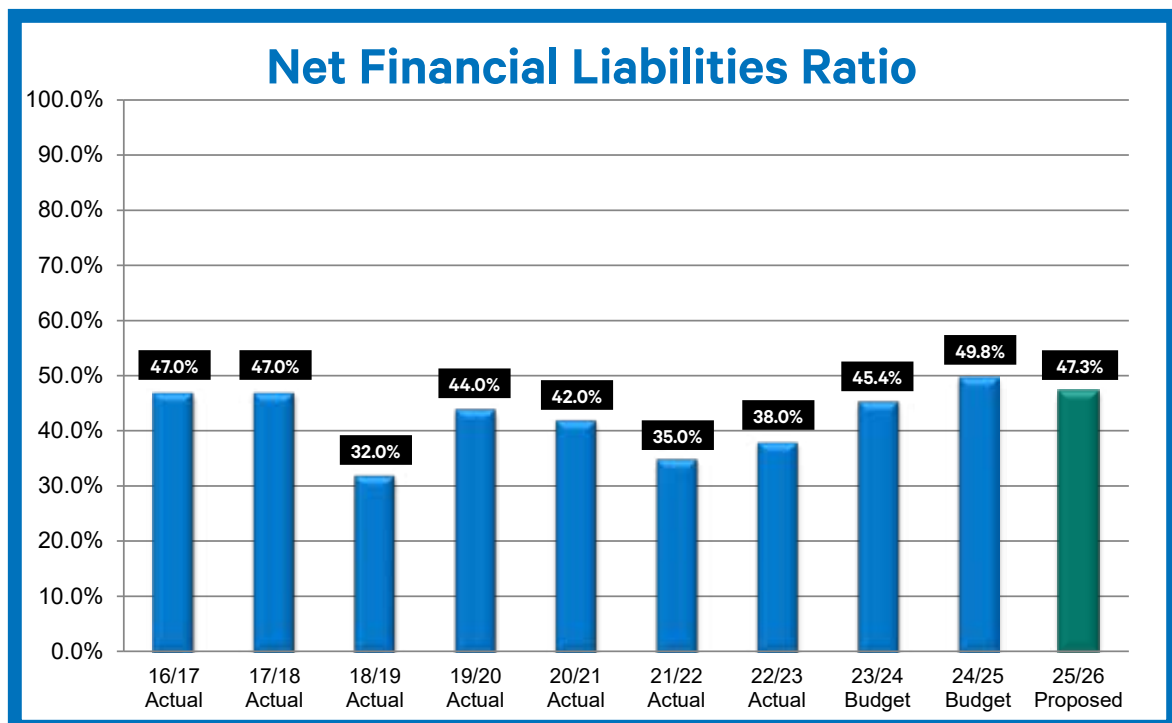
Our Measures of Success

Net Financial Liabilities Ratio

This ratio expresses total liabilities less financial assets as a percentage of total operating revenue. The ratio indicates whether Council can meet its financial liabilities for the year from operating revenue. A higher ratio may indicate higher levels of debt whilst a lower ratio indicates stronger capacity to meet financial obligations.

A Net Financial Liabilities Ratio of 47.3% is projected for 2025/26 which is below Council's maximum target of 90%. Loan requirements will be assessed in the third quarter budget review to minimise loan borrowings. Cash Advance Debentures will be utilised to assist with cashflow.

The graph (below) outlines the Council's Net Financial Liabilities Ratio over the last 10 years, including the 2025/26 forecast.



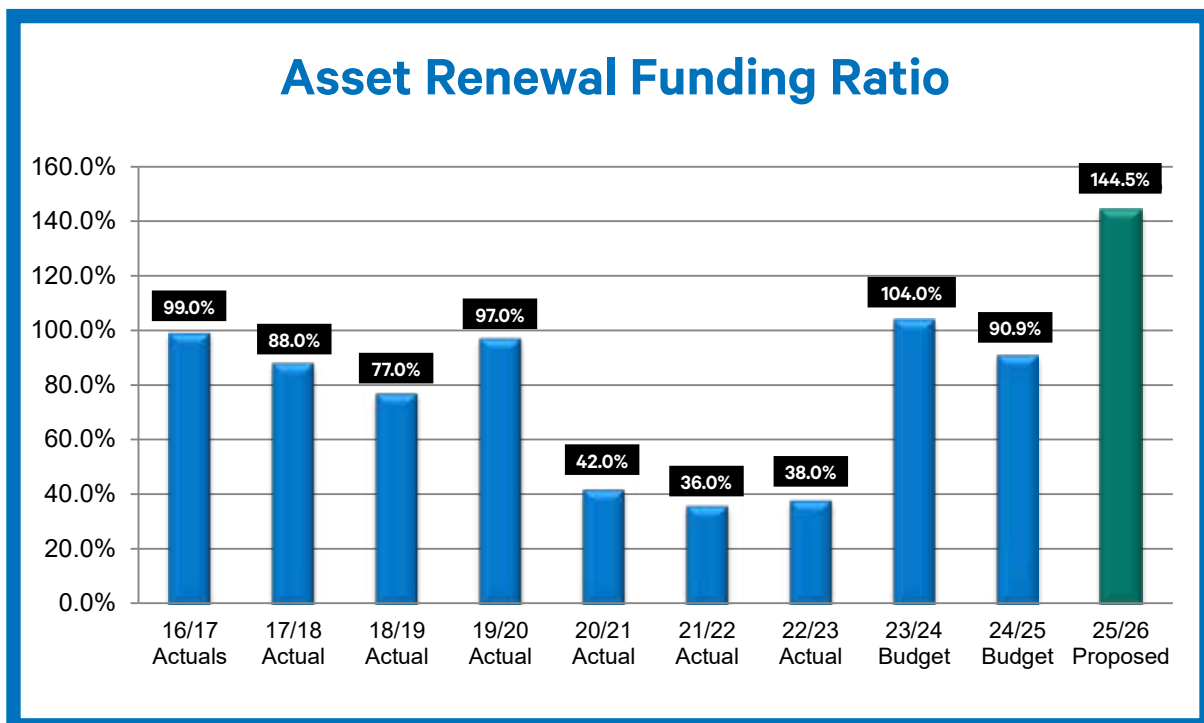
Asset Renewal Funding Ratio

This ratio is based on expenditure on capital renewal (replacement) as a percentage of planned projects detailed in Council's Asset Management Plans. The ratio indicates whether assets are being renewed in line with Asset Management Plans with a ratio of 100% indicating the budget fully funds infrastructure requirements. Whilst Council intends to fully budget for works required in the Asset Management Plans, the target range of 90% to 110% has been set to achieve an approximate 100% rolling average over a three year period. This allows for changing priorities and delays in completion of projects.

Expenditure on capital renewal projects in 2025/26 will provide an estimated ratio of 144.5% which is above Council's target range of 90% to 110%.

Council has not achieved its rolling three year average for a number of years due to prioritisation of new projects over renewal and projects uncompleted at 30 June. Based on the 2023/24 actual results, 2024/25 forecast result and 2025/26 proposed budget, the rolling three year average is estimated at 113.1%.

The graph (below) outlines the Council's Asset Renewal Funding Ratio over the last 10 years, including the 2025/26 forecast.



The image is a high-angle aerial photograph of a coastal town. In the bottom left corner, a sandy beach is visible, bordered by some low-lying vegetation and trees. The town itself is densely packed with buildings, mostly with light-colored roofs, interspersed with green trees. A prominent road, likely Ocean Street, runs diagonally through the town. In the background, rolling hills or mountains are visible under a clear blue sky. The top of the image features a decorative graphic with three wavy, overlapping bands of color: light blue, yellow, and dark green.

Council Rates

How Your Rates Will Be Spent

Council rates are set based on the operating budget. Our 2025/26 budget allows for the continuation of essential services for our community to continue to grow and thrive.

The following shows how the City of Victor Harbor plans to spend every dollar of your Council rates in 2025/26 to ensure Victor Harbor remains a great place to live, work, visit and invest in.



2025/26 Rating Policy

Overview

Rating levels are influenced by a number of factors. This includes not only operational requirements for delivery of existing services, but also the impact of previous year's capital expenditure in terms of interest payments on borrowings and depreciation on new assets.

The Statutes Amendment (Local Government Review) Act 2021 introduced a number of changes to the way councils must report in Annual Business Plans, including new requirements for rating information. The following, along with the Statement on Expected Rate Revenue (page 80) incorporates these changes.

Business Impact Statement

Council considers the impact of rates on all businesses in the Council area, including primary production. In considering the impact, the Council assesses the following matters:

- Feedback received as a part of the consultation process on the draft Annual Business Plan
- Those elements of the Council's strategic management plan relating to business development which includes:
 - the development and management of tourism to capitalise on the strengths of the region;
 - achieving effective development with respect to economic activity and employment;
 - identifying new areas of land suitable for industry and business development;
 - supporting existing businesses, whilst attracting appropriate new businesses to the region.
- The equity of the distribution of the rate burden between classes of ratepayers which is primarily based on the equity principle of taxation, where ratepayers of similar wealth pay similar taxes,

and ratepayers of greater wealth pay more tax than ratepayers of lesser wealth. The rates are differentiated on the basis of land use. The rate in the dollar that is set for these land use categories has some regard to the services provided by the Council and used by the ratepayers who reside within these areas.

- Council's policy of facilitating local economic development, which is to encourage and assist in the provision and development of industry, commerce, training, strategic planning and coordination within the council area.
- Information from the Australian Bureau of Statistics and other data sources.
- Current local, state and national economic conditions and expected changes during the next financial year.
- Changes in the valuation of commercial and industrial properties from the previous financial year.
- Specific infrastructure maintenance issues that will significantly benefit businesses and primary producers will include the continuation of Town Centre Master Plan initiatives, CBD traffic infrastructure upgrades and the rural roads re-sheeting and re-sealing programs. Other projects include the vegetation clearance program for the trimming of trees on rural roads, the rural and urban storm water drainage programs and public car parking initiatives.
- The profile of businesses including size, range, type and level of employment provided. Victor Harbor has a broad cross section of employment by industry with the largest employment sectors being health care and social assistance, retail trade, construction, accommodation and food services, and education and training. Places of employment range from sole owner/operators through to large national companies employing many people.

Adoption of Values

Each year, the Valuer General values property as part of the annual General Valuation. This involves sales analysis and research so that values reflect the market as at the date of valuation. The City of Victor Harbor adopts valuations made by the Valuer General as provided to the Council. The property valuations are used to calculate each rateable property's contribution to the required rate revenue total.

Councils may adopt different valuation methodologies including:

- **Capital Value:** The value of the land and all improvements on the land.
- **Site Value:** The value of the land and any improvements which affect the amenity of use of the land such as drainage works but excluding the value of the buildings and other improvements
- **Annual Value:** A valuation of the rental potential of the land

The Statutes Amendment (Local Government Review) Act 2021 removed the ability to use site value as of 1 September 2023.

