



Government of South Australia

Submission

to the

Productivity Commission Issues Paper:

**Assessing Local Government Revenue
Raising Capacity**

August 2007

Productivity Commission Issues Paper May 2007

Assessing Local Government Revenue Raising Capacity

The Office for State/Local Government Relations has compiled this submission with the assistance of officers in the Department of Treasury and Finance, the South Australian Local Government Grants Commission, the Department of Premier and Cabinet, Planning SA, the Department for Families and Communities, the Department of Health and the Department of Trade and Economic Development.

As outlined in the 'Issues Paper' and supported by the examples below, aggregated trend data masks significant variations in revenue and expenses of local government across Australia. The following paragraphs detail the South Australian experience.

South Australia appreciates the opportunity to respond to the questions raised in the Issues Paper.

Trends in local government revenue

What are the principal factors explaining the trends in revenue from councils' various sources?

Councils in South Australia derive revenue from a variety of sources: general and other rates, statutory charges, user charges, commercial activity revenue, interest, reimbursements, grants and subsidies and other income.

The largest revenue source is general and other rates, which in 2005-06 accounted for 66 per cent of total operating revenue. In fact 84 per cent of local government operating revenue came from its own sources, alternatively approximately 16 per cent of local government revenue came from grants and subsidies. This is illustrated in the following table.

Revenue data extracted from financial statements of councils

2001-02 to 2005-06

	2001-02	2001-02	2005-06	2005-06	Percentage
	\$ mill	% of total	\$ mill	% of total	Increase from
		operating		operating	01/02 to 05/06
		review		review	
General and other rates	616	64	829	66	35
Statutory Charges	26	3	38	3	47
User Charges and Commercial Activity Revenue	119	12	118	9	-1
Interest / Reimbursement Revenue and other operating revenue	64	7	70	6	10
Grants and Subsidies	141	15	208	16	48
Total Operating Revenue	966	100	1,263	100	31

Source: South Australian Local Government Grants Commission database of council's audited financial statements.

Productivity Commission Issues Paper May 2007

Assessing Local Government Revenue Raising Capacity

General and other rates revenue have increased steadily both in dollar terms and as a proportion of total operating revenue, over the documented five-year period, whereas user charges and commercial activity revenue as a relative proportion of total operating revenue has declined.

General and other rates revenue is an equitable way of ensuring that all ratepayers of the council area contribute to the cost to a council of service provision and infrastructure maintenance and renewal.

Within the various sources of revenue there is great diversity. Those councils that have the greatest ability to raise revenue through user charges are those councils which operate such activities as car parking stations (off-street parking), elderly citizens facilities, nursing homes, performing arts centres, cemeteries, museums and art galleries, tourism centres, sports facilities and swimming centres. This is mainly councils in the metropolitan area and in large regional centres. There is little or no capacity for smaller or remote councils.

Based on data published by the Department of Transport and Regional Services in recent Local Government National Reports, councils in South Australia rely much more heavily on rates income and have much less capacity in raising revenue from user charges and commercial activity revenue than councils in other states. Unlike some councils in the eastern states, councils in South Australia are not generally responsible for essential services such as water and electricity distribution. When looking at user charges across Australia it is desirable to remove water and electricity from the calculations. This will give a more consistent and clearer view.

Why has 'other income' been growing at a faster rate than council rate revenues and sales of goods and services?

This is not the case in South Australia where income other than rates, grants and subsidies is decreasing as a proportion of total operating revenue (rather than growing faster as the question indicates - see table above).

Do these trends differ between States and Territories, and between urban, rural, remote, and indigenous local governments? If so, what are the primary factors explaining such differences?

The trends differ as noted above. In particular, there is little or no capacity for smaller or remote councils to raise revenue through user charges. Because of the nature of these communities and of user charges, as outlined above, it is councils in the metropolitan area and in larger regional centres which have the greatest capacity. It would be reasonable to think that this would be a consistent feature across Australia, but would depend on the conformity of their reporting framework.

Some councils have undertaken land division projects to stimulate economic growth and provide another source of income (for example District Council of Streaky Bay).

