city of Victor Harbor

DRAFT FOR PUBLIC CONSULTATION

Annual Business Plan 2026/27

Draft





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.

Contents

INTRODUCTION

Mayor's Message 5
Annual Business Plan Executive Summary 6
City Snapshot 8
Consultation on the 2026/27 Annual Business Plan 10

OUR VISION

Strategic Management Framework 12
Community Plan 2030 13
Planning for the Future 14
Objectives and Key Planned Activities 15
Council Roles and Responsibilities 16
Delivering for Victor Harbor 18

2026/27 BUDGET

Budget Overview 21
Budget Influences 22
Understanding the Budget 26
Financial Sustainability 28
Council Rates Explained 30
How Your Rates Will Be Spent 31
Major Projects 33
Capital Works Program 35
Key Planned Activities 37
Subsidiaries 44

PERFORMANCE MEASURES

Measuring Our Success 46
- Key Planned Activities 46
- Levels of Service Delivery 46
- Strategic Indicators 46
- Budget Reviews 46
- Annual Report 46
- Key Financial Indicators 46

APPENDICES

Appendix 1: ESCOSA Local Government Advice Report 51
Appendix 2: Council Response to Local Government Advice Report 72
Appendix 3: 2026/27 Budget Summary 75
Appendix 4: Capital Projects 78
Appendix 5: Statement on Expected Rate Revenue 81
Appendix 6: 2026/27 Rating Policy 84
Appendix 7: 2026/27 Financial Statements 89

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Cover Photo: Family taking in the views of Petrel Cove at the Bluff lookout.


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Mayor's Message

On behalf of the City of Victor Harbor Council, I am pleased to present the 2026/27 Annual Business Plan and Budget for community consultation.

Victor Harbor is on the cusp of significant growth and change. This brings both great opportunity and increased complexity. As more people choose to live, work, visit and invest here, Council must ensure we are planning not only for today, but for the years and decades ahead. The decisions we make now will shape the future of Victor Harbor. They will determine the kind of community we become, the services and infrastructure we can provide, and the way we protect the unique lifestyle, natural environment and sense of place that our community values so highly.

In times of change, clear direction matters. Council has a responsibility to look beyond immediate pressures and plan for a Victor Harbor that continues to thrive as it grows. That means investing in the infrastructure and services our community relies on, maintaining the assets we already have, and making balanced, responsible decisions for now and the future.

This year's Annual Business Plan and Budget has been shaped with that long-term perspective in mind. It reflects Council's commitment to sustainable stewardship, strategic investment and responsible financial management. Like households, businesses and other levels of government, Council continues to face rising costs across a range of essential areas, including construction, fuel, electricity, insurance, materials and the ongoing maintenance and renewal of community assets. These pressures have a direct impact on Council's capacity to continue delivering the services, facilities and infrastructure our community needs.

At the same time, the demands on Council continue to grow. Population growth, increased visitation, changing community expectations and the need for renewed and expanded infrastructure all place additional pressure on local government. In this context, financial sustainability is not a standalone issue, it is fundamental to Council's ability to plan confidently, make prudent investments, and continue delivering value to the community over the long term.



This is why this year's budget includes a modest financial sustainability index. We firmly believe that small, manageable increases now are far preferable to larger, more difficult increases later. Taking a measured approach today helps reduce the risk of sharper corrections in the future and supports greater financial resilience over time. This is not a decision Council has taken lightly. We have weighed it carefully against the cost-of-living pressures currently facing our community and considered it in the context of the independent advice provided by the Essential Services Commission of South Australia (ESCOSA).

Effective planning and financial sustainability go hand in hand, and a sound financial foundation is essential to delivering our shared vision for Victor Harbor. Council understands that every financial decision has an impact. Our responsibility is to show strong leadership, balance the needs of today with the demands of tomorrow, and make choices that support the long-term wellbeing of our community.

I encourage you to read this plan, consider what it means for Victor Harbor's future, and share your feedback with us. Community consultation is an important part of Council's decision-making process, and your input helps ensure we continue planning for a future that reflects the needs, values and aspirations of our community.

Dr Moira Jenkins
City of Victor Harbor Mayor

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Annual Business Plan Executive Summary

The 2026/27 Annual Business Plan and Budget sets out how the City of Victor Harbor will invest in services, infrastructure and strategic initiatives over the coming year, while maintaining a strong focus on financial sustainability and responsible management of community resources.

A Disciplined Budget in Challenging Times

This budget has been prepared during a period of continued cost-of-living pressure and economic uncertainty. Adelaide's CPI for March 2026 was 4.9%, and Council continues to face above-CPI cost increases in key areas including construction, insurance, water and electricity. In response, the 2026/27 Budget has been developed under tighter budget principles, with Council scrutinising expenditure across the organisation, absorbing cost increases wherever possible and prioritising spending to deliver value for the community.

To maintain long-term financial sustainability and continue providing for the city's future, the 2026/27 Budget applies a rate increase made up of CPI (4.9%) plus a financial sustainability index of 1.5% for a total increase of 6.4%. The sustainability index is a modest, deliberate measure that helps ensure Council can continue to cover its operating costs and invest responsibly in the services and infrastructure a growing community needs, avoiding larger and more difficult increases in the future. For residential properties, this represents an average increase of approximately $193 per year, or around $3.70 per week. The fixed charge remains unchanged at $495.

Planning for Growth

The scale and pace of Victor Harbor's projected growth continues to be one of the most significant influences on budget planning. Under the Greater Adelaide Regional Plan, Victor Harbor is expected to grow to a population of up to 36,000 by 2050, accommodating more than half of the Fleurieu Peninsula's housing growth. Council is proactively responding through investment in the Urban Growth Management Strategy 2050, the South Coast Future Ready Strategy, Integrated Transport Study, and a new Local Area Plan (Housing Strategy) – a suite of interconnected planning initiatives that together provide a comprehensive framework for managing growth thoughtfully and sustainably.

Major Projects

The 2026/27 Budget continues Council's commitment to three major projects. The Regional Community, Sport and Recreation Precinct remains a priority, with 2026/27 focused on finalising the Agreement for Lease with developer, Accord Property, and progressing the project toward construction. Council's construction contribution of $11.7 million has been deferred to 2027/28, with a 2026/27 allocation of $40,000 to assist progress the project to shovel ready status.

The Corporate Systems Optimisation project continues, supported by an operating budget of $480,500, delivering measurable productivity gains across the organisation.

In 2026/27 the Whalers Road construction project will be finalised, with a budget of $3 million, and Growth Planning activities will continue to be advanced to ensure the city is well-placed to manage how it grows.

Services and Efficiencies

Current service levels are maintained across all areas of Council's operations. The Service Level Review program continues in 2026/27, with reviews scheduled for Operations and Development, Building and Public Safety. Council also progresses its long-standing commitment to shared services and regional collaboration with Alexandrina Council and the District Council of Yankalilla.

Financial Sustainability

The 2026/27 Budget has been developed within the framework of Council's Long Term Financial Plan 2026/27 to 2035/36, adopted in February 2026. Council continues to utilise borrowings to fund significant projects, such as the Corporate Systems Optimisation, ensuring intergenerational equity by spreading costs over time.

Total borrowings at the end of 2026/27 are forecast to be approximately $14.3 million, with a Net Financial Liabilities Ratio of 39.5%, well below Council's maximum target of 90%. The Asset Renewal Funding Ratio three-year rolling average is estimated at 118.2%,

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Key Planned Activities

See pages 37-43 for more detail

In addition to regular service delivery, **19 key planned activities** have been identified to contribute towards achieving the Council's long term aspirations, along with the continuation of three (3) major projects

Capital Budget

See pages 26, 35, 78 for more detail

Net Capital Expenditure of $13,850,000

- Capital Expenditure of $14,154,000
- Capital Income of $304,000

Operating Budget

See pages 26-27 for more detail

Operating deficit of $1,907,000

- Operating Expenditure of $42,785,800
- Operating Income of $40,878,800

Borrowings

See pages 24, 48 for more detail

Council's borrowings at 30 June 2027 are projected to be $14.3 million

Rates

See pages 30-31 for more detail

Average rates revenue increase of 6.4%

- CPI - 4.9%
- Financial Sustainability Index - 1.5%

Growth of 1.1%

Financial Sustainability

See pages 46-49 for more detail

Operating deficit ratio of -4.7% is outside the Council's target range of 0% to 3%, however better than the -5.3% forecast in the Long Term Financial Plan

Net financial liabilities ratio of 39.5% is well below Council's target maximum of 90% demonstrating responsible borrowing

Asset renewal funding ratio of 165.4% is outside of Council's target range of 90% to 110%. The three year rolling average is 118.2%, above Council's target of 100%, demonstrating a commitment to renewal

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City Snapshot

The coastal regional 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 of the Fleurieu region and considered the hub of the southern Fleurieu.

Victor Harbor is renowned for its scenic coastline, vibrant community, and diverse recreational opportunities, making it a popular destination for both residents and visitors alike.



38,510 hectares

Size of the City of Victor Harbor council area



32 km

Coastline



17,457

Estimated residential population in 2025



36,000

Estimated residential population in 2050



60 years

Median age - 2nd oldest LGA in Australia



42%

Population aged over 65 (vs 19% for Greater Adelaide)



5,148

Local jobs



40%

Labour force participation (vs 61.7% for Greater Adelaide)



$980/ week

Median household income (vs $1,548 for Greater Adelaide)



10%

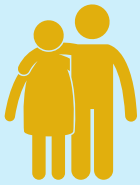
Residents need assistance with everyday activities (vs 7% in Greater Adelaide)

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24%

Dwellings unoccupied (vs 7% in Greater Adelaide)



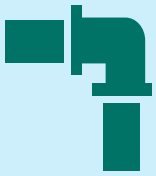
78%

Households comprise 1-2 people (vs 68% for Greater Adelaide)



11,690

Estimated rateable properties in 2026/27



$493 million

Value of the City of Victor Harbor's assets



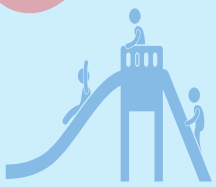
394 km

Roads in the City of Victor Harbor (266km sealed and 128km unsealed)



86 km

Footpaths and Shared Pathways



19

Playgrounds



12

Sporting Spaces



142

Parks and reserves



123

Council Owned Buildings



$56.9 million

Council budget in 2026/27 (Capital and Operating)



123.7 FTE

Total staff delivering Council services, projects and initiatives

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Consultation on the 2026/27 Annual Business Plan

Under Section 123 of the Local Government Act 1999, Council is required to have a budget for each financial year, which must be considered as part of its Annual Business Plan. Before adopting the plan, Council is required to prepare a draft and release it for public consultation.

This Annual Business Plan sets out Council's priorities for 2026/27, including how it will allocate its budget and what services, programs and projects it will deliver to achieve the outcomes the community values most. It is divided into the following sections:

- Introduction (pages 5-10)
- Our Vision (pages 11-19)
- 2026/27 Budget (pages 20-45)
- Measuring Our Success (pages 46-49)
- Appendices (pages 51-94)

Budgeted financial statements, a copy of the Essential Services Commission of South Australia's (ESCOSA) advice to Council and Council's response, a budget area breakdown, a list of capital projects, the Statement on Expected Rate Revenue, and the 2026/27 Rating Policy are included as appendices from page 51. Together, these documents provide full transparency over Council's financial position and the assumptions that underpin the 2026/27 Budget.

Have Your Say

Council is seeking comments on its draft 2026/27 Annual Business Plan and Budget between Tuesday, 9 June 2026 and Wednesday, 1 July 2026. We want to hear your views on the major projects, programs and services planned for the coming year.

The draft plan is available for viewing online at www.yoursay.victor.sa.gov.au or as a hard copy at the City of Victor Harbor Civic Centre, 1 Bay Road, Victor Harbor, during business hours.

Comments can be provided by:

- **Completing the online form** at www.yoursay.victor.sa.gov.au
- **In writing,** and returned by:
  - Post to the City of Victor Harbor, PO Box 11, Victor Harbor SA 5211
  - In person at the Civic Centre, 1 Bay Road, Victor Harbor
  - By email to localgov@victor.sa.gov.au

Written submissions must be received by no later than 5pm on **Wednesday, 1 July 2026**.