The City of Victor Harbor uses Capital Values provided by the Valuer General as the basis for valuing land and all of the improvements on the land within the Council area.

The Council considers that this method of valuing land provides the fairest method of distributing the rate burden across all ratepayers on the following basis:

- The equity principle of taxation requires that ratepayers of similar wealth pay similar taxes and ratepayers of greater wealth pay more tax than ratepayers of lesser wealth.
- Property value is a relatively good indicator of wealth, and capital value, which closely approximates the market value of a property, provides the best indicator of overall property value.

- The distribution of property values throughout the council area is such that, in percentage terms, few residential ratepayers will pay significantly more than the average rate per property.

Proposed capital valuations have increased as follows:

- 7% of properties have increased by less than 5%
- 50% of properties have increased by between 5% and 10%
- 43% of properties have increased by more than 10%

Capital valuations as at 22 June 2025 total \$8,261,732,240 of which \$8,057,390,841 is rateable.

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.

A notional value is generally less than the capital value and this will result in reduced rates. Application for a notional value must be made to the Office of the Valuer General.

Valuation Objections

A ratepayer may object to the valuation referred to in their rate notice by writing served personally or by post on the Valuer-General within 60 days after the date of service of the notice:

Please note:

- if you have previously received a notice or notices under the Local Government Act 1999 referring to the valuation and informing you of a 60 day objection period, the objection period is 60 days after service of the first such notice;
- you may not object to the valuation if the Valuer-General has already considered an objection by you to that valuation.

An objection is a formal process and there are specific legislative requirements for both you and the Valuer-General.

The 'Objection to a Property Valuation' form must be completed in full (online or in hardcopy), providing a detailed statement of your grounds for objection. If you do not meet these requirements, you may be contacted to provide further information.

The 'Objection to a Property Valuation' form is available at www.valuergeneral.sa.gov.au or by calling **1300 653 346**.

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

Rating Structure

Council has adopted a two tiered rating structure comprising of a fixed charge component and differential rates, set according to land use categories that are applied to the capital value of the property.

Fixed Charge

Council has imposed a fixed charge on properties in its area to establish a minimum base payment for each assessable property. Where two or more adjoining properties have the same owner and occupier, or where there is a single farm enterprise comprising more than one property, only one fixed charge is payable by the ratepayer.

In 2025/26, Council will maintain the fixed charge at \$495 per property. The fixed charge will recover approximately 17% of rate revenue with the remaining from differential rating.

Differential General Rates

The Council has imposed differential general rates based on the land use categories as permitted under the Local Government (General) Regulations.

The differential rates have regard to the range of services provided, the standard of those services, whether there are any specific budget expenses which may be unique to or benefit a specific land use and new initiatives which may target a specific sector or sectors.

Council's differential rate structure is outlined in the table below:

Category	Base Differential
Residential	Base rate
Commercial	Base rate + 30%
Industry	Base rate + 15%
Primary Production	Base rate - 10%
Vacant Land	Base rate + 50%
Other	Base rate

Further detail on the base differential is provided in the Statement on Expected Rate Revenue (page 80).

Separate Rate - Regional Landscape Levy

The Regional Landscape Levy, previously known as the Natural Resources Management (NRM) Levy, is a State Tax. Councils are required under the Landscape South Australia Act 2019 to collect the levy on all rateable properties on behalf of the State Government.

The total amount will be payable to the Hills and Fleurieu Landscape Board is \$742,053, with Council able to recover the amount prescribed under the Landscape South Australia Act 2019 for establishment and collection costs of \$6,748.

The rate collected is based on the capital value of all rateable properties as \$0.009304 cents in the dollar.

Rebates (Rate Capping)

Council provides relief against what would otherwise amount to substantial change in rates payable by the ratepayer due to substantive changes in valuation or changes to the basis of rating.

Upon application, Council will apply rate capping to general rates for the 2025/26 financial year and will grant to the principal ratepayer of an assessment where the residential property is the owner's principal place of residence a rebate of the amount by which the general rate amount payable exceeds the 2024/25 general rate payable by 15%.

The rebate would not apply where:

- the property has been acquired by the ratepayer or has become their principal place of residence after 1 January 2024;
- the increase in general rate payable is due in whole or in part to an increase in valuation of the property attributable to improvements.

To access the rebate the principal ratepayer must make personal application to Council, providing supporting documents where necessary and stating the grounds on which the rebate is being sought.

Rates Postponement (State Seniors Card Holders)

Section 182A of the Local Government Act 1999 provides for postponement of rates on the principal place of residence for seniors. Application can be made by seniors who hold a current senior's card and meet the criteria. The amount which can be postponed is any amount greater than \$500 (\$125 per quarter).

In accordance with Section 182A (12), interest will accrue on the postponed balances at a rate which is 1% above the cash advance debenture rate. The accrued debt is payable on disposal or sale of the property.

Application forms and more information may be obtained by contacting Council on 8551 0500.

Remission and Postponement of Rates

Section 182 of the Local Government Act 1999 permits a Council, on successful application of the ratepayer, to partially or wholly remit rates or to postpone rates, on the basis of hardship.

Where a ratepayer is suffering hardship in paying rates they are invited to contact Council on 8551 0500.

Council treats such enquiries confidentially.

Payment of Rates

One single payment is due on **1 September 2025**, or by quarterly instalment payments due on the following dates:

- 1st instalment – **1 September 2025**
- 2nd instalment – **1 December 2025**
- 3rd instalment – **1 March 2026**
- 4th instalment – **1 June 2026**

Rates will be accepted as follows:

- By **BPAY**, using a telephone or internet banking system that has this facility, and ensuring that council's biller code number 918532 and the customer reference number are used;
- online at **www.victor.sa.gov.au**;
- by phoning **1300 276 468** and using VISA or Mastercard;
- by **post**, with all cheques or money orders made payable to the City of Victor Harbor and sent to PO Box 11, Victor Harbor SA 5211;
- by **Direct Debit** from your nominated bank account (forms are available on Council's website at www.victor.sa.gov.au or by contacting Council on 8551 0500);
- in **person at the Council Civic Centre** at 1 Bay Road, Victor Harbor. Payments of cash, cheque or money order and credit cards are acceptable and EFTPOS facilities are also available;
- at any **Australia Post branch** upon presentation of the original Council rate notice.

Any ratepayer who may, or is likely to, experience difficulty with meeting the quarterly instalment payments should contact Council on 8551 0500 to discuss a payment arrangement.

Statement on Expected Rate Revenue

Note: These figures represent a considered estimate of Expected Rate Revenue based on the most current information available at the time of adoption of the Annual Business Plan and Budget (ABP&B)

	2024/25 (as adopted)	2025/26 (estimated)	Change	Comments
General Rates Revenue				
General Rates (existing properties)	\$29,438,768	\$31,575,447 (a)		
General Rates (new properties)	\$594,932	\$431,774 (b)		
General Rates (GROSS)	\$30,033,700	\$32,007,221 (c)		
Less: Mandatory Rebates	(\$289,227)	(\$295,549) (d)		
General Rates (NET)	\$29,744,473	\$31,711,672 (e)	6.6%	
		(e)=(c)+(d)		
Other Rates (inc. service charges)				
Regional Landscape Levy	\$740,255	\$742,053 (f)		The Regional Landscape Levy is a State tax, it is not retained by council.
	\$30,484,728	\$32,453,725		
Less: Discretionary Rebates	(\$34,473)	(\$36,387) (l)		
Expected Total Rates Revenue	\$29,710,000	\$31,675,285 (m)	6.6%	Excluding the Regional Landscape Levy and minus Mandatory and Discretionary Rebates.
		(m)=(e)+(g)+(h)+(i)+(j)+(k)+(l)		
Estimated growth in number of rateable properties				
Number of rateable properties	11,401	11,567 (n)	1.5%	
	Actual	Estimate		
'Growth' is defined in the regulations as where new properties have been created which has added rateable properties to council's ratepayer base. Growth can also increase the need and expenditure related to infrastructure, services and programs which support these properties and residents.				
Estimated average General Rates per rateable property				
Average per rateable property	\$2,634	\$2,767 (o)	5.0%	These 'averages' are based on the total of all rateable properties and are therefore not necessarily indicative of either the rate or change in rates that all ratepayers will experience
		(o)=(c)/(n)		
Councils use property valuations to calculate each rateable property's contribution to the required rate revenue total. Councils do not automatically receive more money because property values increase but this may alter how rates are apportioned (or divided) across each ratepayer (ie. some people may pay more or less rates, this is dependent on the change in value of their property relative to the overall valuation changes across the council area). The total General Rates paid by all rateable properties will equal the amount adopted in the budget.				

Notes

- (d) Councils are **required** under the Local Government Act to provide a rebate to qualifying properties under a number of categories:
- Health Services - 100 per cent
 - Religious purposes - 100 per cent
 - Royal Zoological Society of SA - 100 per cent
 - Community Services - 75 per cent
 - Public Cemeteries - 100 per cent
 - Educational purposes - 75 per cent
- The rates which are foregone via Mandatory Rebates are redistributed across the ratepayer base (ie. all other ratepayers are subsidising the rates contribution for those properties who receive the rebate).
- (e) Presented as required by the Local Government (Financial Management) Regulations 2011 reg 6(1)(ea)
- Please Note:** The percentage figure in (e) relates to the change in the total amount of General Rates revenue to be collected from all rateable properties, not from individual rateable properties (ie. individual rates will not necessarily change by this figure).
- (f) Councils are required under the Landscape South Australia Act 2019 to collect the levy on all rateable properties on behalf of the State Government. The levy helps to fund the operations of regional landscape boards who have responsibility for the management of the State's natural resources.
- (l) A council **may** grant a rebate of rates or service charges in a number of circumstances. The rates which are foregone via Discretionary Rebates are redistributed across the ratepayer base (ie. all other ratepayers are subsidising the rates contribution for those properties who receive the rebate).
- (m) Expected Total Rates Revenue excludes other charges such as penalties for late payment and legal and other costs recovered.
- (n) 'Growth' as defined in the Local Government (Financial Management) Regulations 2011 reg 6(2)

Note: These figures represent a considered estimate of Expected Rate Revenue based on the most current information available at the time of adoption of the Annual Business Plan and Budget (ABP&B)

Expected Rates Revenue

	Total expected revenue			No. of rateable properties		Average per rateable property			Cents in the \$	
	2024/25	2025/26	Change	2024/25	2025/26	2024/25	2025/26	Change	2025/26	
Land Use										
Residential	\$24,115,865	\$25,627,761	6%	9467	9620	\$2,547	\$2,664	(p)	\$117	0.3185
Commercial - Shop	\$1,022,226	\$1,093,108	6%	235	232	\$4,350	\$4,651	(p)	\$301	0.4141
Commercial - Office	\$155,183	\$168,186	10%	52	52	\$2,984	\$3,268	(p)	\$284	0.4141
Commercial - Other	\$967,198	\$1,031,741	10%	199	208	\$4,860	\$5,128	(p)	\$268	0.4141
Industry - Light	\$121,279	\$126,998	7%	59	56	\$2,056	\$2,308	(p)	\$253	0.3663
Industry - Other	\$57,090	\$64,698	12%	25	25	\$2,284	\$2,567	(p)	\$284	0.3663
Primary Production	\$2,013,517	\$2,165,553	5%	595	598	\$3,384	\$3,551	(p)	\$167	0.2866
Vacant Land	\$1,360,446	\$1,589,643	11%	714	722	\$1,905	\$2,088	(p)	\$182	0.4777
Other	\$220,897	\$239,398	8%	55	54	\$4,016	\$4,438	(p)	\$421	0.3185
GRAND TOTAL (GROSS)	\$30,033,701	\$32,007,220	6.6%	11,401	11,567	\$2,634	\$2,767	(p)	\$133	

Fixed Charge

	Total expected revenue			Charge		
	2024/25	2025/26	Change	2024/25	2025/26	Change
Fixed Charge	\$5,584,590	\$5,636,565	1%	\$495	\$495	(q) \$0

This revenue amount is included in the General Rates GROSS figure at (c)

Adopted valuation method

Capital Value/Site Value/Annual Value

Council has the option of adopting one of two valuation methodologies to assess the properties in its area for rating purposes:

- **Capital Value** – the value of the land and all improvements on the land; or
- **Annual Value** – a valuation of the rental potential of the property.