Productivity Commission Issues Paper May 2007
Assessing Local Government Revenue Raising Capacity

Capacity to raise own-source revenues

What are the principal factors that determine the magnitude of the various revenue raising bases available to local governments?

Since the mid 1990s, there has been considerable structural reform (amalgamations) and subsequent implementation of resource sharing arrangements in Local Government in SA. More recently, there has been a commitment to higher standards of financial and asset management. Despite this, there remains a number of smaller populated country and remote councils with limited capacity to provide services and maintain/renew infrastructure at a satisfactory level.

These smaller councils have considerably less revenue raising capacity (per capita) than their urban counterparts.

The Commonwealth Government legislation has two conflicting principles, one which requires that general purpose Financial Assistance Grants (FAG's) for Local Government be distributed within each State/Territory on a Horizontal Fiscal Equalisation (HFE) basis, and the other which ensures that all councils are assured of receiving a minimum per capita equivalent of 30 per cent of available funding.

On the one hand, it is argued that the smaller country and remote councils should receive an even greater share of grant funding than currently enjoyed. That is, as the minimum per capita grant arrangement conflicts with the principle of fiscal equalisation, by reducing the 30 per cent minimum per capita criteria this would ensure that more money was available to be distributed on HFE grounds and thus benefit the most disadvantaged councils.

Conversely, however, the Financial Assistance Grants were established (in 1975) to ensure that each council would receive a fixed share of income tax revenues. Accordingly, now every council receives at least a minimum entitlement to compensate for the narrowness of the Local Government tax (rate) base, and the lack of balance between this base and its potential responsibilities.

Thus, while horizontal fiscal equalisation justifies a grant only to disadvantaged councils because of the need to equalise the ability to provide services. It could be argued in some circumstances this policy supports Councils that would otherwise be unsustainable. A base grant does give some recognition to the need to provide the service or encourage the provision of particular services.

All councils rely to some extent on the Financial Assistance Grants, even those on the per capita minimum grant. Currently within South Australia there are 20 councils on the per capita minimum, which accounts for around 54 per cent of the population of the State. Collectively they receive almost \$15 million or 16 per cent of the total general-purpose grants. Of the 20 councils, five receive between \$1-\$2 million, which represents (for each council) around 3 per cent of the councils Total Operating Revenue. If the per capita minimum grant were to be

Productivity Commission Issues Paper May 2007

Assessing Local Government Revenue Raising Capacity

abolished, councils would need to fund the shortfall from an increase in their rate revenue. This would represent an increase of around 5 per cent.

South Australia has argued for many years that there is inequity in the distribution between the States of the general-purpose component of the Local Government Financial Assistance Grants and more recently the need for a greater funding pool be made available for Local Government generally.

The total allocation of Local Government Financial Assistance Grants to South Australia is \$122.1 million which represents 7.56% of the total available funds.

This comprises \$92.3 million for General Purpose Grants, and \$29.79 million for Identified Local Road Grants.

South Australia's share of the identified road grant is 5.5% of the total pool. The identified road component is based on fixed shares inherited from tied grants arrangements that applied before 1991, and no longer represents an equitable per capita share.

The current equal per capita approach to interstate distribution clearly results in the less populous States being given an inequitable share of grants. Councils in the less populous States continue to face higher relative costs in such things as administration and road maintenance and renewal.

At a time when the Commonwealth Government is providing some targeted funding to the Local Government sector (for example, extension of the AusLink Roads to Recovery Program), there would appear to be considerable scope to phase in changes, at least partially using fiscal equalisation principles or similar. Such an arrangement would mean no State was left "worse off" in terms of their general purpose funding for Local Government.

This more equitable allocation between the States, could lead to considerable benefits in the provision of services and much needed rehabilitation of community infrastructure in country and remote councils in Australia.

What are the key determinants of the capacity and willingness of resident households, organisations and businesses to pay for services provided by their local governments?

Key determinants of the capacity and willingness of households, organisations and businesses to pay for services provided by their Local Government, include such things as available household income, conflicting pressure on resources, organisational demands such as cash flow constraints and lack of understanding of the services that are being provided.