Members of the community are also invited to attend a public meeting to share their comments directly with Council Members on Tuesday, 30 June 2026 at 5.30pm at the City of Victor Harbor Civic Centre, 1 Bay Road, Victor Harbor.

For further information please contact Council on (08) 8551 0500 or localgov@victor.sa.gov.au.

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Our Vision



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Strategic Management Framework

The City of Victor Harbor's Strategic Management Framework demonstrates how our plans deliver on our vision.

Our Annual Business Plan is a core part of our Strategic Management Framework. The Strategic Management Framework ensures that everything Council does is informed by our vision for Victor Harbor.

This vision is set out within our Community Plan 2030 which sets out our long-term strategic direction. It identifies key aspirations and objectives that we will work towards, and it shapes our other strategies and plans, including our Urban Growth Management Strategy 2050 adopted in 2025. Our Asset Management Plans and Long Term Financial Plan outline how we will resource our strategies and plans. Regular performance monitoring and reporting will help us deliver on our commitments and be accountable to the community.

You can find a list of our plans at: www.victor.sa.gov.au/your-council/publications



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Diagram: City of Victor Harbor Strategic Planning Framework



Community Plan 2030

What we aspire to become in the future.

The Council's vision for Victor Harbor sets out our long-term aspirations and identifies a number of key objectives, which then inform other strategies and plans.

Our Vision

Victor Harbor: A place of choice to live, work, invest and visit

Aspiration 1
We are a caring, connected and active community

Objectives

- Deliver community programs that facilitate social interaction and connection with community
- An inclusive community with opportunities for everyone
- Provide a variety of open space and recreation opportunities
- Improve the health and wellbeing of our community
- Vibrant community places and spaces are safe, welcoming and accessible

Aspiration 2
We have a culture of innovation, collaboration and creativity

Objectives

- Cultivate art and culture in our community
- Encourage, support and promote innovation and entrepreneurship
- Establish and maintain strategic regional, state and national relationships
- Encourage initiatives that support learning, information sharing and new ways of doing

Aspiration 3
We manage growth and change responsibly

Objectives

- Support initiatives that grow the economy, strengthen local businesses, and retain people and jobs in Victor Harbor
- Preserve and celebrate Victor Harbor's rich and diverse history and heritage
- Attract and retain young professionals and families in Victor Harbor for long-term demographic sustainability
- Plan for sustainable development, residential amenity and security of prime agricultural land
- Promote a clear, unique and consistent identity for Victor Harbor that can be leveraged to attract residents, visitors and investors

Aspiration 4
We protect and restore our environment

Objectives

- Adapt to the impacts of climate change
- Provide for sustainable waste management
- Enhance the health and biodiversity of our natural environment through protection and active restoration
- Protect the health of our coastline, estuaries, waterways and catchments
- Create a more sustainable, energy efficient urban environment
- Educate the community to enhance awareness of environmental issues

Aspiration 5
We have services and infrastructure that meet our community's needs

Objectives

- Facilitate access to health, education and community services
- Plan and provide for a range of community facilities to meet current and future needs
- Council assets and infrastructure are managed in a sustainable way to meet current and future needs
- Advocate for improved local and regional transport networks and options
- Facilitate capacity to deal with emergencies and build community resilience

Aspiration 6
We are a financially sustainable and well-governed organisation

Objectives

- Provide effective leadership and governance
- Ensure our community is well informed and has opportunities to inform decision making
- Manage council's finances and resources sustainably
- Provide a safe work environment and foster an organisation culture that attracts, develops and retains staff and volunteers
- Deliver high quality customer service to make it easier for our customers to interact and do business with council

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Planning for the Future

In addition to aligning with the Community Plan 2030, the 2026/27 Annual Business Plan and Budget is guided by the Council's Asset Management Plans and Long Term Financial Plan.

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.

The most recent review of Council's Asset Management Plans was undertaken in 2025. The revised plans were adopted by Council in November 2025.

Long Term Financial Plan

The Long Term Financial Plan is a key document within the City of Victor Harbor's Strategic Planning Framework. It is the primary financial management tool that links Council's Community Plan 2030, Asset Management Plans and the Annual Business Plan and Budget. It is reviewed and updated annually to maintain its relevance and effectiveness.

The Long Term Financial Plan is an important planning tool for the Council as it:

- reflects the future financial position based on the services, infrastructure and projects Council intends to deliver;
- allows the long-term financial impact of strategic decisions to be modelled, quantified and debated before they are made;
- assesses the financial sustainability of current and future service levels; and
- enhances transparency and accountability, providing the community with confidence that Council is planning responsibly for the future.

While the Local Government (Financial Management) Regulations 2011 prescribe that a Long Term Financial Plan must be prepared at least every four years, Council undertakes an annual update to maintain its relevance and effectiveness. Annual updates ensure financial projections reflect current assumptions, including CPI and interest rate forecasts, known grant funding, capital project phasing and asset renewal requirements.

This regular review allows Council to proactively respond to emerging risks and opportunities, uphold financial sustainability and support informed decision-making. Council is committed to seeking grant funding and partnership opportunities where possible to minimise the impact on rates and borrowings.

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Objectives and Key Planned Activities

In preparing the 2026/27 Annual Business Plan and Budget, the Council has considered the strategic directions set out within its Community Plan 2030 and has determined to undertake initiatives and projects that respond to the Council's vision and contribute to the overall wellbeing of Victor Harbor and our community.

The services, programs and initiatives planned for 2026/27 reflect the aspirations outlined in Council's Strategic Management Plan, supporting Victor Harbor's vision as a place people choose to live, work, invest and visit.

In preparing the 2026/27 Annual Business Plan and Budget, Council has also been guided by a number of other key priorities:

- **Cost of living awareness** – Projects have been deferred where possible in recognition of the financial pressures many in our community are experiencing;
- **Asset maintenance and renewal** – Investment in existing infrastructure across the city remains consistent with endorsed asset management plans;
- **Multi-year project commitments** – Financial obligations for major projects spanning more than one financial year have been carefully considered;
- **Sustainable growth planning** – Work continues to ensure future growth is managed in a thoughtful and sustainable way;
- **Long-term financial sustainability** – Responsible and prudent financial management remains central to securing the City's financial future.

Council Role and Responsibilities

Everything that Council does helps to shape the future of Victor Harbor.

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.

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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

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Delivering for Victor Harbor

While this Budget outlines Council's planned projects and initiatives for the year ahead, these activities tell only part of the story. Day in, day out, Council delivers a broad and varied range of ongoing services that keep our city functioning, our community connected and our environment protected.

From maintaining roads, footpaths and open spaces, to supporting community events, managing waste services and overseeing planning and development, the scope of what local government does is often underestimated.

Many of these services run quietly in the background, yet residents and visitors rely on them every single day. What makes this even more remarkable is the value Council delivers relative to its share of the tax base.

Of the total taxes paid by an individual across all three levels of government, Council's portion represents just approximately 4%. State and Federal Governments collect the remaining 96%. Put simply, for every dollar you contribute in tax, only around four cents finds its way to your local Council.

Yet despite this modest slice of public revenue, local government is frequently the tier of government that people interact with most directly. It is Council that maintains the street outside your home, the park where your children play, and the coastline that makes Victor Harbor such a special place to live and visit.

The infographic on page 19 illustrates the full range of services Council delivers, a reminder of the breadth of work that goes into making Victor Harbor a thriving and welcoming community every day of the year.

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



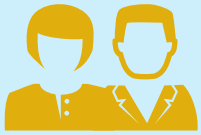
Corporate Services

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



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2026/27 Budget



Budget Overview

The City of Victor Harbor's financial objective is to deliver the strategic outcomes set out in its Community Plan 2030 by managing Council's financial and non-financial resources in a sustainable, responsible and equitable way.

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 Council's endorsed Asset Management Plans, emerging areas of concern and community feedback.
- Development of the draft operating budget is based on the continuation of existing 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.

In developing the 2026/27 Budget, Council adopted a tighter, more disciplined set of budget principles to deliver a robust and responsible financial plan. Under these principles, every proposed inclusion – whether a new initiative, service or project – was required to clearly demonstrate need and its contribution to Council's objectives before being incorporated into the budget. This rigour ensures that rate revenue is directed to where it delivers the greatest value for the community, now and into the future.

The 2026/27 Budget balances immediate community needs with forward planning, investing in works and initiatives that support both current service delivery and the City's longer-term growth and resilience. This includes continued investment in key infrastructure projects, improved asset condition and capacity, and planning activities that enable Council to respond proactively to future demands.

This budget also reflects Council's commitment to staying the course on its long-term plan. While Council remains agile and able to respond to day-to-day and emerging pressures, such as the current economic climate and rising fuel costs, it has maintained a clear and steady focus on its longer-term direction. Holding firm on its long-term priorities, while remaining responsive to short-term challenges, demonstrates strong and stable leadership that will benefit the community both now and for generations to come.

Overall, the key driver of the 2026/27 Budget is to ensure that annual priorities contribute to the objectives of Community Plan 2030, while safeguarding Council's long-term financial health. By taking a long-term approach and acting early, Council aims to deliver services and infrastructure that continue to meet the evolving needs and expectations of the Victor Harbor community.

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Budget Influences

A number of factors have influenced the preparation of the 2026/27 Budget, namely economic conditions and the community's long-term vision for Victor Harbor as it continues to grow and change.

Population and Urban Growth

The scale and pace of growth forecast for the Victor Harbor region continues to be one of the most significant influences on Council's planning. Under the SA Government's Greater Adelaide Regional Plan (GARP), Victor Harbor is projected to grow to a population of up to 36,000 by 2050 with an additional 13,500 dwellings required to accommodate that growth. This represents over half of the Fleurieu Peninsula's expected housing growth and a 4% contribution to Greater Adelaide's overall growth targets.

This level of growth will substantially increase demand for services, infrastructure and strategic planning investment for years to come. Council is proactively responding by positioning the organisation and community to manage this transition effectively, through considered investment in service delivery, infrastructure upgrades and transformational projects that support sustainable and thoughtful growth.

Importantly, deferring this investment would not make it go away. Delaying necessary expenditure would result in larger rate increases in future years and reduce Council's capacity to manage growth effectively and on its own terms. To ensure intergenerational equity, Council continues to utilise borrowings to finance significant intergenerational projects, spreading the cost over time so that those who benefit from the initiatives contribute to its funding.

The 2026/27 Budget reflects this long-term thinking, balancing the needs of today's community with the responsibility of planning for tomorrow. For the purposes of rating, statutory growth, defined under the Local Government Act 1999 as the increase in the number of assessed properties, was calculated at 1.1% for the 2026/27 financial year.

Economic Conditions

Adelaide's Consumer Price Index (CPI) for the March Quarter 2026 was 4.9%, reflecting continued cost pressures across the economy. While conditions are expected to improve gradually, ongoing global uncertainty, including volatility in fuel prices, means the economic outlook remains difficult to predict with confidence.

As in recent years, CPI alone does not fully reflect the cost pressures facing local government. Council continues to experience above-CPI increases in key areas including construction materials, insurance, water, electricity and fuel, all of which have been carefully factored into the 2026/27 Budget.

Mindful of these pressures, Council adopted tighter, more disciplined budget principles, requiring every proposed inclusion to clearly demonstrate need before it could be incorporated. This was a deliberate effort to limit the impact on ratepayers while continuing to deliver the essential services the community relies on.

At the same time, Council has held firm on its long-term plan. The proposed average rate increase for 2026/27 is 6.4%, made up of 4.9% in line with CPI and an additional 1.5% financial sustainability index. The CPI component covers the rising cost of delivering existing services, while the financial sustainability index helps address the impact of growth and an element of catch-up following several years of below-CPI increases. Between 2020/21, and 2023/24, which began with no increase at all, cumulative CPI has risen 16.2% while rates increased by 13.8%, creating a gap that has placed pressure on Council's long-term sustainability. Acting early to close this gap reflects Council's view that small, measured increases now help avoid much larger and more difficult increases in the future.

Council recognises that many residents continue to feel the effects of cost-of-living pressures, and this reality has remained front of mind throughout the budget process. In balancing immediate affordability with the need to plan responsibly, Council has stayed focused on its long-term direction while remaining able to respond to the day-to-day pressures facing the community.