The City of Victor Harbor uses Capital Values provided by the Valuer General as the basis for valuing land and all of the improvements on the land within the Council area. The Council considers that this method of valuing land provides the fairest method of distributing the rate burden across all ratepayers on the following basis:

- The equity principle of taxation requires that ratepayers of similar wealth pay similar taxes and ratepayers of greater wealth pay more tax than ratepayers of lesser wealth.

- Property value is a relatively good indicator of wealth, and capital value, which closely approximates the market value of a property, provides the best indicator of overall property value.
- The distribution of property values throughout the council area is such that, in percentage terms, few residential ratepayers will pay significantly more than the average rate per property.

Notes

- (p) Average per rateable property calculated as General Rates for category, including any fixed charge or minimum rate (if applicable) but excluding any separate rates, divided by number of rateable properties within that category in the relevant financial year.
- (q) A fixed charge can be levied against the whole of an allotment (including land under a separate lease or licence) and only one fixed charge can be levied against two or more pieces of adjoining land (whether intercepted by a road or not) if they are owned by the same owner and occupied by the same occupier. Also if two or more pieces of rateable land within the area of the council constitute a single farm enterprise, only one fixed charge may be imposed against the whole of the land.
- (r) 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.

Appendix 1

Financial Statements

Uniform Presentation of Finances

For year ending 30 June 2026

	2024/25 DECEMBER REVIEW \$'000	2025/26 LTFP FORECAST \$'000	2025/26 DRAFT BUDGET \$'000
Operating Revenues	36,603	38,103	38,238
less Operating Expenses	(39,714)	(42,167)	(42,488)
Operating Surplus / (Deficit)	(3,111)	(4,064)	(4,250)
Net Outlays on Existing Assets			
Capital Expenditure on Renewal/Replacement of Existing Assets	(5,845)	(4,660)	(6,571)
Finance Lease payments for Right of Use Assets	-	(22)	
add back Depreciation, Amortisation and Impairment	9,970	10,668	10,648
add back Proceeds from Sale of Replaced Assets	207	151	151
Subtotal	4,332	6,137	4,228
Net Outlays on New and Upgraded Assets			
Capital Expenditure on New and Upgraded Assets	(10,134)	(7,883)	(12,017)
add back Amounts received specifically for new/upgraded assets	818	2,389	2,521
add back Proceeds from Sale of Surplus Assets	1,080	0	0
Subtotal	(8,236)	(5,494)	(9,496)
NET BORROWING FOR FINANCIAL YEAR	(3,904)	(3,421)	(9,518)
FINANCIAL INDICATORS			
Operating Surplus Ratio			
Operating surplus (deficit) expressed as a percentage of operating income	-8.5%	-10.7%	-11.1%
TARGET = 0% to 3%			
Adjusted Operating Surplus Ratio			
Operating surplus (deficit) expressed as a percentage of operating income excluding Major Projects (Corporate System Replacement / Sports and Recreation Precinct)	-4.2%	-2.6%	-3.0%
TARGET = 0% to 3%			
Net Financial Liabilities Ratio			
Total liabilities less financial assets (excluding equity accounted investments in Council Business) expressed as a percentage of total operating income.	50.6%	54.3%	47.3%
TARGET = Maximum of 90%			
Asset Renewal Funding Ratio			
Capital renewal expenditure as a percentage of recommended expenditure in Council's Asset Management Plans.	99.1%	100.0%	144.5%
TARGET = 90% to 110%			

Statement of Comprehensive Income

For year ending 30 June 2026

	2024/25 DECEMBER REVIEW \$'000	2025/26 LTFP FORECAST \$'000	2025/26 DRAFT BUDGET \$'000
OPERATING INCOME			
Rates	30,507	32,321	32,502
Statutory charges	678	695	689
User charges	2,018	2,069	2,204
Grants, subsidies and contributions	2,873	2,479	2,330
Investment income	37	37	42
Reimbursements	152	155	121
Other revenues	338	347	351
Net Gain - Equity Accounted Council Business	0	0	0
Total Income	36,603	38,103	38,238
OPERATING EXPENSES			
Employee costs	13,832	14,379	14,164
Materials, contracts and other expenses	15,030	16,355	17,096
Finance costs	460	535	350
Depreciation, amortisation and impairment	9,970	10,668	10,648
Net Loss - Equity Accounted Council Business	422	230	230
Total Expenses	39,714	42,167	42,488
OPERATING SURPLUS / (DEFICIT)	(3,111)	(4,064)	(4,250)
Asset Disposal and fair value adjustments	(1,000)	(1,000)	(1,000)
Amounts specifically for new or upgraded assets	818	2,580	2,521
Physical resources received free of charge	1,000	1,000	1,000
NET SURPLUS / (DEFICIT)	(2,293)	(1,484)	(1,729)
Other Comprehensive Income			
<i>Amounts which will not be reclassified subsequently to operating result</i>			
Changes in Revaluation Surplus - I,PP & E	17,703	16,700	26,021
Impairment / Recoupment Offset to Asset Revaluation Reserve	-	-	-
Total Other Comprehensive Income	17,703	16,700	26,021
Total Comprehensive Income	15,410	15,216	24,292

Statement of Financial Position

For year ending 30 June 2026

	2024/25 DECEMBER REVIEW \$'000	2025/26 LTFP FORECAST \$'000	2025/26 DRAFT BUDGET \$'000
ASSETS			
Current Assets			
Cash and Cash Equivalents	193	500	181
Trade and Other Receivables	731	2,013	1,697
Inventories	371	403	400
Total Current Assets	1,295	2,916	2,279
Non-Current Assets			
Financial Assets	359	358	459
Equity Accounted Investments in Council Business	11,048	10,688	10,818
Infrastructure, Property, Plant and Equipment	390,149	409,029	414,231
Other Non-Current Assets	4,000	3,304	4,000
Total Non-Current Assets	405,556	423,379	429,508
TOTAL ASSETS	406,851	426,295	431,787
LIABILITIES			
Current Liabilities			
Trade and Other Payables	2,886	4,813	1,587
Borrowings	672	712	696
Provisions	2,647	2,695	2,800
Total Current Liabilities	6,205	8,220	5,083
Non-Current Liabilities			
Borrowings	13,250	15,126	14,948
Provisions	332	232	400
Total Non-Current Liabilities	13,582	15,358	15,348
TOTAL LIABILITIES	19,787	23,578	20,431
NET ASSETS	387,064	402,717	411,356
EQUITY			
Accumulated Surplus	70,829	70,562	69,100
Asset Revaluation Reserve	315,503	331,423	341,524
Other Reserves	732	732	732
TOTAL EQUITY	387,064	402,717	411,356

Statement of Changes in Equity

For year ending 30 June 2026

	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000	TOTAL EQUITY \$'000
2024/25 DECEMBER BUDGET				
Balance at end of previous reporting period	73,940	297,800	732	372,472
a) Net Surplus / (Deficit) for Year	(3,111)	-	-	(3,111)
b) Other Comprehensive Income				
Gain (Loss) on Revaluation of I,PP&E	-	17,703	-	17,703
Total Comprehensive Income	(3,111)	17,703	-	14,592
c) Transfers between Reserves	-	-	-	-
Balance at end of period	70,829	315,503	732	387,064
2025/26 LTFF FORECAST				
Balance at end of previous reporting period	71,738	314,723	732	387,193
a) Net Surplus / (Deficit) for Year	(1,176)	-	-	(1,176)
b) Other Comprehensive Income				
Gain (Loss) on Revaluation of I,PP&E	-	16,700	-	16,700
Total Comprehensive Income	(1,176)	16,700	-	15,524
c) Transfers between Reserves	-	-	-	-
Balance at end of period	70,562	331,423	732	402,717
2025/26 DRAFT BUDGET				
Balance at end of previous reporting period	70,829	315,503	732	387,064
a) Net Surplus / (Deficit) for Year	(1,729)	-	-	(1,729)
b) Other Comprehensive Income				
Gain (Loss) on Revaluation of I,PP&E	-	26,021	-	26,021
Total Comprehensive Income	(1,729)	26,021	-	24,292
c) Transfers between Reserves	-	-	-	-
Balance at end of period	69,100	341,524	732	411,356

Cashflow Statement

For year ending 30 June 2026

	2024/25 DECEMBER REVIEW \$'000	2025/26 LTFP FORECAST \$'000	2025/26 DRAFT BUDGET \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Operating Receipts	36,080	38,039	36,540
Investment Receipts	37	37	42
Payments			
Operating Payments to Suppliers and Employees	(27,329)	(30,361)	(29,672)
Finance Payments	(460)	(541)	(350)
Net cash provided by (or used in) operating activities	8,328	7,174	6,560
CASHFLOWS FROM INVESTING ACTIVITIES			
Receipts			
Amounts Received Specifically for New or Upgraded Assets	818	2,432	2,521
Sale of replaced assets	207	151	151
Sale of surplus assets	1,080	0	0
Repayments of loans by community groups	34	0	34
Payments			
Expenditure on renewal/replacement of assets	(5,845)	(4,659)	(6,571)
Expenditure on new/upgraded assets	(10,134)	(7,883)	(12,017)
Loans made to community groups	0	0	0
Net cash provided by (or used in) investing activities	(13,840)	(9,959)	(15,882)
CASHFLOWS FROM FINANCING ACTIVITIES			
Receipts			
Proceeds from Borrowings	5,000	3,472	10,000
Proceeds from Bonds & Deposits	-	-	-
Payments			
Repayments of Borrowings	(648)	(672)	(672)
Repayment of Finance Lease Liabilities	(15)	(15)	(16)
Repayment of Bonds & Deposits	-	-	0
Net cash provided by (or used in) financing activities	4,337	2,785	9,312
NET INCREASE (DECREASE) IN CASH HELD	(1,175)	0	(11)
Cash & cash equivalents at beginning of period	1,367	500	192
CASH & CASH EQUIVALENTS AT END OF PERIOD	192	500	181