What strategies might be available to local governments to increase the capacity and willingness of local residents to pay for goods and services provided, and where applicable, non residents? Would any new strategies provide stable sources of revenue over time or would they be subject to variability over time?

Productivity Commission Issues Paper May 2007
Assessing Local Government Revenue Raising Capacity

The capacity and willingness of local residents to pay for the range of services that Local Government provides is influenced by the income of the population, their ability to pay and economic prosperity of local businesses. It could also be influenced by the knowledge and understanding of how Local Governments spend their money and whether they are focused on issues that are a priority to the community.

There will always be a proportion of the resident population that will be unwilling to pay for goods and services, but if the reasons and purposes these funds are being raised are well known, and can be seen to be beneficial to the well-being and benefit of the community it is possible this resistance can be lessened.

State and Territory government regulatory constraints

Land rating and valuation methods

To what extent do limits on land categories that local governments can adopt for rating purposes restrict their capacity to raise rate revenues?

The South Australian *Local Government Act 1999* provides a high degree of flexibility by providing various categories for differential rating based on the use and/or location of the land.

Councils may set differential rates that vary between residential and business uses. Different business uses may attract different rates. The business land use categories are industrial (light and other), commercial (shop, office and other) and primary production. A differential rate may be set for vacant land and land uses that are not otherwise specified.

Alternatively, Councils may set differential rates based on location. For example, a council might set one differential rate for all land in a (named) town, a second differential rate for all land in a second (named) town, and a third differential rate for all other land. A combination is also permissible, such as a lower differential rate for residential properties outside of township boundaries to reflect the different level of services received.

Even with this high degree of flexibility, some councils are reluctant to pursue differential rate setting as they wish to encourage particular development within their area and/or wish to have equity between all landholders. In spite of the fact that this may restrict their capacity to raise rate revenue from some property types in the short term, the policy position of the council would be looking at their long term property mix in association with their long term financial plan to determine the way that the rate burden is distributed across their community.

Do restrictions on land valuation methods affect the capacity of local governments to raise revenue? If so, how and to what extent?

Productivity Commission Issues Paper May 2007

Assessing Local Government Revenue Raising Capacity

In South Australia the same valuation basis must be used throughout a council area. Capital values are the preferred basis for rating. To allow flexibility, site valuations and annual (rental) valuations are also permissible in certain circumstances. This process is not believed to affect the capacity of local governments to raise revenue.

Rate pegging

What are, or might be, the reasons for rate pegging?

The South Australian Government has no intention of imposing rate pegging.

As referred to on Page 18 of the Issues Paper, during a short period of intensive structural reform in the mid-late 1990s, the general rate revenue of South Australian councils was subject to increases at no more than the rate of inflation (excluding rate revenue from new development).

It is understood that, at the time, the policy intent of the former Government was to limit overall rate increases by putting pressure on councils to generate cost efficiencies by amalgamating. With the benefit of hindsight, it is extremely doubtful that this rate capping/pegging had any impact on councils' preparedness to participate in the voluntary amalgamation process.

To what extent does rate pegging limit the ability of local governments to raise council rate revenues?

Not applicable in South Australia.

Are local governments able to raise revenues from other sources to compensate for the potential revenue raising limits imposed by rate pegging? How, and with what consequences?

Not applicable in South Australia.

Concessions and exemptions

To what extent do mandated exemptions and concessions limit the ability of local governments to raise council rate revenue?