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Property Valuations

Council rates are calculated using capital valuations provided annually by the Valuer-General. For 2026/27, new valuation data reflects broad increases across the Council area:

- 15.4% of properties increased by less than 10%;
- 78.6% increased between 10% and 20%;
- 6.0% increased by more than 20%.

To moderate the impact of valuation changes on ratepayers, Council's Rating Policy includes a rate capping mechanism. For 2026/27, 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 2025/26 general rate payable by 15%. Further detail is provided in the Rating Policy on page 84.

Major Projects

Three major projects have had a significant influence on the preparation of the 2026/27 Budget, each requiring careful consideration of how costs are managed and timed to minimise the impact on ratepayers.

The Regional Community, Sport and Recreation Precinct continues to be Council's most significant long-term infrastructure commitment. In recognition of current cost-of-living pressures, Council has made the deliberate decision to defer its construction contribution to future years. In 2026/27, there is a modest allocation of $40,000 sufficient to progress the Agreement for Lease with developer Accord Property and advance the project toward construction. The remaining rate increments needed to fund Council's construction contribution will be spread across future years, ensuring the impact on ratepayers is managed responsibly.

The Corporate Systems Optimisation project continues to be funded through borrowings rather than rates, reflecting Council's view that the productivity and efficiency gains delivered by this investment will benefit the organisation and community for many years to come. An operating budget of $480,500 has been allocated for 2026/27, with borrowings used to spread the cost over time and avoid placing the full burden on current ratepayers.

Growth Planning represents Council's most significant strategic investment, yet one that has been structured to have minimal direct impact on the budget. The work to progress actions from the Urban Growth Management Strategy 2050, the South Coast Future Ready Strategy Implementation Plan and the Local Area Plan will be delivered utilising existing staff resources, avoiding the need for additional budget allocation and the rate impact that would otherwise follow. This approach reflects Council's commitment to progressing this critical body of work in a financially responsible way.

Budget Influences

Service Levels, Savings and Efficiencies

In developing the 2026/27 Budget, Council applied a tighter, more disciplined set of budget principles to deliver a robust and responsible financial plan while protecting the services the community values. Under these principles, every proposed inclusion, whether a new initiative, service or project, had to clearly demonstrate need and its contribution to Council's objectives before it could be incorporated into the budget. This discipline ensures that rate revenue is directed to where it delivers the greatest value for the community, now and into the future.

Council has a long track record of pursuing shared resource opportunities with neighbouring councils to achieve operational efficiencies. These include the introduction of joint planning and building services with Alexandrina Council and the District Council of Yankalilla, a joint venture agreement with Alexandrina Council for the management of the Fleurieu Aquatic Centre, and a long-standing equipment sharing arrangement with neighbouring councils.

Building on this collaborative approach, the three Fleurieu Peninsula councils, being the City of Victor Harbor, Alexandrina Council and the District Council of Yankalilla, completed a Service Level Review in 2025/26 focused on open space management and maintenance. The findings of this review are expected to reveal further opportunities for collaboration, which will be explored in due course.

Council's Service Level Review program will continue in 2026/27, with reviews scheduled for the following business units:

- Operations
- Development, Building and Public Safety.

In addition to the Service Level Review program, the ongoing optimisation of Council's corporate systems continues to be a key driver of organisational change and productivity improvement. Tangible gains to date include streamlined workflows and approval processes across multiple business areas, reduced duplication through better system integration, faster and more automated records capture, digital access to agendas and meeting papers, automated processing of employment applications, and digital tracking of customer requests, works orders and infringements. Improvements to payroll processing, revenue management, receipting and Information Communications Technology (ICT) support have also delivered measurable time savings, while the introduction of self-service bookings, lodgements and payments has improved the experience for customers accessing Council facilities and services. This has also enabled the reallocation of staff resources to priority areas without increasing FTE.

Debt Levels

Council has a fixed term loan balance of $4,295,802 as at 25 May 2026. Included in the balance amount is a community loan to the Victor Harbor Bowling Club, of which $62,957 is outstanding.

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 25 May 2026, there was $4,290,000 principal outstanding on Cash Advance Debentures.

Fixed term loan details as at 25 May 2026:

Date of Loan	Principal Amount	Interest Rate	Principal Outstanding	Maturity Date
15/05/2014	$230,000*	5.80%	$62,957	15/05/2029
15/06/2017	$2,500,000	4.40%	$1,284,863	15/07/2032
15/11/2021	$5,000,000	3.25%	$2,947,982	15/11/2031
Total	**$7,730,000**		**$4,295,802**	

*community loan

Total borrowings at the end of 2026/27 including both fixed term and cash advance debentures is forecast to be approximately $14.3 million.

Council has a proven history of responsibly using and repaying borrowings to deliver major projects such as the Ring Road, Aquatic Centre and Mainstreet upgrades, and the Long Term Financial Plan forecasts that current borrowings will be repaid in full by the end of the Plan.

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

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that assist in supporting economic development of the city.

Approximately $500,000 will be raised in 2026/27. These funds will assist with the delivery of a portion of the Council's economic development initiatives.

Employee Costs

The City of Victor Harbor is one of the region's major employers. In 2026/27, Council has budgeted to employ 146 staff, equating to 123.7 full-time equivalents (FTE), comprising 88 full-time and 58 part-time employees. This represents a decrease of 0.4 FTE from 2025/26, as a result of the partial outsourcing of Council's internal control function.

8.3 FTE positions are supported by external funding, helping to offset the cost of service delivery and enabling Council to provide a broader range of programs and services without placing additional pressure on rate revenue. Council also provides 4 trainee opportunities sourced through third-party arrangements.

Employee costs have been influenced by Council's Enterprise Bargaining Agreement, which specifies a 2% increase for 2026/27, along with applicable level increment increases.

Council's ability to deliver essential services, infrastructure projects, and community programs relies fundamentally on its people. Skilled, dedicated staff underpin a broad range of functions including community wellbeing programs, urban planning, environmental management, open space maintenance, financial and corporate governance, and customer service. What Council does is delivered by people, for people, and ensuring appropriate staffing levels is critical to maintaining current service standards and 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.

Complementing the work of Council's paid workforce, approximately 340 volunteers contribute their time across a wide range of activities including visitor services, library and community services, graffiti removal, the Coral Street Art Space, the Southern Communities Transport Scheme, and river and coastal protection initiatives. The estimated value of this volunteer contribution is around $1 million, representing an extraordinary community asset that enriches service delivery well beyond what Council could achieve alone.

Community Feedback

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

In addition to this the Council also seeks community feedback on this plan through a formal consultation process, as highlighted on page 10.



Understanding the Budget

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

Capital Budget

The capital budget sets out where the City of Victor Harbor will invest in infrastructure across the Council area. It provides funding to construct new facilities, improve existing facilities, and purchase and install major equipment. The capital budget is informed by Council's Asset Management Plans which identify the capital projects Council intends to deliver over a 10-year period.

Capital expenditure of $14,154,000 will be funded through the sale of assets, grants, reserves and loans. Income of $256,000 has been included in the budget from the sale (trade-in) of plant and machinery. Council will also look to apply for grants during the year to support contributions to projects. The remaining capital expenditure will be funded through reserves and loan borrowings.

Loan borrowings will be undertaken in accordance with Council's Treasury Management Policy. Cash advance debentures (similar to a variable loan or overdraft) are used to minimise long-term borrowings in line with cashflow requirements. Loan borrowings of up to $14.3 million are anticipated, initially funded through cash advance debentures. Their conversion to fixed-term loans will be considered as part of the annual treasury review in May 2026.

Operating Budget

The operating budget funds the day-to-day operation of Council. It sets out the funding required each year to meet ongoing operational expenses, and Council rates are set according to it.

In 2026/27, operating expenses of $42,785,800 will be funded by revenue of $40,878,800, resulting in a deficit of $1,907,000.

The infographic on page 27 provides an overview of operating expenditure by activity area. A detailed budget summary is provided at **Appendix 3** from page 75.

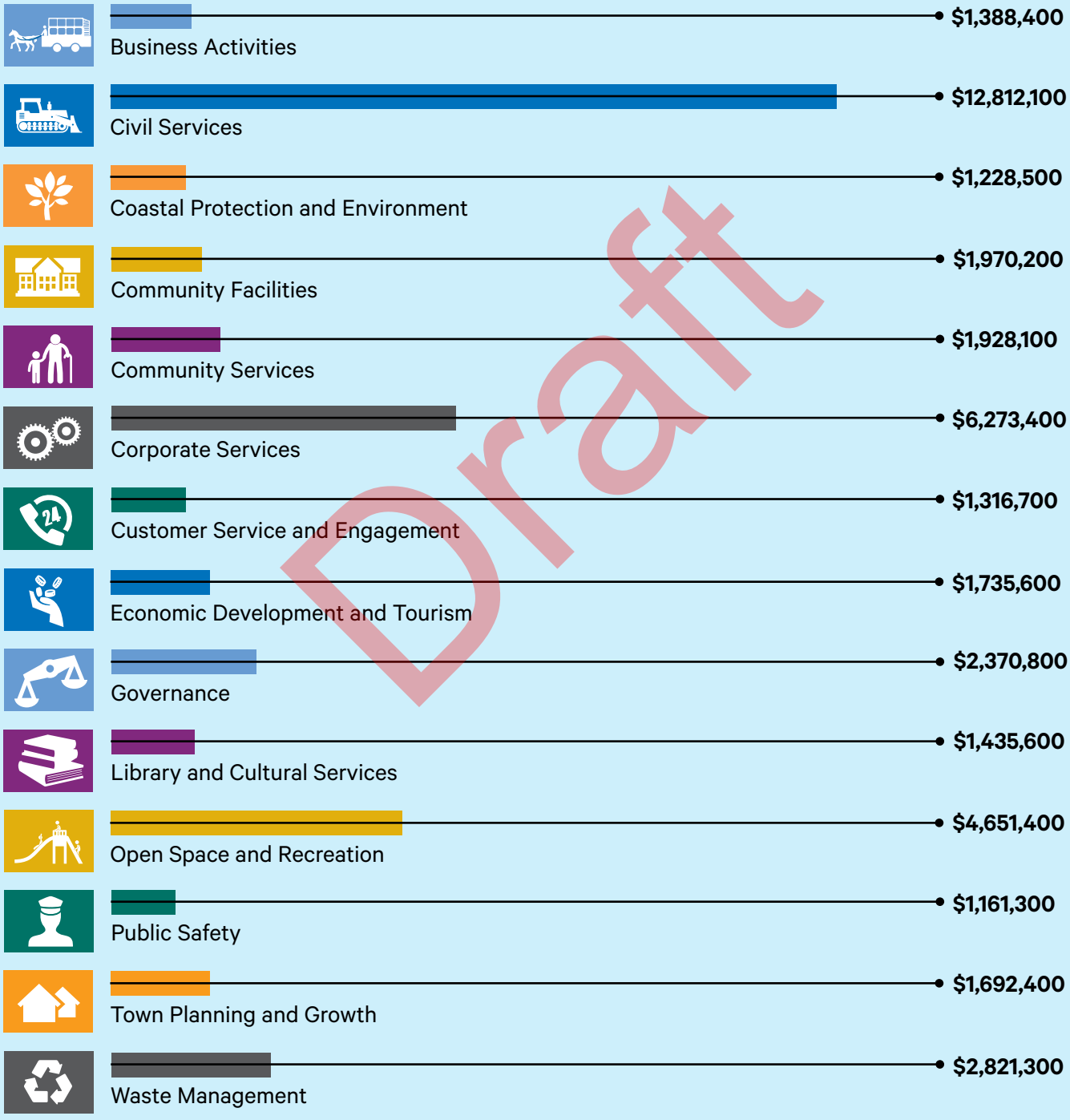
Council receives revenue from a number of sources, with rate revenue representing over 84% of total revenue. Rate revenue, including rebates, the Regional Landscape Levy, remissions and fines, totals $34,923,000. The remaining revenue sources include:

- **User pay charges**, which relate to fees imposed for the use of Council services: $2,360,700
- **Statutory charges**, which apply to regulatory or compliance activities: $760,100
- **Grants and contributions** from other levels of government and developers: $2,381,700
- **Other income** such as donations, credit interest and reimbursements: $453,300.