Appendix 2

Local Government Advice Report



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Advice

Local Government Advice

City of Victor Harbor

February 2024

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Enquiries concerning this advice should be addressed to:

Essential Services Commission
GPO Box 2605
Adelaide SA 5001

Telephone: (08) 8463 4444
Freecall: 1800 633 592 (SA and mobiles only)
E-mail: advice@escosa.sa.gov.au
Web: www.escosa.sa.gov.au

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City of Victor Harbor

AT A GLANCE

OVERVIEW

The Essential Services Commission finds the City of Victor Harbor's current and projected financial performance **mostly sustainable** taking into account the Council's operating surpluses over the past 10 years, along with strong infrastructure growth and increasing contributions from ratepayers and government grants, and the planned average rate increases of 3.2% p.a. per property over the next 10 years

RISKS IMPACTING SUSTAINABILITY

- ⚠ Each rateable property must cover a high amount of asset stock that requires ongoing maintenance and renewal costs
- ⚠ Forecast growth in rateable properties is lower than anticipated and not realised
- ⚠ If moderate growth in forecasted expenses is not realised and the Council maintains the current cost trajectory, ratepayers risk shouldering the burden through unexpected higher rate increases
- ⚠ High levels of new capital / infrastructure projects creating a stream of future liabilities associated with each asset

CONTINUE

- ✓ Reviewing inflation forecasts in the budget and forward projections
- ✓ Reviewing the rateable property growth forecasts in the budget projections each year to ensure that they remain current
- ✓ Reporting in the annual business plan the estimated average annual change for the five categories of land use
- ✓ Seeking grant funding for the two projects, but only to the extent that at least a reasonable proportion of these capital costs can be recouped through time

COMMISSION'S RECOMMENDATIONS

- Undertake a review of the long-term financial plan on an annual basis in accordance with the LG Act
- Report any actual cost savings in the annual budget and long-term financial plan
- Include efficiency goals and projected cost savings in the long-term financial plan
- Consider reviewing the timing, scale and need for the Precinct and proposed Arts Centre
- Provide more funding for the renewal of assets
- Consider recovering the costs for the regional community, sport and recreation precinct and the arts and culture centre via user pay charges instead of general rates
- Consider publicly separating out each project (the regional community, sport and recreation precinct and the Arts and Culture Centre) from the Council's overall accounts

KEY FACTS

- Population in 2021 was **16,139**
- Council covers **386 square kilometres**
- **11,100** rateable properties in 2022-23
- **\$26.2 million of rate income** in 2022-23
- Value of assets held in 2022-23 equals **\$391.1 million**



The Essential Services Commission is an independent statutory authority with functions in a range of essential services including water, sewerage, electricity, gas, rail and maritime services, and also has a general advisory function on economic matters. For more information, please visit www.escosa.sa.gov.au.

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Glossary of terms

ABS	Australian Bureau of Statistics
AMP	Asset management plan (also called an IAMP)
Commission	Essential Services Commission, established under the <i>Essential Services Commission Act 2002</i>
CPI	Consumer Price Index (Adelaide, All Groups)
Council	City of Victor Harbor
CWMS	Community Wastewater Management System
ESC Act	<i>Essential Services Commission Act 2002</i>
F&A	Local Government Advice: Framework and Approach – Final Report
FTE	Full Time Equivalent
IAMP	Infrastructure and asset management plan (also called an AMP)
LG Act	<i>Local Government Act 1999</i>
LGA SA Financial Indicators Paper	Local Government Association of South Australia, Financial Sustainability Information Paper 9 - Financial Indicators Revised May 2019
LGGC	Local Government Grants Commission
LGPI	Local Government Price Index
LTFP	Long-term financial plan
Regulations	<i>Local Government (Financial Management) Regulations 2011</i>
RBA	Reserve Bank of Australia
SACES	The South Australian Centre for Economic Studies
SEIFA	Socio-Economic Indexes for Areas
SMP	Strategic management plan
SG	Superannuation Guarantee
The scheme or advice	Local Government Advice Scheme

Legend:  Low-risk  Moderate-risk  High-risk

1 The Commission's key advice findings for the City of Victor Harbor

The Essential Services Commission (**Commission**) finds the City of Victor Harbor's (**Council's**) current financial performance to be **mostly sustainable**, with operating surpluses over the past 10 years, along with strong infrastructure growth and increasing contributions from ratepayers and government grants.

The Council's operating cost growth has been significant, particularly related to its contract-related expense growth but also related to its employee expenses growth. It has generated significant additional annual revenue in recent years, primarily to offset annual ongoing operating costs that have risen as a consequence of higher service levels through the provision of significant new and upgraded assets (which creates some risk which, on the available evidence, is being monitored and mitigated). The Council has projected improvement in financial performance, albeit that outcome is reliant on continued rate increases above inflation (noting that a significant proportion of its ratepayers are on fixed incomes) and achieving lower cost growth than it has in the past.

Current financial performance:



Unsustainable	Potentially Unsustainable	Mostly Sustainable	Sustainable
---------------	---------------------------	---------------------------	-------------

Projected financial performance (future):



Unsustainable	Potentially Unsustainable	Mostly Sustainable	Sustainable
---------------	---------------------------	---------------------------	-------------

Previous financial performance (past ten years):



Unsustainable	Potentially Unsustainable	Mostly Sustainable	Sustainable
---------------	---------------------------	---------------------------	-------------

However, it faces emerging risks in relation to rateable property growth and, related to that, the costs associated with proposed major infrastructure projects.

Given those factors, its projected (future) financial performance is **mostly sustainable**, risking forecast operating deficits (in the short term) if the forecast growth in rateable properties does not occur, either at all or takes longer to materialise, from its revenue base, including rates revenue, being stretched to meet the service level requirements of cost growth resulting from new properties and growing infrastructure base.

Noting that the Council's projections are reliant on higher growth assumptions, the Commission considers it important for the Council to continue to closely monitor growth outcomes, to ensure that its costs align to actual growth achieved – including having contingency plans to defer or avoid costs and new infrastructure if forecast growth does not eventuate. In addition, the Council should focus on achieving scalability, so that the marginal cost of serving a new ratepayer is financially sustainable.

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Budgeting considerations

1. **Undertake** a review of its long-term financial plan on annual basis in accordance with s.122(4)(a)(i) of the LG Act.
2. **Continue** its good practice of reviewing inflation forecasts in its budget and forward projections, given the potential for higher short-term inflation outcomes, followed by a return to long-term averages.
3. **Continue** its good practice of reviewing the rateable property growth forecasts in budget projections each year, to ensure that they remain current and do not create a need for additional rate increases to generate the same level of projected revenue.

Provide evidence of ongoing cost efficiencies

4. **Report** any actual cost savings in annual budgets (and long-term financial plans, as appropriate), to provide evidence of cost growth constraint and efficiency achievement across its operations and service delivery.
5. **Include** efficiency goals and projected cost savings in long-term financial plans, to provide further evidence of cost growth constraint and efficiency achievement across its operations and service delivery.

Refinements to asset management planning

6. **Consider** reviewing the timing, scale and need of the Precinct and proposed Arts Centre.
7. **Provide** more funding for asset renewal, rather than prioritising initiatives which involve new or upgraded infrastructure.

Reporting and containing rate level

8. **Continue reporting** in annual business plans the estimated average annual change for its five categories of land use, together with the quantum of annual revenue it expects to collect from these different categories of rates.
9. **Consider** recovering the costs for the Precinct and proposed Arts Centre via user pay charges instead of general rates.
10. **Consider** publicly separating out each project in the Council's overall accounts.
11. **Continue** to seek grant funding for the Precinct and Arts Centre projects, noting the need to recoup a reasonable proportion of grant-funded capital costs over time from users.

2 About the advice

The Essential Services Commission (**Commission**), South Australia's independent economic regulator and advisory body, has been given a role by the Parliament to provide advice on material changes proposed by local Councils in relation to elements of their strategic management plans (**SMPs**) and on the proposed revenue sources, including rates, which underpin those plans.¹

One of the main purposes of the Local Government Advice Scheme (**advice** or **the scheme**) is to support Councils to make 'financially sustainable' decisions relating to their annual business plans and budgets in the context of their long-term financial plans (**LTFPs**) and infrastructure and asset management plans (**IAMPs**)² – both required as part of a Council's SMP.³ Financial sustainability is considered to encompass intergenerational equity,⁴ as well as program (service level) and rates stability in this context.⁵ The other main purpose is for the Commission to consider ratepayer contributions in the context of revenue sources, outlined in the LTFP.⁶ In addition, the Commission has discretion to provide advice on any other aspect of a Council's LTFP or IAMP it considers appropriate, having regard to the circumstances of that Council.⁷

The first cycle of the scheme extends over four years from 2022-23 to 2025-26, and the Commission has selected 17 Councils for advice in the second scheme year (2023-24), including the City of Victor Harbor.

This report provides the Local Government Advice for the Council in 2023-24.

The Council is obliged under the *Local Government Act 1999* (**LG Act**) to publish this advice and its response, if applicable, in its 2024-25 annual business plan (including any draft annual business plan) and subsequent plans until the next cycle of the scheme.⁸ It does not need to publish the attachment to the advice (these will be available with the advice on the Commission's website⁹), nor is it compelled under the LG Act to follow the advice.

The Commission thanks the Council for providing relevant information, and for meeting with and engaging with Commission staff to assist the Commission in preparing this advice.

2.1 Summary of advice

The Commission finds the City of Victor Harbor's (**Council's**) current financial performance to be mostly sustainable, with operating surpluses over the past ten years, along with strong infrastructure growth and increasing contributions from ratepayers and government grants.

The Council's operating cost growth has been significant, particularly related to its contract-related expense growth but also related to its employee expenses growth. It has generated significant additional annual revenue in recent years, primarily to offset annual ongoing operating costs that have risen as a consequence of higher service levels through the provision of significant new and upgraded assets (which creates some risk which, on the available evidence, is being monitored and mitigated). The Council has projected improvement in financial performance, albeit that outcome is reliant on continued rate increases above inflation (noting that a significant proportion of its ratepayers are on fixed incomes) and achieving lower cost growth than it has in the past.