There are various mandatory exemptions and rebates under the *Local Government Act 1999* which limit the ability of Local Governments to raise council rate revenue as follows:

Non-rateable land:

- Crown land (except land held in fee simple by an agency or instrumentality of the Crown (other than a Minister), or land subject to a lease or licence (other than a lease or licence relating to exploration for,

Productivity Commission Issues Paper May 2007
Assessing Local Government Revenue Raising Capacity

or recovery of, minerals or petroleum), or land subject to an agreement to purchase);

- land used for a public purpose (excluding domestic premises and land held or occupied by the Crown or instrumentality under a lease or licence);
- land occupied by a university established by statute (excluding domestic or residential premises);
- land that is exempt from rates or taxes by virtue of the *Recreation Grounds Rates and Taxes Exemption Act 1981*;
- land within the area of the District Council of Coober Pedy that is subject to a mining lease under the *Mining Act 1971* or a precious stones tenement under the *Opal Mining Act 1995*;
- land occupied or held by the council (except any such land held from a council under a lease or licence);
- land occupied by a subsidiary in the area of the council/constituent council that established the subsidiary;
- land occupied or held by an emergency services organisation under the *Fire and Emergency Services Act 2005*;
- land that is exempt from council rates under or by virtue of another Act.

Rebates

- land being predominantly used for service delivery or administration by a hospital or health centre incorporated under the *South Australian Health Commission Act 1976* (100 per cent);
- land being predominantly used for service delivery and administration by a (defined) community service organisation (at least 75 per cent);
- land containing a church or other building used for public worship (and any grounds), or land solely used for religious purposes (100 per cent);
- land being used for the purposes of a public cemetery (100 per cent);
- land (other than land used as domestic premises) owned by, or under the care, control and management of, the Royal Zoological Society of South Australia Incorporated (100 per cent);
- land being used for educational purposes that is occupied by a government school or a non-government school that is registered under Part 5 of the *Education Act 1972* (at least 75 per cent);
- land being used by a university or university college to provide accommodation and other forms of support for students on a not-for-profit basis (at least 75 per cent).

Productivity Commission Issues Paper May 2007
Assessing Local Government Revenue Raising Capacity

What are the existing arrangements in each State and Territory regarding the payment of council rates and rate-equivalents by Australian, State and Territory landholders?

There are no plans in South Australia to introduce reciprocal taxation arrangements between State and Local Government.

Under the Local Government Act, unalienated Crown Land is not liable for any kind of rates, nor is land used or held by the Crown or an instrumentality of the Crown for public purposes (unless held under a lease or licence, or constituting land used for domestic purposes). Other State legislation often grants specific State agencies an exemption from council rates.

There is no specific policy or consistent pattern of payment of local government rates by State Government business enterprises. In 1998-99 a rates equivalent scheme was introduced and applied to all government enterprises, including SA Water, which receive a council rate exemption under the *Local Government Act 1999* or other Acts. A State-wide average rate is used to determine the liability of each enterprise. The rates equivalent collected is paid into the State's Consolidated Account.

All of the former State Electricity entities have now been privatised. Prior to privatisation, property managed by those entities accommodating electricity generation and transmission plant and equipment were exempted from council rates under the *Electricity Corporations Act 1994*. Post-privatisation, electricity generating plant and substations became liable for council rates. However, there is a cap on the maximum rates that may be levied against property housing these assets. Transmission assets remained exempt. Generic assets of these entities such as office buildings receive no exemption from rates.

The SA Forestry Corporation commenced operations in January 2001. Broadly speaking, it has the dual function of managing state forests for public recreational use and harvesting and delivering timber for commercial use. The Corporation is required to pay council rates in respect of lands managed for commercial purposes. Half of the rates so collected are to be spent by councils on roads in the relevant forest areas. This system essentially continues the arrangements pre-corporatisation, under which the Corporation paid a rates equivalent to the Local Government Association which was forwarded to the relevant councils in the form of a grant for maintaining roads in forest areas.

What are the existing arrangements in each State and Territory regarding the provision of concessions, and the compensation by State and Territory governments for the loss of revenue by local governments from these concessions?

The State Government's Concession Scheme provides payments to councils that help off-set the liabilities of pensioners, self-funded retirees and some disadvantaged groups in the community for general rates and service charges for community wastewater management systems. These amounts (\$31 million) are

Productivity Commission Issues Paper May 2007

Assessing Local Government Revenue Raising Capacity

deducted from the council rates notice. This represents 5.7 per cent of total residential rate revenue.

There are no State transfers to reimburse councils for either mandatory rebates and exemptions or discretionary remissions and rebates made available by some councils.