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The following outlines where Council plans to spend its operating budget

Total operating expenditure for 2026/27:
$42,785,800



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Further detail about the budget lines that make up these activity areas is provided in the detailed budget summary at Appendix 3 from page 75.



Financial Sustainability

This section outlines how the 2026/27 budget measures up against the forecasts in Council's Long Term Financial Plan.

The 2026/27 Budget has been developed in line with Council's Long Term Financial Plan 2026/27 to 2035/36. This endorsed plan sets out a considered approach to financial sustainability while continuing to meet the needs of our community.

The Long Term Financial Plan forecasts operating deficits in years one to five. This is due to:

- Rate rises lower than CPI between 2020/21 and 2023/24
- Maintenance costs for assets gifted by developers, totalling $11.4 million over the past five years
- Cost increases above CPI for electricity, insurance and construction materials
- Major projects funded largely through borrowings (the Corporate System Replacement and the Regional Community, Sport and Recreation Precinct)

Endorsing a Long Term Financial Plan or annual budget that forecasts an operating deficit has been a carefully considered decision of Council. To address this, the plan includes a financial sustainability index in 2026/27 and 2027/28 (building on the same principle applied in 2025/26). This index helps ensure that, over the medium to longer term, Council can adequately cover its operating expenses and continue providing services the community relies on.

In preparing the 2026/27 Budget, Council carefully weighed the current economic environment and cost-of-living pressures when deciding whether to apply the financial sustainability index this year. Council recognised that long-term thinking is essential to set the city up for steady, sustainable growth. Council made it clear that small, manageable increases now help avoid much larger and more difficult increases in the future.

Victor Harbor is at a pivotal moment. The city must balance ongoing population growth, increasing infrastructure needs and seasonal tourism pressures, all while protecting the character and liveability that make it unique. The SA Government has identified Victor Harbor as a future Satellite City, expected to accommodate 54% of the Fleurieu Peninsula's housing growth, with 13,500 new dwellings by 2050.

To secure long-term financial sustainability, Council has committed to four core financial outcomes:

- **Operating Sustainability** – achieving and maintaining an operating surplus on average across the plan;
- **Rate Stability** – keeping rate increases in line with CPI, with a sustainability index in the early years to fund significant projects and mitigate past below CPI increases;
- **Infrastructure and Asset Management** – investing appropriately to maintain Council's $493+ million asset portfolio in line with its Asset Management Plans;
- **Debt Management** – using borrowings responsibly to ensure intergenerational equity, managed within agreed benchmarks.

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Council was also mindful of concerns raised about the operating deficit by its Audit and Risk Committee, as well as advice from the Essential Services Commission of South Australia (ESCOSA), which assessed Council's projected financial performance as sitting between "Potentially Unsustainable" and "Mostly Sustainable", as shown in the excerpt from the ESCOSA Local Government Advice to City of Victor Harbor depicted below.

Taking all of this into account, Council determined that the financial sustainability index was necessary to ensure its long-term objectives and the future needs of the community could be met.

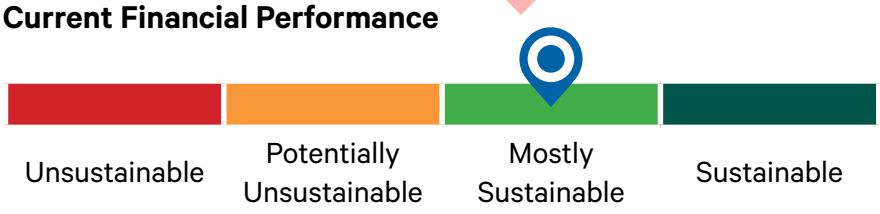
The Long Term Financial Plan forecasts an operating deficit of $2,659,027 for 2026/27. However, due to timing, Council determined that the index included in the plan for the Precinct, along with its associated transactions, could be deferred. This results in an adjusted forecast of $2,130,847.

As a result of the financial sustainability index and tighter budget principles, the 2026/27 Budget delivers an operating deficit of $1,907,000, which is $223,847 better than the adjusted forecast within the Long Term Financial Plan. The Long Term Financial Plan will be reviewed during the 2026/27 financial year to inform the 2027/28 Budget. Adhering to this plan is vital to future financial sustainability.

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

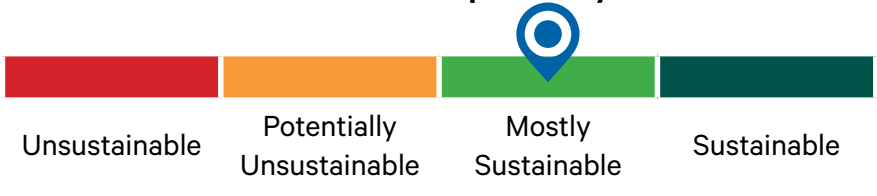
Current Financial Performance



Projected Financial Performance (future)



Previous Financial Performance (past ten years)



In setting the 2026/27 Budget, Council has been deliberate in ensuring its projected financial performance sits at least within ESCOSA's "Mostly Sustainable" category.

By keeping its financial position on a sustainable footing, Council can confidently continue delivering the services residents rely on, maintain and renew the city's infrastructure, and remain well equipped to manage the opportunities and challenges that come with Victor Harbor's ongoing growth.

This is about more than balancing a single year's budget; it is about ensuring Victor Harbor remains financially strong, resilient and well prepared for the years ahead.



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Council Rates Explained

As Council's primary source of income, rates fund the services, infrastructure and programs that support a safe, connected and thriving Victor Harbor community. From maintaining roads and public spaces to delivering community events and planning for future growth, rates are what make it all possible.

In preparing the 2026/27 Budget, Council has given considerable thought to the impact of rates on residents and businesses. The current economic climate continues to place pressure on household budgets, and Council is acutely aware of this reality. Through a rigorous zero-based budgeting process, significant operating savings have been identified and cost increases absorbed wherever possible, all with the aim of keeping the rate increase to an absolute minimum.

Council is proposing an average rates payable increase of 6.4% in 2026/27, in line with the Adelaide CPI for March 2026, plus the Financial Sustainability Index of 1.5%. For residential properties, this represents an average rates payable increase of $193, or approximately $3.70 per week.

Council's Rating Structure

The City of Victor Harbor's council rates are made up of two components: a fixed charge and a differential rate.

Fixed Charge

The fixed charge is a base amount paid by all rateable properties, irrespective of their value, that contributes to the delivery of services, programs and projects benefiting each property. The fixed charge for 2026/27 remains unchanged at $495.

Differential Rate

The differential rate is based on the use of the land, whether residential, commercial, primary production, industrial, vacant or other. It is calculated by multiplying the individual property value, as provided by the Valuer General, by the differential rate in the dollar adopted for the relevant land use category.

Further information is available in Council's Rating Policy from page 84.

How Your Rates Will Be Spent

Council rates are set based on the operating budget. Our 2026/27 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 2026/27 to ensure Victor Harbor remains a great place to live, work, visit and invest in.

COMMUNITY SERVICES
4c
on creating connections, supporting and building resilience in our community

PUBLIC SAFETY
3c
on projects, initiatives and enforcement functions to keep our community safe

ENVIRONMENT
3c
on initiatives and projects that protect our coast, rivers and natural environment

BUSINESS ACTIVITIES
3c
to support the running of the iconic horse tram service and victa cinema

RECREATION
11c
on parks, playgrounds, sports facilities and more!

PROPERTY
4c
on community facilities

ECONOMIC GROWTH
4c
on encouraging people to live, work, visit and invest in Victor Harbor

COMMUNICATIONS
3c
on customer service, community information and engagement

WASTE MANAGEMENT
7c
on waste and recycling services

GOVERNANCE
6c
on council members, policy and legislative functions

CORPORATE SERVICES
15c
on support services that keep Council running

CIVIL SERVICES
30c
on roads, footpaths, stormwater and initiatives that enhance our built infrastructure

TOWN PLANNING
4c
on development assessment and strategic planning

LIBRARY AND CULTURE
3c
on library services, Coral Street Art Space and Arts Programming

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Major Projects

The 2026/27 Annual Business Plan and Budget continues the Council's ongoing commitment to a number of major projects, some of which commenced last year or earlier. This year the Council will continue investment in the following major projects.



Victor Harbor Regional Community, Sport and Recreation Precinct

Victor Harbor's population is projected to double by 2050. The Regional Community, Sport and Recreation Precinct (the Precinct) has been designed to ensure our community infrastructure leads that growth, not chases it.

The Precinct will provide a place for people of all ages to connect through sport, recreation and social activity, delivering a premier facility in the heart of Victor Harbor. Following extensive feasibility analysis, Council resolved in late 2023 to pursue a private sector partnership to deliver this significant piece of community infrastructure while managing its financial impact on the community.

Under the current proposal with developer, Accord Property, Council's upfront contribution is $11.7 million, with an ongoing annual operating contribution towards the recreation centre facility. This investment will deliver a broader range of facilities for our community.

The Precinct will deliver a recreation centre with four multi-purpose courts, gymnastics area, health club, studio spaces, meeting rooms and café; entertainment and retail spaces; a 120-place childcare centre; and allied health spaces.

The inclusion of childcare and allied health services broadens the Precinct's community benefit well beyond sport and recreation, responding directly to the needs of a growing and diverse population.

Leveraging Victor Harbor's established role as the primary service hub for the southern Fleurieu Peninsula, Council has negotiated an outcome that delivers important community value while providing infrastructure the region genuinely needs. With cumulative grant funding of $3.2 million secured from Federal and State Governments, Council will continue to progress the Precinct through 2026/27 with a focus on finalising the Agreement for Lease and getting the project shovel ready for construction.

Strategic Links

2026/27 Budget Allocation: $40,000

This allowance will enable Council to progress the Agreement for Lease and prepare for construction. Council's contribution for construction ($11.7 million) will occur in future years.

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Major Projects (continued)



Corporate Systems Optimisation

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 2026/27 will continue to 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:

2026/27 Budget Allocation: $480,500

(*Operating expense, funded through borrowings for intergenerational equity)



Growth Planning

Managing Victor Harbor's growth thoughtfully and sustainably is one of Council's most important long-term responsibilities. With the city's population projected to double over the next 25 years, planning for that growth, rather than simply responding to it, is essential to protecting the lifestyle, character and environment that make Victor Harbor such a special place to live, work, invest and visit.

In 2026/27, Council will progress three interconnected planning initiatives that together provide a comprehensive framework for Victor Harbor's future. This includes delivery of actions from the Urban Growth Management Strategy 2050 (UGMS), finalisation of the Future Ready Strategy and commencement of implementation (in line with budget priorities and allocations), and progressing a Local Area Plan (a requirement under the Greater Adelaide Regional Plan) to provide a finer-grained assessment of housing type, location, density and the infrastructure needed to support development. This work will ensure that growth is not only strategically directed, but practically planned, with the right homes in the right locations supported by the right infrastructure.

Together, these three initiatives position Council to lead growth with confidence, ensuring that as Victor Harbor evolves, it does so in a way that strengthens rather than diminishes what makes it great.

Strategic Links:

2026/27 Budget Allocation: Delivered by existing staff resources

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Capital Works Program Expenditure

The City of Victor Harbor invests in a comprehensive capital works program each year to maintain, renew and upgrade Council's infrastructure so it continues to meet community needs and expectations.

To guide these investments, Council's Asset Management Plans provide a long-term, evidence-based framework for decision-making. The Plans outline Council's asset portfolio, including asset condition, performance, service levels, lifecycle requirement, replacement value and associated financial implications.

Council's current Asset Management Plans, adopted in November 2025, aim to ensure that the Council can deliver essential services, maintain assets and achieve strategic objectives in a financially sustainable, appropriate and prudential manner over the short, medium and long term.