¹ Amendments to the LG Act (s122(1c) to (1k) and (9)) specify the responsibilities for the Commission and local Councils for the Local Government Scheme Advice. The Commission must provide advice to each Council in accordance with the matters outlined in s122(1e), (1f) and (1g).

² Commonly referred to as asset management plans.

³ The objectives of the advice with reference to a Council's LTFP and IAMPs are presented under LG Act, s122(1g). LG Act s122(1) specifies the requirements of a Council's SMP, including the LTFP and IAMPs.

⁴ 'Intergenerational equity' relates to fairly sharing services and the revenue generated to fund the services between current and future ratepayers.

⁵ Commission, *Framework and Approach – Final Report*, August 2022, pp. 2-3, available at www.escosa.sa.gov.au/advice/advice-to-local-government.

⁶ LG Act s122(1f)(a) and (1g)(a)(ii).

⁷ LG Act s122(1f)(b) and (1g)(b).

⁸ LG Act s122(1h).

⁹ The Commission must publish its advice under LG Act s122(1i)(a).

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However, it faces emerging risks in relation to rateable property growth and, related to that, the costs associated with proposed major infrastructure projects.

Given those factors, its projected (future) financial performance is **mostly sustainable**, risking forecast operating deficits (in the short term) if the forecast growth in rateable properties does not occur, either at all or takes longer to materialise, from its revenue base, including rates revenue, being stretched to meet the service level requirements of cost growth resulting from new properties and growing infrastructure base.

The Council's operating cost growth has been significant, particularly related to its contract-related expenses growth but also in part to its employee expenses growth.¹⁰ The Council has generated significant additional annual revenue in recent years, primarily to offset annual ongoing operating costs that have risen because of higher service levels delivered through significant new and upgraded assets.

In terms of growth in rateable properties, the Council has forecast an increase to 0.9 percent per annum (10 years to 2032-33), which is higher than historical growth of 0.4 percent per annum (10 years to 2021-22). The Commission has observed that the Council has good existing practices in relation to forecasting and monitoring expected growth in rateable property levels. It encourages and advises the Council to continue to consolidate and focus on those practices – noting the risks which may emerge if it fails to do so.

In terms of major infrastructure, the Council already has high infrastructure levels (equivalent to approximately \$30,000 per ratepayer, or some \$362.4 million in total)¹¹ and is planning to commence two major multi-year capital projects (with costs in the order of \$20 million each), subject to receiving partial grant funding on both projects: a regional community, sport and recreation Precinct (**Precinct**) and an Arts and Cultural Centre (**Arts Centre**).¹² It will be important for the Council to monitor costs associated with both existing infrastructure as well as with the proposed two major projects. In the latter context, the Council will need to carefully consider and plan for how it might recover capital costs (depreciation) associated with the projects, to ensure asset condition is maintained (for the community's benefit) over time. These risks may be exacerbated if forecast rateable property growth levels are not realised: the additional costs of new infrastructure will be borne by a lower-than-anticipated ratepayer base.

The Council's forward projections from 2023-24 forecast a gradually improved financial sustainability outlook, with:

- ▶ the rate of operating revenue growth set to outpace expense growth,
- ▶ continued rate increases, above the rate of the Reserve Bank of Australia (RBA)-based forecast inflation,
- ▶ lower average cost growth than experienced over the past 10 years, and
- ▶ the prioritisation of asset spending away from new and upgraded assets towards renewal and rehabilitation capital works projects.

The Commission notes the Council's current good practice of reporting in its annual business plan the estimated average annual change for its five categories of land use, together with the quantum of annual revenue it expects to collect from these different categories of rates. This provides greater clarity and transparency to its ratepayers. For this reason, the Commission considers that it would be appropriate for the Council to:

1. **Continue reporting** in its annual business plans the estimated average annual change for its five categories of land use, together with the quantum of annual revenue it expects to collect from these different categories of rates.

¹⁰ Materials, contracts and other expenses and employee expenses have increased by an annual average of 5.3 percent and 3.5 percent in the 10 years to 2021-22.

¹¹ For 2021-22.

¹² City of Victor Harbor, 2024-2033 long-term financial plan, June 2023, pp. 14.

The Commission considers that there may be opportunities to achieve greater savings and efficiencies in the Council's recurrent budget and encourages it to review and report on those. This could include cross council collaboration with equipment, skills and resources shared with neighbouring councils. In general, a focus on managing growth-related assumptions and consulting with its community about rate contributions and service levels should help the Council to identify and act upon opportunities to mitigate any affordability risks to the community.

2.2 Detailed advice findings

The next sections summarise the Commission's more detailed observations, findings and advice regarding the Council's material changes to its 2023-24 plans (compared with the 2021-22 plans), its financial sustainability (in the context of its long-term operating performance, net financial liabilities, and asset renewals expenditure) and its current and projected rate levels.

In providing this advice, the Commission has followed the approach it previously explained in the Framework and Approach – Final Report (F&A). The attachment explores these matters further.¹³

2.2.1 Advice on material plan amendments in 2023-24

Key Points:

-  A review of the 2022-23 long-term financial plan was not undertaken.
-  An additional increase in income of \$44.6 million (15.8 percent) in total operating income and \$48.8 million (17.6 percent) in total operating expenses from the 2021-22 to the 2023-24 long-term financial plan.

The Council was not able to finalise or review the 2022-23 LTFP due to staff shortages and absences during the year.¹⁴ The Council has, however, provided to the Commission a letter outlining the material amendments from the 2021-22 to the 2023-24 LTFPs.

While that information is useful for the purposes of this advice, for public transparency reasons the Council should:

2. **Undertake** a review of its long-term financial plan on annual basis in accordance with s.122(4)(a)(i) of the LG Act.

The Council's 2023-24 LTFP includes increases to both its projected income and expenditure items to 2030-31, compared with the 2021-22 forecasts,¹⁵ as follows:

- ▶ An additional increase in income of \$44.6 million (15.8 percent) in total operating income and \$48.8 million (17.6 percent) in total operating expenses.
- ▶ An additional \$13.4 million or 30.8 percent in capital expenditure on renewal of assets and \$14 million or 23.9 percent on capital expenditure on new assets.

The inflation index applied in the 2023-24 LTFP assumes an increase of 7.9 percent in 2023-24 before decreasing to 3.6 percent in 2024-25 and 3.0 percent in 2025-26. Thereafter, indexation has been applied at 2.5 percent each year to 2032-33. This is an upward revision to the assumptions in its 2021-22 LTFP estimates, which projected average CPI growth of 3.3 percent annually between 2023-24 and 2030-31.

The RBA currently forecasts the CPI (Australia-wide) to increase by 3.6 percent in the year to the June 2024 quarter and by 3.1 percent in the year to June 2025. Thereafter, it is reasonable to anticipate a

¹³ The attachment will be available on the Commission's website with the Advice.

¹⁴ City of Victor Harbor – Response to follow up questions letter -ESCOSA and Council meeting. December 2023, pp. 2.

¹⁵ The overlapping forecast period in both LTFPs (2021-22 to 2030-31 and 2023-24 to 2032-33).

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return to long-run averages (and growth of 2.5 percent per annum from 2025-26, based on the midpoint of the RBA's 2 to 3 percent target range).

The Commission notes that the Council's stated assumptions for indexation in its 2023-24 LTFP are based on its annual review of these forecasts. The Commission considers that such annual reviews of assumptions reflect best practice and supports the Council in continuing to undertake such annual reviews. For this reason, it would be appropriate for the Council to:

3. **Continue** its good practice of reviewing inflation forecasts in its budget and forward projections, given the potential for higher short-term inflation outcomes, followed by a return to long-term averages.

2.2.2 Advice on financial sustainability

Operating performance

Key Points:

- ✓ Operating surpluses consistently observed between 2012-13 to 2021-22, with the operating surplus ratio averaging 1.6 percent in that time.
- ⚠ 'Materials, contracts and other' expense increased at 5.3 percent from 2012-13 to 2021-22, and Employee and depreciation expenses both increased by an average of 3.5 and 4.7 percent per annum, respectively.
- ✓ Average operating expenses per rateable property between 2023-24 and 2032-33 are forecast to increase on average by 2.3 percent per annum, which is 0.3 percent less than the long-term RBA-based forecast inflation over the same period.
- ⚠ The operating surplus ratio is forecast to meet the suggested LGA target range from 2023-24 to 2032-33 averaging 0.5 percent per annum, but this is heavily reliant on rateable property growth of 0.9 percent per annum being realised, which is more than double that of historical property growth.

The Council has reported nine operating surpluses¹⁶ within the period 2012-13 to 2021-22, with an average operating surplus ratio¹⁷ of 1.6 percent over these years. This is within the lower portion of the suggested LGA target range for the ratio.¹⁸ In the same period, the Council's operating income growth and operating expense growth increased at more than twice the rate of inflation: operating income growth averaged 4.6 percent per annum and operating expense growth averaged 4.2 percent per annum,¹⁹ while average annual CPI growth was 2.0 percent.²⁰

The increase in income was due to an average increase in rates revenue of 4.9 percent per annum, and a 6.7 percent increase in grants, subsidies and contributions. At the same time, property growth averaged 0.4 percent annually.

¹⁶ This means the Council's operating income (including rates and other revenue sources but excluding capital grants, subsidies, and contributions) have exceeded operating expenses (including depreciation).

¹⁷ The operating surplus ratio is defined as: Operating Surplus (Deficit) ÷ Total Operating Income. The general target is to achieve, on average over time, an operating surplus ratio of between zero and 10 percent (Local Government Association of South Australia, *Financial Sustainability Information Paper 9 - Financial Indicators Revised*, May 2019 (**LGA SA Financial Indicators Paper**), p. 6).

¹⁸ The general target is to achieve, on average over time, an operating surplus ratio of between zero and 10 percent (Local Government Association of South Australia, *Financial Sustainability Information Paper 9 - Financial Indicators Revised*, May 2019 (**LGA SA Financial Indicators Paper**), p. 6).

¹⁹ Based on the compound average annual growth rate formula (which is the adopted approach to calculating average annual growth rates throughout the Commission's advice).

²⁰ CPI (All groups). Average annual growth in the LGPI published by the South Australian Centre for Economic Studies was similar (at 2.0 percent), available at <https://www.adelaide.edu.au/saces/economic-and-social-indicators/local-government-price-index>.

On the cost side, its 'materials, contracts and other' expenses increased at 5.3 percent across the period 2012-13 to 2021-22. Employee and depreciation expenses both increased by an average of 3.5 and 4.7 percent per annum during that same time.

The Commission has observed that the Council has good existing practices in relation to forecasting and monitoring expected growth in rateable property levels. It advises that the Council should continue to consolidate and focus on those practices – noting the risks (explained below) which may emerge if it fails to do so.