Under a non-concessional scheme which commenced on 1 July 2007, councils must offer holders of State Seniors cards the opportunity to postpone a proportion of rates, with interest accruing, on their principal place of residence. Currently, a threshold payment of \$500 per annum is required which can be reduced by application of the State Government concession payment. The accrued amount of postponed rates, including compound interest on the accrued amount, must be repaid when the relevant property is sold or transferred.

To what extent do exemptions and concessions limit the ability of local governments to raise revenues?

Councils are required to make reasonable provision for rate relief, where appropriate, and consider limiting rate increases on a ratepayer's principal place of residence.

Councils may offer rebates in respect of the following:

- (a) where the rebate is desirable for the purpose of securing the proper development of the area, or a part of the area. (This can include Land Management Agreements);
- (b) where the rebate is desirable for the purpose of assisting or supporting a business in its area;
- (c) where the rebate will conduce to the preservation of buildings or places of historic significance;
- (d) where the land is being used for educational purposes;
- (e) where the land is being used for agricultural, horticultural or floricultural exhibitions;
- (f) where the land is being used for a hospital or health centre;
- (g) where the land is being used to provide facilities or services for children or young persons;
- (h) where the land is being used to provide accommodation for the aged or disabled;
- (i) where the land is being used for a residential aged care facility that is approved for Commonwealth funding under the *Aged Care Act 1997* (Cwlth) or a day therapy centre;
- (j) where the land is being used by an organisation which, in the opinion of the council, provides a benefit or service to the local community;
- (k) where the rebate relates to common property or land vested in a community corporation under the *Community Titles Act 1996* over

Productivity Commission Issues Paper May 2007

Assessing Local Government Revenue Raising Capacity

which the public has a free and unrestricted right of access and enjoyment;

- (l) where the rebate is considered by the council to be appropriate to provide relief against what would otherwise amount to a substantial change in rates payable by a ratepayer due to—
 - (i) a redistribution of the rates burden within the community arising from a change to the basis or structure of the council's rates; or
 - (ii) a change to the basis on which land is valued for the purpose of rating, rapid changes in valuations, or anomalies in valuations;
- (m) where the rebate is considered by the council to be appropriate to provide relief in order to avoid what would otherwise constitute—
 - (i) a liability to pay a rate or charge that is inconsistent with the liabilities that were anticipated by the council in its annual business plan; or
 - (ii) a liability that is unfair or unreasonable;
- (n) where the rebate is to give effect to a review of a decision of the council under Chapter 13 Part 2;
- (o) where the rebate is contemplated under another provision of this Act.

Setting fees and charges

Section 188 of the *Local Government Act 1999* provides the power to raise fees and charges for certain goods, services, licences, permits and approvals. A register is kept of fees and charges set by each council. Each Council has the power to determine its own fees and charges. However, setting of fees and charges presents a challenge for in determining what constitutes community benefit opposed to what constitutes commercial return for the Council.

Service charges for treatment of waste, provision of water, and television transmission are set according to the costs associated with the service and excess revenue must be returned.

Statutory fees collected by councils are fixed by various pieces of legislation, such as development application fees (*Development Act 1993*), dog registration fees (*Dog and Cat Management Act 1995*) and inspections (*Food Act 2001*).

What are the regulatory requirements and guidelines applied to local governments for setting fees and charges?

The *Code for Establishing and Applying Property Units as a Factor for the Imposition of Annual Service Charges for Community Wastewater Management Systems* provides guidance and is adopted by the regulations under the *Local Government Act 1999*. A copy of the Code is attached.

Productivity Commission Issues Paper May 2007
Assessing Local Government Revenue Raising Capacity

To what extent are local governments constrained in setting fees and charges?

There are a number of examples where legislation specifically limits the amount of fees and charges to the cost of providing services, and thus prevents any “excess” revenue being applied to cross-subsidise other services. One example is the council owned community wastewater management systems (CWMS) where councils can only recover the cost of operating and maintaining the system.

Similarly, fees charged for providing information and material must not exceed a reasonable estimate of the direct cost of providing the copies/extracts.