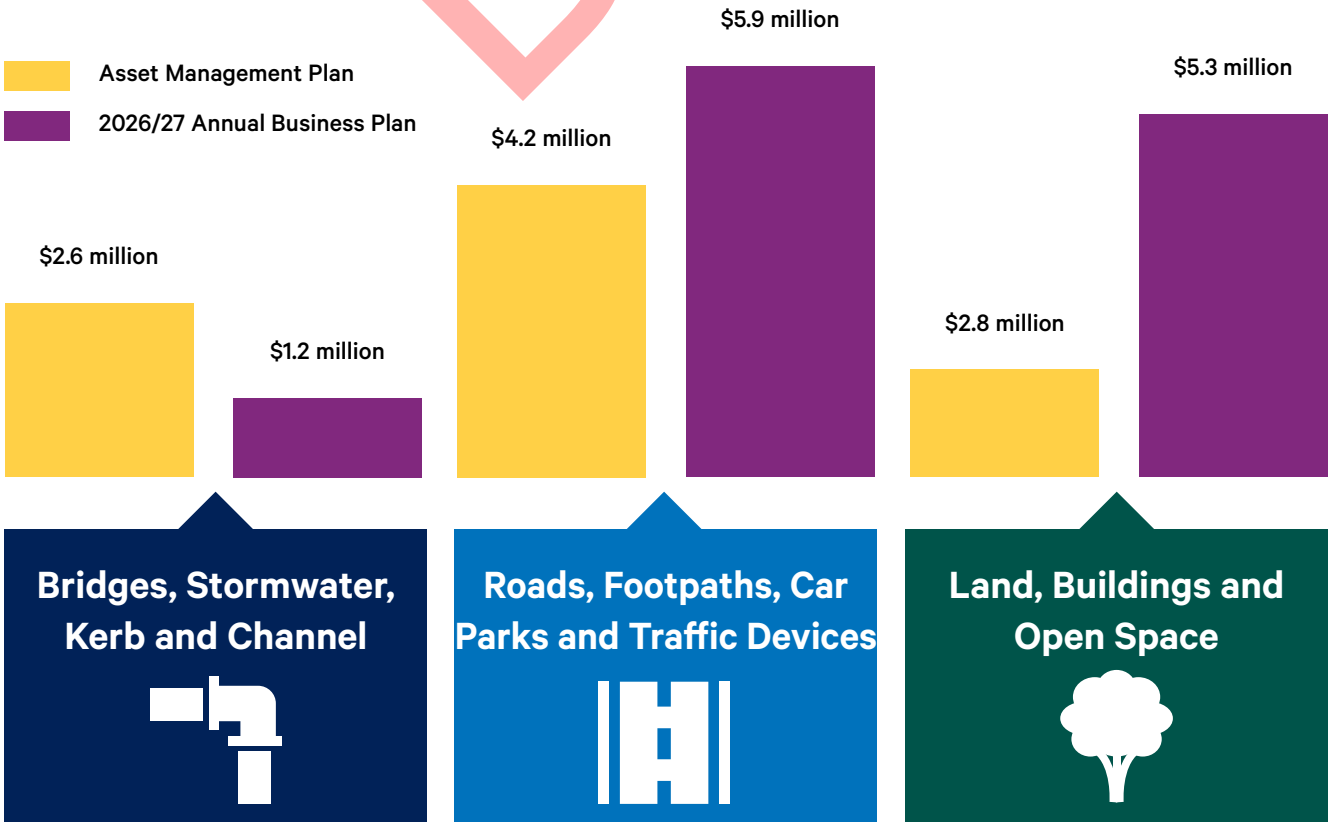
The chart below compares expenditure included within the 2026/27 budget with Council's Asset Management Plans.

Fluctuations of expenditure within asset classes are expected year to year. The differences between the Asset Management Plan forecasts and the 2026/27 Budget allocations can be attributed to a number of projects carried forward from 2025/26, risk assessments during budget deliberations and resourcing capacity.

The 2026/27 capital works program expenditure of $14.2 million includes:

- $1.2 million for bridges, stormwater, kerb and channel
- $5.9 million for roads, footpaths, car parks and traffic devices
- $5.3 million for land, buildings and open space.
- $1.8 million for assets that are not covered by an Asset Management Plan (including plant, equipment, furniture and fittings).

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Key Planned Activities

Each year, Council identifies a set of Key Planned Activities that give the community a clear picture of what Council intends to deliver over the coming 12 months.

These activities sit alongside Council's ongoing service delivery and are directly aligned with the six aspirations of the Community Plan 2030, reflecting the community's long-term vision for Victor Harbor.

For 2026/27, Council has identified 19 Key Planned Activities across the six aspirations, along with three major projects that will be progressed during the year. Together, these activities represent Council's commitment to taking meaningful action on the things that matter most to the Victor Harbor community.

Council's performance target is to substantially complete at least 90% of the listed Key Planned Activities. Progress is not simply set and forgotten, Council provides a mid-year progress report through the Audit and Risk Committee and subsequent Council Meeting, and end of year results are published in the Annual Report, which is also reviewed by the Audit and Risk Committee, ensuring the community can hold Council accountable for what it commits to.

The following pages set out each Key Planned Activity by aspiration, including a description of the activity, its budget allocation, and the strategic performance indicators Council uses to measure its success in delivering on each aspiration over time.

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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-focused 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.

2026/27 Key Planned Activities

Caring Neighbourhood Program

Coordinate the Caring Neighbourhood Program to foster social connections and offer support for people over 65 who are experiencing social isolation.

Budget Allocation: $419,400* (*offset by grant funding)

Drummond Reserve Playground Renewal

This renewal will refresh play equipment at this local reserve to create a safe and inclusive play space that encourages community wellbeing.

Budget Allocation: $68,000

Active Wellbeing Program

Deliver the Active Wellbeing Program to promote movement and social connection through a variety of programs and events that support an active lifestyle.

Budget Allocation: $251,700

Encounter Community Centre

Support the transition of the Encounter Community Centre to the direct management of Council, subject to the appropriate approvals, ensuring the Centre continues to provide services, programs and community space for Victor Harbor.

Budget Allocation: $70,000

Strategic Indicators

Strategic Performance Indicator	Trend	2026/27 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%**

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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.

2026/27 Key Planned Activities

Town Hall and Cinema AV and Lighting Upgrade

Upgrades to lighting and AV equipment in the Town Hall and cinema are planned to enhance the functionality and versatility of these venues. These improvements will help ensure the facilities can be used more effectively for a variety of events and activities until more significant upgrades are undertaken in the future.

Budget Allocation: $173,000* (*offset by grant funding)

Business Victor Harbor Collaboration

Continuation of the ongoing partnership between Council and Business Victor Harbor to drive positive economic results for the community and support local businesses particularly through Business Victor Harbor's leadership of the Victor Harbor Brand rollout.

Budget Allocation: $156,000

Fleurieu Study Hub

Council will continue to support and promote the operation of the Fleurieu Study Hub to foster opportunities for education and skill enhancement across the region.

Budget Allocation: $210,000* (*offset by grant funding)

Library Programs

Council will continue to deliver a broad and engaging program of library services, events and activities that support literacy, lifelong learning and connection.

Budget Allocation: $1,545,700

Strategic Indicators

Strategic Performance Indicator	Trend	2026/27 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%**

Draft

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.

2026/27 Key Planned Activities

Inter-War Heritage Code Amendment

Council will progress a Code Amendment to apply the recommendations of the Victor Harbor Inter-War Heritage Survey (2023), including consideration of formally listing additional Local Heritage Places and applying Character Area and Historic Area Overlays. These measures will help ensure the city's inter-war built heritage is preserved as Victor Harbor grows.

Budget Allocation: Delivered by existing staff resources

Future Ready Strategy Implementation

The South Coast Future Ready Strategy sets out a practical program of actions to support a more balanced and sustainable future for Victor Harbor and the southern Fleurieu Peninsula, addressing housing, jobs, education, services and liveability. Following finalisation of the Strategy, Council will prepare an Implementation Plan in 2026/27 that translates the Strategy's priorities into clearly defined actions, responsibilities and timeframes, aligned with budget priorities and allocations.

Budget Allocation: Delivered by existing staff resources

Destination Marketing Campaign

A destination marketing campaign will be delivered to enhance customer perceptions of Victor Harbor in line with the Economic Development Strategy and Victor Harbor brand.

Budget Allocation: $51,500

Strategic Indicators

Strategic Performance Indicator	Trend	2026/27 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**

Draft

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.

2026/27 Key Planned Activities

Community Garden and Nursery

Continue the development of a community garden and nursery to promote sustainability, social connection, and community wellbeing. This initiative aims to provide a shared space for residents to learn about sustainable gardening practices and participate in educational and volunteer programs.

Budget Allocation: $210,000

Victor Harbor Community Renewables Program

In collaboration with Shine Hub, this initiative enables Victor Harbor residents to join a community-wide bulk purchase program for renewable energy. Through this program, homeowners can access cost-effective solar and battery systems, helping them reduce their energy expenses while strengthening the community's energy independence.

Budget Allocation: $12,400

Inman River Coastal and Flood Protection

This project will deliver high-priority coastal and river protection infrastructure along the Inman River, improving the resilience of a highly utilised area of the city that encompasses the caravan park, recreational facilities and a mix of public and private assets.

Budget Allocation: $124,000

Strategic Indicators

Strategic Performance Indicator	Trend	2026/27 Target
Waste diverted from landfill (%)	Maintain at current level or increase	**≥ 65%**
Tree canopy cover within urban area	Maintain at current level or increase	**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%**

Draft

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 $493 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.

2026/27 Key Planned Activities

Footpath Program

Continued delivery of the Councils footpath and shared path network to support active lifestyles and active transport connections. Works will occur on:

- Nicholas Baudin Drive, Encounter Bay
- Port Elliot Road, Hayborough
- Encounter Bikeway

Budget Allocation: $520,000

Whalers Road Construction

Finalisation of the Whalers Road construction project to improve safety and accessibility on this key connector road.

Budget Allocation: $3,000,000

Integrated Transport Study

An evidence-based project that examines existing conditions, future growth impacts and transport network capacity across all modes. Its purpose is to provide Council with the analysis needed to prioritise actions, inform future strategies and support funding and advocacy efforts.

Budget Allocation: $120,000

Strategic Indicators

Strategic Performance Indicator	Trend	2026/27 Target
Asset renewal funding ratio	Rolling three-year average of 100%	**118.2%**
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**

Draft

ASPIRATION 6

We are a financially sustainable and well-governed organisation



This aspiration is internally focused 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 focused on consistently delivering a high level of customer service.

2026/27 Key Planned Activities

Council Elections

Support the planning and delivery of the 2026 Local Government Elections across the enrolment, nomination, and voting phases to ensure a smooth, transparent, and accessible process. This includes coordinating key election activities and delivering a comprehensive induction program for the newly elected Council following the completion of the elections.

Budget Allocation: $245,000

Service Level Review Program

Continue the rollout of the Service Level Review Program, with reviews to be undertaken across the Operations, Development/Building, and Public Safety business units. These reviews will evaluate service demand, resource requirements, and operational efficiency in the context of community expectations, workforce capacity, and regulatory obligations. The program aims to better align service delivery with strategic priorities, improve transparency, and support the effective utilisation of the new corporate system.

Budget Allocation: $100,000

Strategic Indicators

Strategic Performance Indicator	Trend	2026/27 Target
Community satisfaction with Council's customer service	Maintain at current level or increase	**≥ 57%**
Operating surplus ratio	Between 0 and 3%	**-4.7%**
Net financial liabilities ratio	90% or less	**< 90%**
Community satisfaction with Council's overall performance	Maintain at current level or increase	**≥ 43%**

Draft

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 2026/27 is outlined in the following pages.





Victor Harbor Horse Tram Authority (Section 42)

Council Contribution in 2026/27	
Operating (cash)	$373,000
Operating (In kind)	$139,500
Capital	$40,000
Total	**$552,500**

Established in 2018 by the City of Victor Harbor, this organisation is responsible for overseeing the operations, business development and marketing of the Victor Harbor Horse Drawn Tram. The operating budget allocation for this subsidiary is $512,500.

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 $40,000 for horse stock.

Southern and Hills Local Government Association (Section 43)

Council Contribution in 2026/27	
Operating	**$26,000**

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 $26,000.

Draft



Fleurieu Regional Waste Authority (Section 43)

Council Contribution in 2026/27	
Operating	$2,570,000

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 $2,570,000.

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 Aquatic Centre (Joint Venture)

Council Contribution in 2026/27	
Operating	$509,500
Equity	$270,000
Total	**$779,500**

The Fleurieu Aquatic Centre is a valued community asset provided in collaboration between the City of Victor Harbor and Alexandrina Council. While previously managed via a Section 43 subsidiary established in 2015, oversight of the Fleurieu Aquatic Centre transitioned to a Joint Venture Agreement between the two councils in 2024. The transition recognised that the facility's operations have matured and that significant efficiencies can be realised by drawing on the skills and resources that already exist within each council, without any impact on day-to-day operations.