The Council is forecasting growth in rateable properties to be 0.9 percent per annum (10 years to 2032-33), which is higher than historical growth of 0.4 percent per annum (10 years to 2021-22). The Commission notes that achieving this forecast rateable property growth would require new housing expansion at twice the rate of the historical expansion and would need to be completed at a rapid pace – which may be challenging in the current construction environment. The Council has advised the Commission that it has parcels of land that are either currently subdivided or in the pipeline for subdivision for residential, retail and commercial spaces.²¹ The Council is also forecasting an increase in commercial development, due to the growth in population and visitors to the area.²²

Average operating expenses per rateable property are projected to increase at 2.3 percent (nominally) in the 10 years to 2032-33 (the increase over the 10 years to 2021-22 was 3.8 percent). At the same time, average operating income per property is forecast to increase by 3 percent (nominally) in the 10 years to 2031-32, which is above RBA-based forecast inflation.

The Council is forecasting an average operating surplus ratio of 0.5 percent in the 10 years to 2032-33. The Commission notes that, if the Council's growth in rateable properties remains at 0.4 percent instead of the forecast 0.9 percent for the 10 years to 2032-33, then there is likely to be a negative impact on the Council's operating performance in those years. If the forecast growth in rateable properties does not occur, and the Council cannot reverse the increases in costs in the short-term (for example, if contracts are locked in), this could place pressure on rate levels. Noting that the Council's projections are reliant, in part, on higher growth assumptions, the Commission considers it important for the Council to ensure that its costs align to actual growth achieved – including having contingency plans to defer or avoid costs and new infrastructure if forecast growth does not eventuate. For example, should growth not occur as forecast, existing ratepayers could bear a greater share of the capital costs and the stream of future liabilities associated with the Council's two major projects (the regional community, sport and recreation precinct and the arts and culture centre). In this overall context, the Commission acknowledges the Council's good practice of reviewing its rateable property forecasts annually, which should enable it to mitigate and manage the potential risks discussed above. The Commission therefore encourages the Council to:

4. **Continue** its good practice of reviewing the rateable property growth forecasts in budget projections each year, to ensure that they remain current and do not create a need for additional rate increases to generate the same level of projected revenue.

The Commission notes that the Council is forecasting lower average cost growth than it has experienced over the past 10 years. If the historical cost growth trajectory is maintained the Council may need to increase rates further to achieve operating surpluses. The risk appears greater in the short term with a deficit forecast for 2023-24 and very small surpluses forecast for the next four years to 2027-28 (the Council is forecasting a negative operating surplus ratio in 2023-24 of 4.3 percent and an average of only 0.2 percent in the next four years to 2027-28).

The Council is also proposing an additional rate rise component in 2024-25 to 2026-27 for the construction of the Precinct. This is due to an increase in expenses for borrowings and maintenance relating to the new facility. The impact for the Precinct-related component is an overall increase in rates of 5.5 percent, spread across the three years.

²¹ Correspondence (email) from the Council to the Commission, January 31, 2024.

²² Correspondence (email) from the Council to the Commission, January 31, 2024.

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To improve its operating position without the need for long-term rate increases, the Council may need to consider plans or strategies focusing on cost reduction to bring its operating budget into a surplus position sooner and maintain an operating surplus thereafter. It may also wish to consider the need, scale and timing of its two major infrastructure projects. These are likely to contribute to increasing costs, with the Council, in part, relying on spreading these costs over high forecasts in rateable property growth. Those forecasts are more than twice the actual average annual growth delivered over the last ten years and would need to be delivered in what is generally accepted to be a more challenging construction environment than seen over that prior period.

The Commission notes that the Council has not factored any explicit savings into its 2022-23 annual business plan and budget nor is there any mention of efficiency gains or goals to be achieved in its forward budget or long-term financial plan. To ensure the Council is positioned to deliver its proposed operating performance, the Commission encourages it to:

5. **Report** any actual cost savings in its annual budgets (and long-term financial plans, as appropriate), to provide evidence of constraining cost growth and achieving efficiency across its operations and service delivery.
6. **Include** efficiency goals and projected cost savings in its long-term financial plan, to provide further evidence of projected cost growth constraint and efficiencies across its operations and service delivery.

Net financial liabilities

Key Points:

- ✓ The net financial liabilities ratio will meet the suggested LGA target range in its 2023-24 forecast and has projected an increase in the ratio from 48 percent in 2023-24 to 84.1 percent in 2032-33.
- ⚠ The net financial liabilities ratio is forecast to peak at 90.1 percent in 2026-27. Total borrowings also increase by \$3.9 million from the previous year to reach \$31.7 million in 2026-27 (total borrowings were \$12 million in 2023-24).
- ⚠ The net financial liabilities ratio is forecast to increase to an average of 78.1 percent in the five years to 2032-33, which reflects both the higher trend in borrowings and other liabilities.

The Council has predominantly used borrowings from the Local Government Finance Authority of South Australia (LGFA) to fund capital expenditure, with its net financial liabilities ratio²³ averaging 45 percent between 2012-13 and 2022-23. This is within the suggested LGA target range of between zero and 100 percent for the indicator.

The Council is intending to take on additional borrowings in both the short and longer term to help fund its corporate systems project²⁴ and construction of the Precinct in 2026-27 and in 2031-32 for the construction of an Arts and Culture Precinct. As a result, the net financial liabilities ratio is forecast to peak at 90.1 percent in 2026-27. Total borrowings are also forecast to increase by \$3.9 million from the previous year, to reach \$31.7 million in 2026-27 (total borrowings were \$12 million in 2023-24).

In 2031-32, the ratio is forecast to reach 84.1 percent when funding will be required to construct and

²³ The net financial liabilities ratio is defined as: Net financial liabilities ÷ Total operating income. This ratio measures the extent to which a Council's total operating income covers, or otherwise, its net financial liabilities. The suggested LGA target range is between zero and 100 percent of total operating income, but possibly higher in some circumstances (LGA SA Financial Indicators Paper, pp. 7-8).

²⁴ The Council is replacing its corporate software system which is used for its day-to-day organisational activities. The project is in third and final year.

deliver the Precinct and the Arts Centre. Total borrowings are forecast to increase by \$4.2 million from the previous year to reach \$36.4 million (its highest level).

The Council has undertaken community consultation on the Precinct project and asked the community to consider the potential cost implications of developing the Precinct. Two scenarios were presented for feedback: under the first, the Council would contribute \$10M towards the project construction and under the second it would contribute \$20M, with the associated (potential) cost to ratepayers required being \$45 per year for three years or \$60 per year for three years, respectively.²⁵ According to the Council's 2023-24 LTFP, this additional rate rise component would be driven by an increase in expenses for borrowings and maintenance on the new facility. However, the Commission notes that there will also be ongoing costs once the project is complete. It was also made clear that the project would be subject to Council achieving external funding of at least 50% towards the construction of the facility.²⁶

In the context of contributions, the Commission observes that the Council does not technically "contribute" to the funding of the Precinct. It is the Victor Harbour ratepayers that provide this funding, alongside contributions via sources independent of the Council. Even if the Council were to use reserves, these would have been accumulated through historical rates and charges paid by the Victor Harbour ratepayers. Overall, the two options put forward by the Council are variations on the theme of how much funding ratepayers will pay across the short and long term, as they will repay any loans and associated interest on these. They do not constitute differing level of contribution by the Council.

Further, the Commission also observes that community support from those that will fund the Precinct is not resounding. Of the 193 responses, 41 percent were supportive of the increase and around 27 percent did not support the rate increase. A further 10 percent indicated they were unsure if they supported the increase and the remaining 22 percent indicated they were not the Council's ratepayers but had an interest in the facility.

The Commission observes that people who are not Victor Harbour ratepayers may well favour facilities for which they bear no financial risk but can benefit from, by accessing facilities funded by the contributions of the Victor Harbour community. Excluding these responses gives a less favourable result, with opinion from those who do bear the financial risk being divided. Given this and the observations regarding the Council's rateable property growth assumptions, the Commission considers there is benefit in the Council reviewing the timing, scale and need of the Precinct and proposed Arts Centre. That said, the Council may also consider wider economic benefits arising from the projects – and if it does so it should be transparent about those assumptions in the public documents and plans.

As it stands, the Council has estimated that its net financial liabilities ratio will meet the suggested LGA target range in its 2023-24 forecast and has projected an increase in the ratio from 48 percent in 2023-24 to 84.1 percent in 2032-33. The ratio is forecast to increase to an average of 78.1 percent in the five years to 2032-33, which reflects both the higher trend in borrowings and other liabilities.

The Council's borrowing mix consists of a target of at least 30 percent of its gross debt to be in fixed rate borrowings and that no more than 25 percent of these borrowings to mature in any one year.²⁷ However, the Council does not provide any interest rate sensitivity analysis in its long-term financial plan. The analysis could be used to show its community what the potential impact to the Council's operating expenditure is over its 10 year LTFP as a result of, for example, a 1 percentage point increase or decrease in its effective interest rate in each year.

In addition, the Commission also notes that the Council has forecast its net financial liabilities ratio to be mostly within its internal target range each year to 2031-32, and within the suggested LGA target range²⁸ for the same period. However, when considered within the context of affordability risk among its rate payers and an average annual operating surplus ratio of only 0.5 percent to 2031-32 it may be appropriate for the Council to consider strategies which might support it to reduce its level of net financial liabilities.

²⁵ City of Victor Harbor, 2024 – 2033 long-term financial plan, June 2023, pp. 14.

²⁶ City of Victor Harbor, 2024 – 2033 long-term financial plan, June 2023, pp. 14.

²⁷ City of Victor Harbor, 2024 – 2033 long-term financial plan, June 2023, pp. 16.

²⁸ The suggested LGA target range is between zero and 100 percent of total operating income, but possibly higher in some circumstances (LGA SA Financial Indicators Paper, pp. 7-8).

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In that context, the Commission has noted that the Council's LTFP does not outline how it proposes to reduce its level of net financial liabilities. By not doing so, the Council risks a greater burden of revenue shifting to existing ratepayers to achieve operating surpluses that can be used to repay borrowings, noting that the average rate per rateable property is already high.²⁹ This highlights the potential benefits of the Council reviewing the proposal for the Precinct and Art Centre noted previously. For this reason, the Commission considers that it would be appropriate for the Council to:

7. **Consider** reviewing the timing, scale and need of the proposed Precinct and Arts Centre.