Since opening to the community in 2017, the Fleurieu Aquatic Centre has welcomed well over a million visitors and delivered social value to South Coast communities in the order of $3.2 million in 2022/23.

The operating budget allocation for the City of Victor Harbor's share of the Joint Venture in 2026/27 is $509,500 and an equity adjustment (book entry) of $270,000.

Draft



Measuring Our Success

Council measures and monitors its performance on a regular basis to ensure delivery of outcomes articulated within its Community Plan 2030. There are a number of ways in which we do this.

Key Planned Activities

Council identifies a number of Key Planned Activities it will undertake within its Annual Business Plan. Council's performance target is to complete at least 90% of the listed Key Planned Activities. In 2026/27 19 Key Planned Activities have been identified. These activities are outlined on pages 37-43 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 the Council has a Service Level Review Plan that sets out a schedule of service reviews to ensure services meet community needs, are delivered effectively and efficiently and align with strategic priorities.

Strategic Indicators

As part of the development of the Community Plan 2030, Council identified desired outcomes and indicators of success for each aspiration.

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 financial performance.

Annual Report

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 Indicator 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 in Council's Long Term Financial Plan, and these are reflected in the Annual Business Plan.

As noted in the Financial Sustainability section on page 28, the Long Term Financial Plan has been adjusted to enable comparison with the Annual Budget whereby financial transactions relating to the Regional Community, Sport and Recreation Precinct have been deferred by one year.

Estimates and commentary is provided on the following pages in regard to these Key Financial Indicator ratios.

Draft

Operating Surplus (Deficit) Ratio

This ratio expresses the operating surplus / (deficit) as a percentage of total operating revenue. A positive ratio indicates that operating expenses are being fully funded by operating revenue and current ratepayers are meeting the costs of the services they are using.

An operating deficit ratio of -4.7% is projected in 2026/27 which below the -5.3% forecast in the LTFP.

The graph below outlines the estimated ratio results to the end of the LTFP.

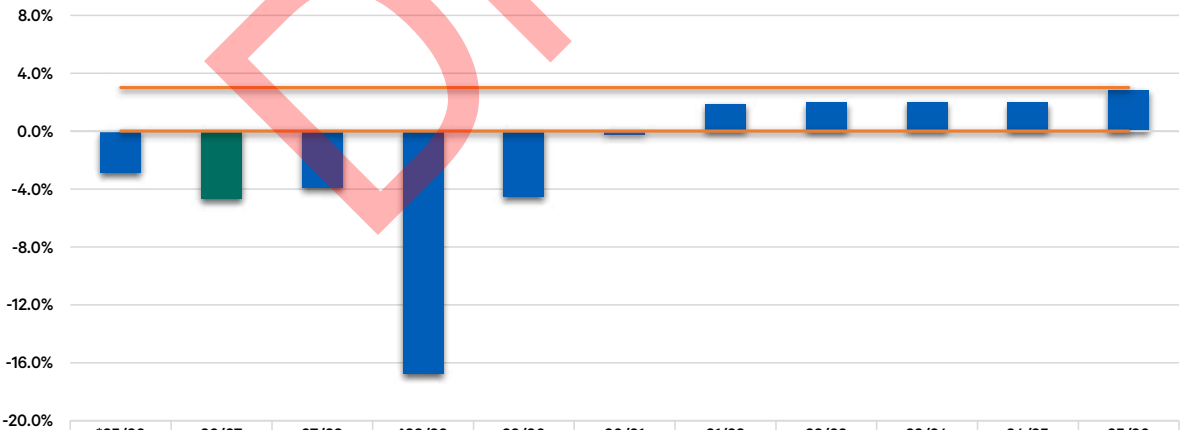
The forecast results provide ratios outside of Council target for a number of years before moving back into surplus.

Accepting a deficit position has been a considered decision by Council to minimise the impact on ratepayers of two significant projects (Regional Community, Sport and Recreation Precinct and the Corporate System Replacement).

There is a large deficit ratio in 2028/29 due to the significant contribution for the construction of the Regional Community, Sport and Recreation Precinct which is being funded primarily from borrowings.

After this contribution, the ratio moves into a near breakeven position in 2030/31 before successive years of surpluses.

Draft



	*25/26 Budget	26/27 Budget	27/28 LTFP	^28/29 LTFP	29/30 LTFP	30/31 LTFP	31/32 LTFP	32/33 LTFP	33/34 LTFP	34/35 LTFP	35/36 LTFP
Forecast Ratio	-2.9%	-4.7%	-3.9%	-16.8%	-4.6%	-0.2%	1.9%	2.0%	2.0%	2.0%	2.8%
Council Target - Min	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Council Target - Max	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%

* March Budget Review (BR3)
^ Precinct Contribution

Measures of Success (continued)

Net Financial Liabilities Ratio

This ratio expresses total liabilities less financial assets as a percentage of total operating revenue. A higher ratio may indicate higher levels of debt whilst a lower ratio indicates stronger capacity to meet financial obligations.

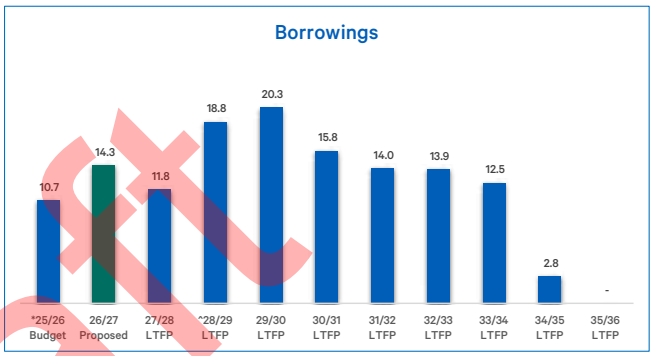
A net financial liabilities ratio of 39.5% is projected in 2026/27 which is below the 40% forecast in the LTFP.

The graph below outlines the estimated ratio results to the end of the LTFP.

The forecast results provide ratios well below Council's maximum target (cap) of 90%.

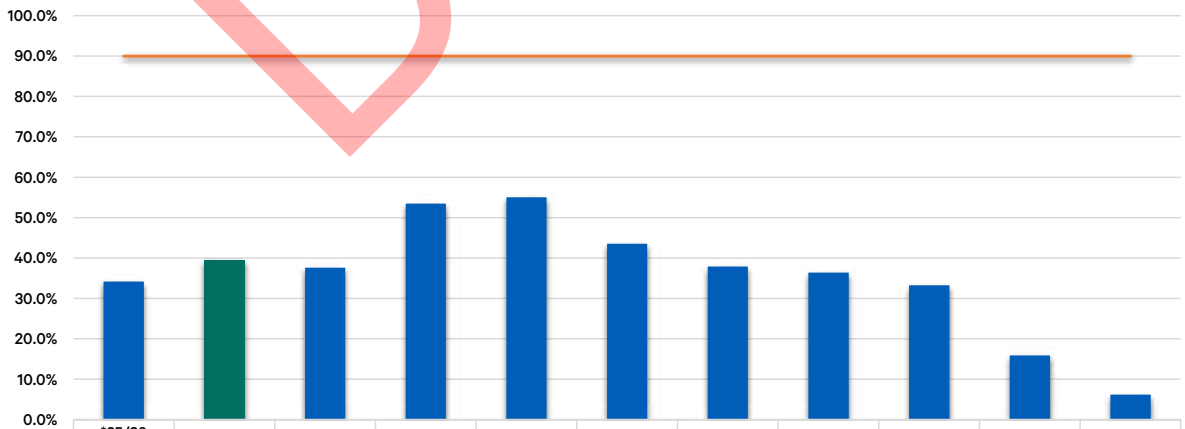
This is due to effective treasury management and a focus on reducing debt levels, using the additional Precinct rate rise in 2024/25 (1.2%) and 2045/26 (1%) to enable repayment of loans, placing Council in a position that allows for significant borrowings for the Regional Community, Sport and Recreation Precinct in 2028/29.

Whilst the net financial liabilities ratio takes into account more than just borrowings, the following graph shows the forecast levels of debt over the same period:



Significant borrowings are required in 2028/29 for the Precinct, with borrowings peaking at $20.3 million in 2029/30.

Following this borrowing levels steadily decline as repayments are made.



	*25/26 Budget	26/27 Budget	27/28 LTFP	^28/29 LTFP	29/30 LTFP	30/31 LTFP	31/32 LTFP	32/33 LTFP	33/34 LTFP	34/35 LTFP	35/36 LTFP
Forecast Ratio	34.2%	39.5%	37.6%	53.5%	55.1%	43.5%	37.9%	36.4%	33.3%	15.9%	6.2%
Council Target - Max	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%

* March Budget Review (BR3)
^ Precinct Contribution

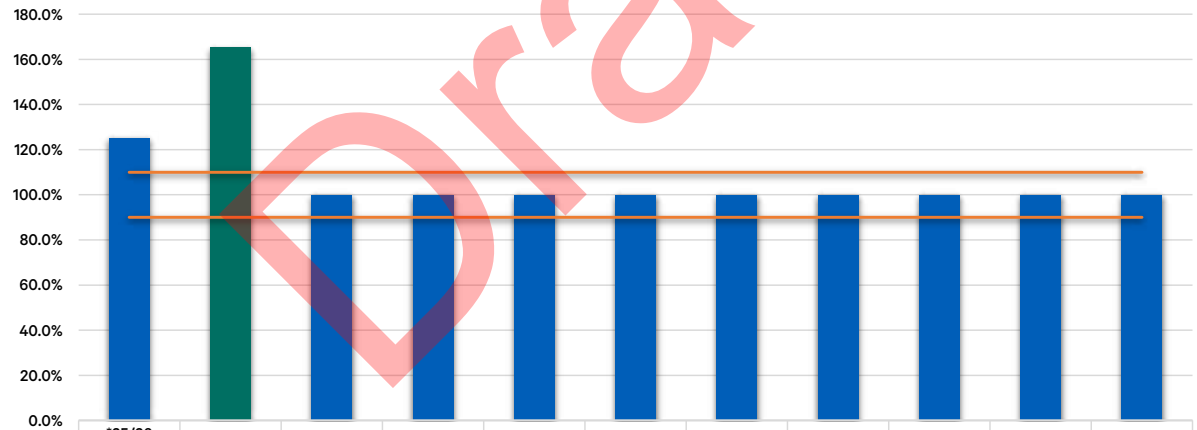
Draft

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.

Due to an increased focus on replacement / renewal projects over the past few years, Council will achieve its rolling three year average. Based on the 2024/25 actual result, 2025/26 forecast result and 2026/27 proposed budget, the rolling three year average is estimated at 118.2%.

The graph below outlines the Council's Asset Renewal Funding Ratio over the last 10 years, including the 2026/27 forecast.



	*25/26 Budget	26/27 Budget	27/28 LTFP	^28/29 LTFP	29/30 LTFP	30/31 LTFP	31/32 LTFP	32/33 LTFP	33/34 LTFP	34/35 LTFP	35/36 LTFP
Forecast Ratio	125.3%	165.4%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Council Target - Min	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%
Council Target - Max	110%	110%	110%	110%	110%	110%	110%	110%	110%	110%	110%

* March Budget Review (BR3)
^ Precinct Contribution

Draft


Draft

Appendix 1

ESCOSA Local Government Advice

Draft

Advice

Local Government Advice

City of Victor Harbor

February 2024

Draft

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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OFFICIAL

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**



Draft

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.

Table of contents

Glossary of terms....2
1 The Commission's key advice findings for the City of Victor Harbor....3
2 About the advice....5
2.1 Summary of advice....5
2.2 Detailed advice findings....7
2.2.1 Advice on material plan amendments in 2023-24....7
2.2.2 Advice on financial sustainability....8
2.2.3 Advice on current and projected rate levels....14
2.3 The Commission's next advice and focus areas....16

Draft

Glossary of terms

ABS	Australian Bureau of Statistics
AMP	Asset management plan (also called an IAMP)
Commission	Essential Services Commission, established under the *Essential Services Commission Act 2002*
CPI	Consumer Price Index (Adelaide, All Groups)
Council	City of Victor Harbor
CWMS	Community Wastewater Management System
ESC Act	*Essential Services Commission Act 2002*
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	*Local Government Act 1999*
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	*Local Government (Financial Management) Regulations 2011*
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

Draft

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.