Asset renewals expenditure

Key Points:

-  Between 2012-13 and 2021-22, the Council averaged 71 percent on its asset renewal funding ratio (under the 'IAMP-based' approach), implying an underspend on the renewal and rehabilitation needs of its existing asset stock over this period. Over this period, the spending on renewal and rehabilitation of assets averaged \$3.3 million each year.
-  From 2023-24 to 2032-33, the asset renewal ratio is forecast to rise to an average of 97 percent. Average annual spending on renewal or rehabilitation of assets is projected to increase to \$7.3 million (in nominal terms).
-  The asset stock per rateable property was \$32,963 in 2021-22, which is high relative to other councils, and this is forecast to increase at an annual rate of 2.5 percent in the 10 years to 2032-33, reaching \$42,321 per rateable property in 2032-33.
-  There is a risk that the Council is understating its depreciation and asset renewal expense and overstating its operating surplus ratio, requiring a greater burden of revenue from existing ratepayers to achieve operating surpluses due to lapsing asset revaluations.
-  There is a risk that the Council may not be able to adequately manage its asset stock over the longer term, particularly with two potential new, large infrastructure projects (the Precinct and the Arts Centre) that will each create a stream of additional future liabilities.

Between 2012-13 and 2021-22, the Council averaged 71 percent on its asset renewal funding ratio³⁰ (under the 'IAMP-based' approach),³¹ implying an underspend on the renewal and rehabilitation needs of its existing asset stock over this period. The Council's spending on renewal and rehabilitation of assets averaged \$3.3 million each year (over this period).

From 2023-24 to 2032-33, the ratio is forecast to rise to an average of 97 percent. Average annual spending on renewal or rehabilitation of assets is projected to increase to \$7.3 million (in nominal terms). Included in this future spend on renewals is a portion of funding allocated for the Council's fleet, plant, equipment, furniture and fittings (annual average of \$1million in the 10 years to 2032-33).

From 2012-13 to 2021-22, the Council spent more on new and upgraded assets than the renewal and rehabilitation of its existing stock, averaging \$5 million per annum on new or upgraded assets, compared with \$3.5 million per annum on the renewal of its existing asset base.

²⁹ Refer to Councils in Focus rates data for 2021-22 available at: https://councilsinfocus.sa.gov.au/councils/city_of_victor_harbor The Commission is not relying on these rate comparisons for its advice; the data source provides one indicator, among many, which has informed its advice on the appropriateness of the rate levels.

³⁰ The IAMP-based method is the current industry standard whereby asset renewal/replacement expenditure is divided by the recommended expenditure in the IAMP (or AMP). Ideally, this will show the extent to which a Council's renewal or replacement expenditure matches the need for this expenditure, as recommended by the plan. The suggested LGA target range for the ratio is 90 to 110 percent (LGA SA Financial Indicators Paper, p. 9).

³¹ The quoted averages for the ratio are based on 'net asset renewal expenditure' (after the sale of replaced assets) rather than 'gross asset renewal expenditure'.

The expenditure on new and upgraded assets includes a portion of grant funding for certain projects. The growth in its asset base reflects a combination of capital expenditure and other asset accumulation by the Council (including those assets provided by developers), as well as asset revaluations over this period. This has led to an average annual increase in the value of the asset stock per property of 4.3 percent, or \$1,164 each year over the 10 years to 2021-22.

The Commission notes that the Council's asset stock per rateable property was \$32,963 in 2021-22, which is high relative to other councils and is forecast to increase at an annual rate of 2.5 percent in the 10 years to 2032-33, reaching \$42,321 per rateable property in 2032-33. The Council's high level of asset stock could present a challenge to effectively manage over the longer term for a community of Council's size. The Council will need to assess the risk of adding new infrastructure in the context of creating a stream of future liabilities associated with each asset. If the Council's rateable property growth is less than the Council's expectations the risk of this will increase, particularly if the Council's two significant projects (the Precinct and the Arts Centre) are undertaken. This is because a greater burden of revenue could be required from existing ratepayers in order to maintain its growing asset base and achieve forecast surpluses.

The Commission also notes that the Council is using an external party to value its assets and is spreading the asset class revaluations across a 4-year cycle. On 1 July 2020, land and buildings were revalued, resulting in a \$29.5 million asset value increase.³² On 30 June 2022 roads, kerbs, footpaths, car parks and traffic devices were revalued, resulting in an asset revaluation increase of \$56.9 million.³³

The Council's land, buildings, open space assets and stormwater assets have not been revalued in the last two years. Of note, the cost of asset replacement during this period has risen. The risk associated with not valuing assets, and/or not accurately assessing the condition of those assets (including their remaining life), is that the depreciation expense may be understated, and assets may not be renewed within the appropriate time. This could result in assets requiring replacement sooner than otherwise expected and/or that renewal costs potentially being higher than anticipated.

As a consequence, the risk for the Council is that it may be understating its depreciation and asset renewal expense and overstating its operating surplus ratio, requiring a higher revenue from existing ratepayers in order to achieve forecast operating surpluses.

This is contributing to the risk that the Council may not be able to appropriately fund the management of its asset stock over the longer term, particularly with two potential new projects that will create a stream of additional future liabilities for each asset/project. The Commission considers that it would be appropriate for the Council to:

8. **Provide** more funding to the renewal of its assets, rather than prioritising initiatives which involve new or upgraded infrastructure.

Asset renewals can also be evaluated by the depreciation-based asset renewal funding ratio,³⁴ which is projected to track lower than the recommended³⁵ minimum level (for the IAMP-based ratio) of 90 percent, averaging 66.4 percent per annum to 2032-33. While the ratios reflect a small shift in the Council's asset spending priorities towards asset renewals rather than new and upgrade asset expenditures, the amount of spending is below the LG target range of 90-110 percent.

Historically (between 2012-13 to 2021-22) depreciation expenses outpaced renewal capital expenditure by a significant margin (totalling \$26 million over ten years) and the gap is set to increase over the

³² City of Victor Harbor, 2020-21 annual report, November 2021, p. 129.

³³ City of Victor Harbor, 2021-22 annual report, November 2022, p. 146.

³⁴ The Council's asset renewal funding ratio by the depreciation-based method (where asset renewal/replacement expenditure is divided by depreciation expenses). This ratio shows the extent to which capital expenditure on the renewal and replacement of assets matches the estimated rate at which these assets are used or consumed.

³⁵ The suggested LGA target range for the (IAMP-based) ratio is 90 to 110 percent (LGA SA Financial Indicators Paper, p. 9).

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forecast period to \$34 million. This indicates that assets may not require renewal as often as the depreciation schedule predicts, or that under expenditure (on renewals) may be occurring.

The Council has individual asset management plans (**AMP**) for the following asset classes: land, buildings, open space, roads, footpaths, car parks and traffic devices, bridges, stormwater, kerb and channel. The AMPs provide a breakdown of the assets within each respective asset class and the proposed capital works are fed into the Council's LTFP.

The Council's capital works programme includes 10 years of asset renewal projections, in alignment with Council's long-term financial plan. Asset revaluations are spread across a four-year cycle and, along with current asset portfolio data and condition data including useful lives, are updated into the AMP's.

The Commission notes that the 10-year forward renewal plan is a rolling indicator of future renewal investment requirements based on the expected remaining life of the Council's assets and each asset class's renewal strategy.

The Commission's notes that the Council is gradually revaluing its asset base. However, its asset base is high for a council of its size which it will find challenging to manage. On balance, the Council's strategic planning processes does not appear to align with observed good practice for a Council of its size and complexity.

2.2.3 Advice on current and projected rate levels

Key Points:

-  Rate revenue per property growth has averaged 4.5 percent per annum for each property in the period between 2012-13 and 2021-22, which is 2.5 percent above CPI for the same period.
-  Forecast rate revenue growth increase of 3.2 percent per annum per property from 2023-24 to 2032-33, which is 0.6 percent above the RBA-based forecast of inflation over the same period.
-  Affordability risk among the community for these further increases may be high, for the following reasons:
 - ▶ The current economic environment is putting pressure on many communities' financial capacity, including those in the Council area.
 - ▶ The Council has a mid-range socio-economic index for area (SEIFA) economic resources ranking.
 - ▶ According to the Council's 2023-24 LTFP, around 39 percent of the Council's community are welfare dependent and 42 percent of the population are aged over 65 years old.
 - ▶ The Council already has relatively high average rates.

The Council's rate revenue per property growth has averaged 4.5 percent, or \$81 per annum for each property, over the past 10 years,³⁶ to reach an estimated \$2,254 per property in 2021-22. This has exceeded CPI growth of an average of 2.0 percent per annum over this period, resulting in rates increasing in real terms (but also encompasses 0.4 percent average annual growth in rateable property numbers).³⁷

Current rate levels partially reflect the Council's recent history of spending growth, predominantly on capital expenditure (on renewals, and new and upgraded assets), higher employee related costs, and materials, contract and other expenses.

³⁶ From 2012-13 to 2021-22.

³⁷ CPI Adelaide (All groups). Average annual growth in the LGPI published by the South Australian Centre for Economic Studies was similar (at 2.0 percent). Available at <https://www.adelaide.edu.au/saces/economic-and-social-indicators/local-government-price-index>

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The Council has budgeted for an average rate increase of 6.6 percent, or \$153 per property, for its existing ratepayers in 2023-24.³⁸ The rates increase reflects higher short-term inflation (estimated by the Council to be 7.9 percent).³⁹ The Council's growth in rateable properties between 2012-13 and 2021-22 was 0.4 percent. In 2022-23, it had 11,097 rateable properties and the Council expects this to increase to 11,214 in 2023-24, a 1.1 percent growth in rateable properties.⁴⁰

Between 2023-24 and 2032-33, the average rate across all categories is forecast to increase from \$2,543 per property to \$3,386, per property,⁴¹ a cumulative increase of \$842 per property. This equates to a 3.2 percent average annual increase (between 2023-24 and 2032-33), which is above the RBA-based forecast average inflation of 2.6 percent per annum.⁴²

The Council's has two significant intergenerational capital projects, the Precinct and the Art Centre, which are included in its latest LTFP and IAMPs. Cost estimates have increased by \$2m for each project from the 2021-22 LTFP⁴⁴ to \$21.07 million for the precinct and \$21.6 million for the arts centre.⁴⁵

The Commission considers there is benefit in the Council considering whether or not it can, or should, recover the costs of these projects via a separate charge relating to the demand for the facilities instead of through the general rates. The Council already has relatively high average rates (across most ratepayers)⁴⁶ and community feedback from those that will bear the financial risk appears divided.

In addition, recovering the costs through rates will require ratepayers who do not use these services to nevertheless pay for them. While it may be the case that some contribution would be appropriate, given potential wider positive economic outcomes arising from the two projects (increased tourism, use of other entertainment facilities, such as local restaurants and pubs, and the like), having separate charges based on covering (partly or entirely) the costs of the Precinct and Arts Centre would place more focus on ensuring the infrastructure is sized to meet demand. This, in turn, would emphasise the need for careful design and community consultation at the appropriate level, as well as the need for transparency as to user-pays versus wider economic benefit assumptions. The Council could also consider seeking a contribution or joint ownership with neighbouring councils given residents of these councils are likely to use these facilities.

The Commission also considers there is benefit in the Council considering separating both the Precinct and Arts Centre out in its public accounts. This will help the Council to identify whether the projects are covering their costs and the extent, if any, of any subsidy contributed through general rates. Additionally, it will help improve transparency regarding the performance of the projects. The Commission also considers that it may also be necessary for competitive neutrality reasons, if these projects are competing with private sector ventures in the same market. As a result, the Commission considers it appropriate for the Council to:

³⁸ Based on the Council's 2023-24 annual business plan and its Excel template (with the 2023-24 forecasts) provided to the Commission. The Commission has used \$28.5 million (in 2023-24 budgeted rates revenue) compared to unaudited 2022-23 estimates. Individual rate level changes may be higher or lower depending on the rates category and property value.

³⁹ City of Victor Harbor, 2023-24 long-term financial plan, June 2023, p. 10.

⁴⁰ City of Victor Harbor, 2023-24 annual business plan, June 2023, p. 64.

⁴¹ This includes rates growth of 0.9 percent expected each year.

⁴² The rates and property growth estimates are based on the 2023-24 LTFP estimates provided by the Council to the Commission (in an Excel template).

⁴³ The forecast average annual growth in the CPI from 2023-24 to 2032-33 is estimated to be 2.6 percent based on Reserve Bank of Australia (RBA) forecasts for the CPI (Australia wide) to December 2025 (and the Commission's calculations of average annual percentage growth) and the midpoint of the RBA's target range (2.5 percent) from 2025-26.

⁴⁴ City of Victor Harbor – Information requirements letter, September 2023, pp. 3.

⁴⁵ City of Victor Harbor, 2024 – 2033 long-term financial plan, June 2023, pp. 26.

⁴⁶ Refer to Councils in Focus rates data for 2021-22 available at: https://councilsinfocus.sa.gov.au/councils/city_of_victor_harbor. The Commission is not relying on these rate comparisons for its advice; the data source provides one indicator, among many, which has informed its advice on the appropriateness of the rate levels.

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9. **Consider** recovering the costs of the Precinct and the Arts Centre via user pay charges instead of general rates.
10. **Consider** publicly separating out each project in the Council's overall accounts.

The Council has advised the Commission that the Precinct and the Arts Centre are both subject to grant funding of 50 percent each. It has further advised that no funding agreements have yet been signed. The Commission considers there is benefit in ensuring the Council is able to recoup the capital costs of the grant (e.g. through passing depreciation onto the users of the facility). For this reason, the Commission has found that it would be appropriate for the Council to:

11. **Continue** to seek grant funding for the Precinct and Arts Centre projects, noting the need to recoup a reasonable proportion of grant-funded capital costs over time from users.

In 2023-24, the Council's residential ratepayers will pay rates which will represent an average increase of \$155 per property (6.6 percent) above 2022-23 levels. On balance, the community's affordability risk for these further increases appears to be high. The current economic environment is putting more pressure on many communities' financial capacity across the State, including those in this Council area. The Commission also note that the Council has a mid-range socio-economic index for area (SEIFA) economic resources ranking.⁴⁷ At the same time, according to the Council's 2023-24 LTFP around 39 percent of the Council's community are welfare dependent⁴⁸ and 42 percent of the population are aged over 65 years old.⁴⁹ The Council already has relatively high average rates (across most ratepayers).⁵⁰ In the 2023-24 budget process, the Council's public consultation report concluded that there was a strong message within the consultation findings that the community is concerned about the impact the rate increases will have on their household budgets in the current economic climate.⁵¹

2.3 The Commission's next advice and focus areas

In the next cycle of the scheme, the Commission will review and report upon the Council's:

- ▶ progress on improving its operating surpluses,
- ▶ ongoing performance against its LTFP estimates (including review of growth assumptions),
- ▶ achievement of cost savings and efficiencies and its continued reporting of these in its plans, and
- ▶ how it sought to address the emerging financial sustainability risks and affordability risks.

⁴⁷ The City of Victor Harbor area is ranked 34 among 71 South Australian 'local government areas' (including Anangu Pitjantjatjara and Maralinga Tjarutja Aboriginal community areas and 'unincorporated SA') on the Australian Bureau of Statistics SEIFA Index of Economic Resources (2021), where a lower score (e.g., 1) denotes relatively lower access to economic resources in general, compared with other areas, available at <https://www.abs.gov.au/statistics/people/people-and-communities/socio-economic-indexes-areas-seifa-australia/2021>.

⁴⁸ City of Victor Harbor, 2023-24 long-term financial plan, June 2023, p. 10.

⁴⁹ City of Victor Harbor, 2023-24 annual business plan, June 2023, p. 11.

⁵⁰ Refer to Councils in Focus rates data for 2021-22 available at: https://councilsinfocus.sa.gov.au/councils/city_of_victor_harbor The Commission is not relying on these rate comparisons for its advice; the data source provides one indicator, among many, which has informed its advice on the appropriateness of the rate levels.

⁵¹ City of Victor harbor, Draft 2023/2024 annual business plan, Community Engagement Survey – Public Consultation, available at: https://www.victor.sa.gov.au/_data/assets/pdf_file/0030/1428159/Community-Engagement-Report-Draft-2023-24-Annual-Business-Plan.pdf



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Appendix 3

2025/26 Budget Summary

2025/26 Budget Summary

PROGRAM	Page Ref	CAPITAL			OPERATING		
		REVENUE	EXPENSES	RESULT	REVENUE	EXPENSES	RESULT
Active Wellbeing	54	0	0	0	0	256,900	(256,900)
Arts and Culture	60	0	1,115,000	(1,115,000)	10,000	262,100	(252,100)
Building Control	62	0	0	0	77,300	280,900	(203,600)
C & C Admin	55	0	0	0	800	425,800	(425,000)
C & D Admin	63	0	93,600	(93,600)	0	1,192,600	(1,192,600)
Caring Neighbourhood Program	54	0	0	0	297,700	403,700	(106,000)
Cat Control	62	0	0	0	25,500	2,400	23,100
Cemetery	53	0	47,400	(47,400)	223,900	222,200	1,700
CEO Admin	58	0	0	0	635,800	2,134,800	(1,499,000)
Civic Centre	55	0	1,585,400	(1,585,400)	500	598,200	(597,700)
Coastal Environment	51	1,500,000	5,385,900	(3,885,900)	0	19,200	(19,200)
Coastal Maintenance	51	0	0	0	0	102,100	(102,100)
Community Assistance	54	0	0	0	1,000	301,600	(300,600)
Community Bus	54	0	0	0	0	0	0
Coral Street Art Space	60	0	45,000	(45,000)	20,000	134,500	(114,500)
Council Members	58	0	0	0	0	444,000	(444,000)
Customer Services	52	0	0	0	100	571,200	(571,100)
Depot	50	0	22,500	(22,500)	0	315,400	(315,400)
Dog Control	62	0	0	0	160,700	602,400	(441,700)
E & I Admin	50	0	0	0	0	522,900	(522,900)
Economic Development	56	0	0	0	86,000	650,400	(564,400)
Engagement	52	0	0	0	0	473,600	(473,600)
Engineering	50	0	0	0	0	844,500	(844,500)
Environment	51	0	0	0	0	1,167,500	(1,167,500)
Festival and Events	56	0	0	0	20,000	319,300	(299,300)
Finance	55	0	0	0	0	1,120,100	(1,120,100)
Fire Prevention	62	0	0	0	9,500	27,200	(17,700)
Fleet and Equipment	50	150,700	563,400	(412,700)	0	827,800	(827,800)
Fleurieu Families	54	0	0	0	305,300	489,000	(183,700)
Footpaths	50	0	1,028,800	(1,028,800)	0	675,700	(675,700)
Governance	58	0	0	0	500	373,200	(372,700)
Health Control	62	0	0	0	26,500	238,300	(211,800)
Horse Tram	49	0	25,600	(25,600)	140,900	500,900	(360,000)
Human Resources	55	0	0	0	0	404,000	(404,000)
Information Management	55	0	0	0	0	236,400	(236,400)

PROGRAM	Page Ref	CAPITAL			OPERATING		
		REVENUE	EXPENSES	RESULT	REVENUE	EXPENSES	RESULT
Information Technology	55	0	662,400	(662,400)	0	2,322,700	(2,322,700)
Kerb	50	0	287,000	(287,000)	0	862,900	(862,900)
Library	60	0	4,500	(4,500)	135,000	1,583,000	(1,448,000)
Old School Building	53	0	0	0	14,000	38,200	(24,200)
Open Space Admin	61	0	16,900	(16,900)	0	1,496,300	(1,496,300)
Operations Admin	50	0	0	0	0	1,260,800	(1,260,800)
Parking Control	62	0	268,700	(268,700)	236,800	223,200	13,600
Parks & Gardens	61	0	757,800	(757,800)	11,400	1,670,900	(1,659,500)
Payroll	55	0	0	0	0	112,300	(112,300)
Planning	63	0	0	0	276,500	1,101,400	(824,900)
Positive Ageing	54	0	0	0	85,500	137,100	(51,600)
Property	53	0	552,500	(552,500)	437,600	885,500	(447,900)
Public Conveniences	53	0	0	0	0	369,300	(369,300)
Rates Administration	52	0	0	0	76,900	536,000	(459,100)
Rates Revenue	-	0	0	0	32,487,200	0	32,487,200
Recreation Centre	53	0	76,900	(76,900)	128,400	354,800	(226,400)
Regulatory Control	62	0	30,500	(30,500)	2,500	223,800	(221,300)
SCOTS	54	0	0	0	644,700	810,900	(166,200)
Sealed Roads	50	0	2,890,100	(2,890,100)	437,800	4,526,800	(4,089,000)
Senior Citizens	53	0	0	0	0	52,400	(52,400)
Sport	61	520,800	1,065,200	(544,400)	38,600	3,796,500	(3,757,900)
Stormwater	50	500,000	1,218,000	(718,000)	0	824,000	(824,000)
Streetscape	50	0	52,200	(52,200)	9,400	1,046,200	(1,036,800)
Study Hub	56	0	0	0	174,800	174,800	0
Town Hall	53	0	5,100	(5,100)	20,400	144,800	(124,400)
Traffic	50	0	261,400	(261,400)	0	487,500	(487,500)
Unsealed Roads	50	0	461,300	(461,300)	0	797,800	(797,800)
Victa Cinema	49	0	55,500	(55,500)	800,000	995,500	(195,500)
Victor Harbor Visitor Centre	56	0	9,200	(9,200)	161,000	872,200	(711,200)
Waste Management	64	0	0	0	3,100	2,643,500	(2,640,400)
WHS and Risk Management	55	0	0	0	0	715,500	(715,500)
Youth Development	54	0	0	0	0	213,900	(213,900)
*Adjustment for Corporate Costs distributed in activity areas (FCA)	-	0	0	0	0	(5,933,700)	5,933,700
TOTALS		2,671,500	18,587,800	(15,916,300)	38,223,600	42,487,600	(4,264,000)



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