Draft

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.

Draft

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 (**LTFP**s) and infrastructure and asset management plans (**IAMP**s)[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 website[9]), 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.

Draft

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).

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.

Draft

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).

Draft

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 surpluses[16] within the period 2012-13 to 2021-22, with an average operating surplus ratio[17] 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.

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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 is 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 ratio[23] 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 project[24] 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-today organisational activities. The project is in third and final year.

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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 range[28] 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.

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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 ratio[30] (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'.

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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 deprecation 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 recommended[35] 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] [42] 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.[43]

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 LTFP[44] 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 a 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:

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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.

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 dependent[48] 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.

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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 2

Council Response to ESCOSA Local Government Advice

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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 commenced a review of its Long Term Financial Plan towards the end of 2025. The review was finalised on 5 February 2026 when Council formally adopted the Long Term Financial Plan for the period 2026/27 to 2035/36. The next review is scheduled to be undertaken during the 2026/27 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.	Council continues 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.	Council continues 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 the optimisation phase of its corporate systems replacement project. This project 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. A number of savings were identified within the 2026/27 Annual Business Plan as identified on page 22.
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 Long Term Financial Plan 2026/27 to 2035/36 includes commentary about efficiency savings and continuous improvement. Key to this will be Council's Service Level Review program which officially commenced in 2025/26 and is being continued in 2026/27.

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ESCOSA Advice	Council Response
Refinements to Asset Management	
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 labour 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.	Council continues its commitment to providing the Expected Statement of Rate Revenue within its Annual Business Plan, 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.	Significant due diligence was undertaken to inform the planning and delivery of the Regional Community, Sport and Recreation Precinct project. The principles of fairness and equity in relation to recovery of costs, along with social and economic benefits for the Victor Harbor community and surrounding region have been considered as a part of Council's decision making
10. Consider publicly separating out each project in the Council's overall accounts.	Separate reporting is provided for the Sport and Recreation Precinct where there is a material impact on rates and /or services. See page 33 of this plan. The Arts and Culture project has been pushed out in the Long Term Financial Plan to 2031/32. When this project comes online the same kind of reporting will occur.
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.	Council has secured $3.2 million in grant funding for the Precinct project and continues to advocate for further funding to reduce the impact of the new facility on ratepayers. Grant funding and/or external partnership opportunities will be sought to assist with the delivery of the Arts and Culture Centre from 2031/32.

A copy of the full advice from the Commission is provided at **Appendix 1**.

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Appendix 3

2026/27 Budget Area Breakdown

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2026/27 Budget Area Breakdown

CATEGORY	PROGRAM	CAPITAL			OPERATING		
		REVENUE	EXPENSES	RESULT	REVENUE	EXPENSES	RESULT
Community Services	Active Wellbeing	-	-	-	-	251,700	(251,700)
Library and Cultural Services	Arts and Culture	-	705,000	(705,000)	10,000	274,100	(264,100)
Public Safety	Building Control	-	-	-	80,300	255,800	(175,500)
Corporate Services*	C & C Admin	-	-	-	1,300	429,200	(427,900)
Town Planning	C & D Admin	-	-	-	-	1,108,700	(1,108,700)
Community Services	Caring Neighbourhood Program	-	-	-	304,300	419,400	(115,100)
Public Safety	Cat Control	-	-	-	26,500	2,400	24,100
Community Facilities	Cemetery	-	48,000	(48,000)	267,200	194,200	73,000
Governance	CEO Admin	-	-	-	634,100	2,037,100	(1,403,000)
Corporate Services*	Civic Centre	-	294,000	(294,000)	1,100	639,500	(638,400)
Coastal Protection and Environment	Coastal Environment	-	603,000	(603,000)	46,500	69,800	(23,300)
Coastal Protection and Environment	Coastal Maintenance	-	-	-	-	106,400	(106,400)
Community Services	Community Assistance	-	-	-	-	369,600	(369,600)
Library and Cultural Services	Coral Street Art Space	-	-	-	20,700	133,400	(112,700)
Governance	Council Members	-	-	-	-	725,400	(725,400)
Communications	Customer Services	-	-	-	-	626,700	(626,700)
Civil Services	Depot	-	116,400	(116,400)	-	368,200	(368,200)
Public Safety	Dog Control	-	-	-	169,200	652,900	(483,700)
Civil Services	E & I Admin	-	-	-	-	457,500	(457,500)
Tourism and Eco Development	Economic Development	-	-	-	87,500	657,600	(570,100)
Communications	Engagement	-	-	-	-	422,500	(422,500)
Civil Services	Engineering	-	-	-	-	812,700	(812,700)
Coastal Protection and Environment	Environment	-	-	-	-	1,156,200	(1,156,200)
Tourism and Eco Development	Festival and Events	-	39,200	(39,200)	20,000	356,600	(336,600)
Corporate Services*	Finance	-	-	-	-	1,072,100	(1,072,100)
Public Safety	Fire Prevention	-	-	-	9,500	1,700	7,800
Civil Services	Fleet and Equipment	256,000	1,054,000	(798,000)	-	850,000	(850,000)
Community Services	Fleurieu Families	-	-	-	305,300	529,300	(224,000)
Civil Services	Footpaths	-	561,000	(561,000)	-	740,700	(740,700)
Governance	Governance	-	-	-	500	289,000	(288,500)
Public Safety	Health Control	-	-	-	30,000	232,600	(202,600)
Business Activities	Horse Tram	-	40,000	(40,000)	25,200	537,700	(512,500)
Corporate Services*	Human Resources	-	-	-	-	567,700	(567,700)
Corporate Services*	Information Management	-	-	-	-	236,900	(236,900)

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CATEGORY	PROGRAM	CAPITAL			OPERATING		
		REVENUE	EXPENSES	RESULT	REVENUE	EXPENSES	RESULT
Corporate Services*	Information Technology	-	342,900	(342,900)	-	2,466,300	(2,466,300)
Civil Services	Kerb	-	289,000	(289,000)	-	955,200	(955,200)
Library and Cultural Services	Library	8,000	31,900	(23,900)	138,700	1,545,700	(1,407,000)
Open Space and Recreation	Open Space Admin	-	-	-	-	1,736,100	(1,736,100)
Civil Services	Operations Admin	-	-	-	-	1,399,800	(1,399,800)
Public Safety	Parking Control	-	20,000	(20,000)	251,300	233,000	18,300
Open Space and Recreation	Parks & Gardens	-	549,000	(549,000)	32,700	1,894,800	(1,862,100)
Corporate Services*	Payroll	-	-	-	-	114,200	(114,200)
Town Planning	Planning	-	-	-	319,300	1,124,500	(805,200)
Community Services	Positive Ageing	-	-	-	87,500	126,500	(39,000)
Community Facilities	Property	-	1,701,500	(1,701,500)	458,400	912,800	(454,400)
Community Facilities	Public Conveniences	-	562,300	(562,300)	-	497,900	(497,900)
Communications	Rates Administration	-	-	-	96,900	569,800	(472,900)
Revenue	Rates Revenue	-	-	-	34,923,000	-	34,923,000
Community Facilities	Recreation Centre	-	47,000	(47,000)	129,100	409,300	(280,200)
Public Safety	Regulatory Control	-	-	-	2,500	219,600	(217,100)
Community Services	SCOTS	-	-	-	669,900	843,900	(174,000)
Civil Services	Sealed Roads	-	4,519,000	(4,519,000)	415,000	5,102,900	(4,687,900)
Community Facilities	Senior Citizens	-	-	-	26,000	82,600	(56,600)
Open Space and Recreation	Sport	-	735,000	(735,000)	39,800	1,713,200	(1,673,400)
Civil Services	Stormwater	-	1,224,200	(1,224,200)	-	929,500	(929,500)
Civil Services	Streetscape	-	-	-	10,000	1,134,400	(1,124,400)
Tourism and Eco Development	Study Hub	-	-	-	210,100	210,100	-
Community Facilities	Town Hall	40,000	173,000	(133,000)	21,000	130,300	(109,300)
Civil Services	Traffic	-	-	-	-	533,000	(533,000)
Civil Services	Unsealed Roads	-	464,000	(464,000)	-	872,500	(872,500)
Business Activities	Victa Cinema	-	-	-	824,000	1,069,400	(245,400)
Tourism and Eco Development	Victor Harbor Visitor Centre	-	34,600	(34,600)	181,000	886,800	(705,800)
Community Services	Waste Management	-	-	-	3,400	2,825,200	(2,821,800)
Corporate Services*	WHS and Risk Management	-	-	-	-	747,500	(747,500)
Waste Management	Youth Development	-	-	-	-	184,700	(184,700)
Corporate Services*	*Adjustment for Corporate Costs distributed in activity areas (FCA)	-	-	-	-	-6,271,000	6,271,000
	TOTALS	**304,000**	**14,154,000**	**(13,850,000)**	**40,878,800**	**42,785,800**	**(1,907,000)**

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Appendix 4

Capital Projects

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Project Name	Budget ($)
City Activation	
Visitor Centre Upper Level Airconditioning	27,300
Mainstreet Festoon Lights and Sound System	39,200
Whale Centre - AV Equipment (Exhibition Replacement)	7,300
Corporate and Customer Service Admin	
Clydesdale Purchases for Horse Tram	40,000
Infrastructure	
Civic Centre Solar System Expansion (WIP)	300,000
Yacht Club Upgrade (WIP)	450,000
Whalers Rd - Construction Franklin Pde to White Cres	3,000,000
Strategic Land Purchase	516,000
Public Conveniences DDA Compliance	69,000
Rosemary Court Stormwater	70,000
Glassenbury Drive Stormwater Design and Construction	496,200
Causeway Complex Building Works	194,500
Olivers Parade Turnaround, Kerbing and Drainage	450,000
DDA upgrades to Carrickalinga House and Kent Reserve Conveniences	51,000
Jenke Road McCraken Road Widening	599,500

Project Name	Budget ($)
Day Road and Colebatch Road (Design)	120,500
Civic Centre Airconditioning Encounter Room	34,000
Information Technology	
iPad/iPhone Replacements	24,600
Storage Area Network	114,200
Device Replacements (Council Members)	62,900
Device Replacements (Staff)	141,200
Library	
Library Furniture Teen Area Replacements	12,000
Library Shelving Replacement	19,900
Open Space	
Community Garden and Nursey (WIP)	210,000
Hayward Court Beach Access (WIP)	479,000
Open Space Light Truck	87,000
Open Space Tools Allowance	17,000
Bridge Terrace Irrigation Renewal and Upgrade	82,000
Inman River Coastal Flood Protection	124,000
Victor Harbor Cemetery Development	48,000
Drummond Reserve Playground Renewal	68,000
Bluff Master Plan Actions	189,000

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Project Name	Budget ($)
Operations	
Operations Truck	185,000
Resheeting Unsealed Roads (Annual Allowance)	464,000
Road Reseals (Annual Allowance)	619,000
Sweeper attachment for loader	40,000
Depot Transportable Roof Replacement	36,700
Plant and Equipment All Locations Allowance	22,000
Operations Tools Allowance	17,000
Fleet Replacement	669,000
Furniture and Fittings All Locations Allowance	23,700
Operations Dual Cab Ute	74,000
Building Defibrillators Various Locations	7,000
Inlet Program Construction Annual Allowance	148,000
Footpath Replacement	442,300
Public Conveniences Vandal Proof Upgrade	442,300
Guard Rail Replacement Program	180,000
Recreation Centre Installation of Security System	32,000
Kerb and Channel Replacements	289,000

Project Name	Budget ($)
Footpath - Nicolaus Baudin Drive - 805m	223,000
Kerb Ramps - Annual Allowance	41,000
Recreation Centre Seating Replacement	15,000
Community and Development Admin	
Encounter Bikeway (WIP)	65,000
McKinlay Street Car Park (WIP)	20,000
Encounter Bay Netball Courts Resurfacing	205,000
Arts and Culture Centre Design (WIP)	705,000
Town Hall and Cinema AV and Lighting Upgrade	173,000

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Appendix 5

Statement on Expected Rate Revenue

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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 going out to consultation on the DRAFT Annual Business Plan and Budget (ABP&B). This information is updated regularly and therefore these figures may be subject to confirmation at the time of actual adoption of the ABP&B.

	2025/26 (as adopted)	2026/27 (estimated)		Change	Comments
General Rates Revenue					
General Rates (existing properties)	$31,575,447	$33,940,837	(a)		
General Rates (new properties)	$431,774	$465,392	(b)		
General Rates (GROSS)	**$32,007,916**	**$34,406,229**	(c)		
Less: Mandatory Rebates	($295,544)	($324,177)	(d)		
General Rates (NET)	**$31,712,372**	**$34,082,052**	(e)	7.5%	
		(e)=(c)+(d)			
Other Rates (inc. service charges)					
Regional Landscape Levy	$741,781	$766,444	(f)		The Regional Landscape Levy is a State tax, it is not retained by council.
	$32,454,153	$34,848,496			
Less: Discretionary Rebates	($36,384)	($37,197)	(l)		
Expected Total Rates Revenue	**$31,675,988**	**$34,044,855**	(m)	7.5%	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	**11,567**	**11,690**	(n)	1.1%	
	Actual	Estimate			
Estimated average General Rates per rateable property					
Average per rateable property	**$2,767**	**$2,943**	(o)	6.4%	These 'averages' are based on the total of all rateble properties and are therefore not necessarily indicative of either the rate or change in rates that all ratepayers will experience
		(o)=(c)/(n)			

'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.

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.

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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 going out to consultation on the DRAFT Annual Business Plan and Budget (ABP&B). This information is updated regularly and therefore these figures may be subject to confirmation at the time of actual adoption of the ABP&B.

Expected Rates Revenue

	Total expected revenue			No. of rateable properties		Average per rateable property				Cents in the $
	2025/26	**2026/27**	**Change**	2025/26	**2026/27**	2025/26	**2026/27**		**Change**	**2026/27**
Land Use										
Residential	$25,628,210	**$27,534,003**	**7%**	9620	**9637**	$2,664	**$2,857**	(p)	**$193**	**0.3110**
Commercial - Shop	$1,079,017	**$1,096,720**	**2%**	232	**229**	$4,651	**$4,789**	(p)	**$138**	**0.4042**
Commercial - Office	$169,947	**$179,561**	**6%**	52	**54**	$3,268	**$3,325**	(p)	**$57**	**0.4042**
Commercial - Other	$1,066,109	**$1,101,966**	**3%**	208	**212**	$5,126	**$5,198**	(p)	**$72**	**0.4042**
Industry - Light	$129,271	**$131,493**	**2%**	56	**56**	$2,308	**$2,348**	(p)	**$40**	**0.3576**
Industry - Other	$64,183	**$66,303**	**3%**	25	**25**	$2,567	**$2,652**	(p)	**$85**	**0.3576**
Primary Production	$2,123,831	**$2,156,144**	**2%**	598	**592**	$3,552	**$3,642**	(p)	**$91**	**0.2799**
Vacant Land	$1,507,224	**$1,895,464**	**26%**	722	**833**	$2,088	**$2,275**	(p)	**$188**	**0.4664**
Other	$240,124	**$244,574**	**2%**	54	**52**	$4,447	**$4,703**	(p)	**$257**	**0.3110**
GRAND TOTAL (GROSS)	**$32,007,916**	**$34,406,228**	**7.5%**	**11,567**	**11,690**	**$2,767**	**$2,943**	(p)	**$176**	

Fixed Charge

	Total expected revenue			Charge			
	2025/26	**2026/27**	**Change**	2025/26	**2026/27**		**Change**
Fixed Charge	$5,637,060	**$5,728,635**	**2%**	$495	**$495**	(q)	**$0**

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

Adopted valuation method

Capital 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.

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Appendix 6

2026/27 Rating Policy

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2026/27 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 (Appendix 5, 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.

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2026/27 Rating Policy

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 in accordance with the Local Government Act 1999.

Council uses a two tiered rating system and 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:

- 15.4% of properties have increased by less than 10%
- 78.6% of properties have increased by between 10% and 20%
- 6.0% of properties have increased by more than 20%

Capital valuations as at 16 May 2026 total $9,191,757,380 of which $ 224,980,557 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.

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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 2026/27, 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 75).

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 $766,444, with Council able to recover the amount prescribed under the Landscape South Australia Act 2019 for establishment and collection costs of $6,995.

The rate collected is based on the capital value of all rateable properties as $0.00008637984 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 2026/27 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 2025/26 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 2025;
- 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.

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2026/27 Rating Policy

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 **15 September 2026**, or by quarterly instalment payments due on the following dates:

- 1st instalment – **15 September 2026**
- 2nd instalment – **15 December 2026**
- 3rd instalment – **15 March 2027**
- 4th instalment – **15 June 2027**

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.

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.

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Appendix 7

2026/27 Financial Statements

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Uniform Presentation of Finances

For year ending 30 June 2027

	2026/27 LTFP $'000	2026/27 PROPOSED $'000
Operating Revenues	42,127	40,879
less Operating Expenses	(44,786)	(42,786)
Operating Surplus / (Deficit)	**(2,659)**	**(1,907)**
Net Outlays on Existing Assets		
Capital Expenditure on Renewal/Replacement of Existing Assets	(4,218)	(6,939)
add back Depreciation, Amortisation and Impairment	12,118	12,119
add back Proceeds from Sale of Replaced Assets	158	256
Subtotal	**8,058**	**4,228**
Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets	(6,772)	(7,216)
add back Amounts received specifically for new/upgraded assets	1,388	48
add back Proceeds from Sale of Surplus Assets	0	0
Subtotal	**(5,384)**	**(9,496)**
NET BORROWING FOR FINANCIAL YEAR	**15**	**(9,518)**

FINANCIAL INDICATORS

Operating Surplus Ratio

Operating surplus (deficit) expressed as a percentage of operating income
TARGET = 0% to 3%

	-6.3%	**-4.7%**

Adjusted Operating Surplus Ratio

Operating surplus (deficit) expressed as a percentage of operating income excluding Major Projects (Corporate System Replacement)
TARGET = 0% to 3%

	-1.8%	**-3.5%**

Net Financial Liabilities Ratio

Total liabilities less financial assets (excluding equity accounted investments in Council Business) expressed as a percentage of total operating income.
TARGET = Maximum of 90%

	40.0%	**39.5%**

Asset Renewal Funding Ratio

Capital renewal expenditure as a percentage of recommended expenditure in Council's Asset Management Plans.
TARGET = 90% to 110%

	100.0%	**165.4%**

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Statement of Comprehensive Income

For year ending 30 June 2027

	2026/27 LTFP $'000	2026/27 PROPOSED $'000
Income		
Rates	34,775	34,923
Statutory charges	710	760
User charges	2,248	2,361
Grants, subsidies and contributions - capital	438	438
Grants, subsidies and contributions - operating	3,421	1,944
Investment income	42	40
Reimbursements	306	345
Other Revenue	186	68
Total Income	**42,127**	**40,879**
Expenses		
Employee costs	14,532	15,234
Materials, contracts and other expenses	17,488	14,863
Depreciation, amortisation and impairment	12,118	12,119
Finance costs	418	300
Net Loss - Equity Accounted Council Business	230	270
Total Expenses	**44,786**	**42,786**
Operating surplus / (deficit)	**(2,659)**	**(1,907)**
Physical resources received free of charge	1,000	3,000
Amounts specifically for new or upgraded assets	1,428	48
Asset Disposal and fair value adjustments	(1,000)	(1,000)
Net surplus / (deficit)	**(1,231)**	**141**
Other Comprehensive Income		
Amounts which will not be reclassified subsequently to operating result		
Changes in Revaluation Surplus - I,PP&E	1,961	15,000
Total amounts which will not be reclassifed subsequently to operating result	1,961	15,000
Total other comprehensive income	**1,961**	**15,000**
Total comprehensive income	**730**	**15,141**

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Statement of Financial Position

For year ending 30 June 2027

	2026/27 LTFP $'000	2026/27 PROPOSED $'000
ASSETS		
Current Assets		
Cash and Cash Equivalents	500	507
Trade and Other Receivables	2,199	1,828
Inventories	377	400
Total Current Assets	**3,076**	**2,735**
Non-Current Assets		
Financial Assets	358	290
Equity Accounted Investments in Council Business	10,250	9,880
Infrastructure, Property, Plant and Equipment	427,818	445,734
Other Non-Current Assets	5,260	4,000
Total Non-Current Assets	**443,686**	**459,904**
TOTAL ASSETS	**446,762**	**462,639**
LIABILITIES		
Current Liabilities		
Trade and Other Payables	4,952	1,153
Borrowings	738	719
Provisions	2,437	3,000
Total Current Liabilities	**8,127**	**4,872**
Non-Current Liabilities		
Borrowings	11,559	13,602
Provisions	205	300
Total Non-Current Liabilities	**11,764**	**13,902**
TOTAL LIABILITIES	**19,891**	**18,774**
Net Assets	**426,871**	**443,865**
EQUITY		
Accumulated Surplus	76,579	80,534
Asset Revaluation Reserve	349,131	362,170
Other Reserves	1,161	1,161
Total equity	**426,871**	**443,865**

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Statement of Changes in Equity

For year ending 30 June 2026

	Accumulated Surplus $'000	Revaluation Reserve $'000	Other Reserves $'000	TOTAL EQUITY $'000
2026/27 Long Term Financial Plan				
Balance at end of previous reporting period	109,908	315,503	730	426,141
Net surplus / (deficit) for year	(1,231)	-	-	(1,231)
Other comprehensive Income				
Gain (Loss) on Revaluation of I,PP&E	-	1,961	-	1,961
Other comprehensive income	-	1,961	-	1,961
Total Comprehensive Income	(1,231)	1,961	-	730
Transfers between Reserves	-	-	-	-
Balance at end of period	**108,677**	**317,464**	**730**	**426,871**
2026/27 ORIGINAL BUDGET				
Balance at end of previous reporting period	82,441	347,170	1,161	430,772
Net surplus / (deficit) for year	(1,907)	-	-	(1,907)
Other Comprehensive Income				
Gain (Loss) on Revaluation of I,PP&E	-	15,000	-	15,000
Other comprehensive income	-	15,000	-	15,000
Total Comprehensive Income	(1,907)	15,000	-	13,093
Transfers between Reserves	-	-	-	-
Balance at end of period	**80,534**	**362,170**	**1,161**	**443,865**

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Cashflow Statement

For year ending 30 June 2026

	2026/27 LTFP $'000	2026/27 PROPOSED $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		
Rates Receipts	34,737	33,177
Statutory Charges	709	722
User Charges	2,243	4,957
Grants, Subsidies and Contributions	3,697	2,382
Investment Receipts	42	40
Reimbursements	305	688
Other Receipts	186	136
Payments		
Operating Payments to Suppliers and Employees		
Payment to employees	(14,426)	(16,422)
Payment for materials, contracts and other expenses	(16,872)	(15,532)
Finance Payments	(423)	(300)
Net cash provided by (or used in) operating activities	**10,198**	**9,848**
CASHFLOWS FROM INVESTING ACTIVITIES		
Receipts		
Grants utilised for capital purposes		
Amounts Received Specifically for New or Upgraded Assets	1,388	48
Sale of replaced assets	159	256
Repayments of loans by community groups	-	34
Payments		
Expenditure on renewal/replacement of assets	(4,196)	(6,939)
Expenditure on new/upgraded assets	(6,773)	(7,216)
Capital contributed to equity accounted council businessess		
Net cash provided by (or used in) investing activities	**(9,422)**	**(13,816)**
CASHFLOWS FROM FINANCING ACTIVITIES		
Receipts		
Proceeds from Borrowings	8,615	3,500
Payments		
Repayments of Loans	(696)	(697)
Repayment of lease liabilites	(16)	(16)
Net cash provided by (or used in) financing activities	**7,903**	**2,787**
NET INCREASE (DECREASE) IN CASH HELD	**8,678**	**(1,181)**
plus: cash & cash equivalents at beginning of period	(8,178)	1,688
CASH & CASH EQUIVALENTS AT END OF PERIOD	**500**	**507**

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city of
Victor Harbor

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