Statutory fees and charges collected by councils may not always cover the cost to council of providing the goods or services.

To what extent are the requirements and guidelines followed by local governments?

We are not aware of any non-compliance with legislative requirements. In some cases, the Local Government sector itself has the responsibility and accountability for setting fees. For example, the pricing regime for CWMS developed by the sector has been adopted to allow for sustainable pricing.

To what extent do local governments under or over-recover the costs of supplying goods and services?

We suggest that this is a question best answered by councils. However, it is anticipated that there will be under-recovery of costs during the transition to sustainable pricing for CWMS.

Also, while inspection fees charged to food businesses under the Food Act are set at \$80 for small businesses and \$200 for large businesses, not all councils collect these fees. This is considered to have a limited impact.

What scope would there be to raise additional revenue if the limits were removed?

Community perception of reasonable pricing would be a limiting factor on increases to fees and charges and the additional revenue available.

To what extent does local government legislation or other relevant legislation explicitly provide the power to set fees and charges in excess of the cost of supply? If powers are not explicitly provided, to what extent, if any, does this limit the ability of councils to raise revenue from introducing new fees and charges?

Where council is setting fees for the use of council property, for services/work provided at a person's request or for an application, licence, permit or authorisation, the amount need not relate to the cost to the council. However, if

Productivity Commission Issues Paper May 2007
Assessing Local Government Revenue Raising Capacity

there is a statutory fee or charge for that matter (or an Act requires that no fee is payable), councils cannot impose their own fee or charge.

Impacts on individuals, organisations and businesses

Council rates

What would be the effects on individuals, organisations and businesses of local governments increasing council rates?

Increasing council rates would impact on individuals and households by limiting the amount of their disposable income and may impact on the viability of small business. Without sufficient understanding of why the rates have risen, and of course this would depend on how much they rose, there would be a great deal of resentment by all sections in the community and would be seen as a significant impost on the competitiveness of the business sector.

What effects might rate pegging and the choice of land valuation methods have upon individuals, organisations and businesses?

For a discussion on rate pegging, please refer to page 6 of our submission.

The choice of land valuation method would determine the distribution burden on the community. Where a capital or improved valuation method is used, the greater share of the rates collected is from that part of the community which has theoretically the greater capacity to pay.

To what extent are council rate revenues used to subsidise the delivery of goods and services for which fees and charges are collected? What are the consequences?

In South Australia, it is very common for the delivery of goods and services (including the associated fixed costs) to be subsidised by rate revenue. On a user pays basis those members of the community which have the least capacity to pay normally are those who need to use the service most. For example: library services, if this service was on a fee for service basis those people who do not have computers at home or need to access the toy library or borrow books would be the most impacted.

To what extent do efficiency and equity considerations contribute to the attractiveness of council rates as a source of local government income?

Council rates seem to be the most equitable and efficient method of raising revenue across the community. Everyone pays, either directly or indirectly, even if it is only the minimum amount.

Productivity Commission Issues Paper May 2007

Assessing Local Government Revenue Raising Capacity

Developer charges and contributions

In SA there are mandatory contributions towards provision of open space and car parks in some new developments, and the requirement to provide some physical infrastructure within land divisions.

Open Space Contributions

Section 50 of the *Development Act 1993* requires developers of land division applications (not exceeding one hectare) to provide open space at the time of land division, and/or make a monetary contribution. If a contribution is paid for a land division of more than 20 allotments, the funds are paid to the council. If less than 20 allotments are created, the contribution is paid to a Planning and Development Fund and councils can obtain grants for regional open space projects.

Car Parking Fund

Section 50A of the *Development Act 1993*, allows for a council, with the approval of the Minister, to establish a car parking fund for a designated area, in lieu of a developer providing sufficient car parking (as required by the relevant Development Plan) for a proposed development. The funds are to be used by councils to provide car parking in the area.

Construction of roads, bridges, drains and services within land divisions

Under the *Development Act 1993*, an application for a land division must satisfy certain requirements in relation to the provision of roads, bridges, drains and services within that division prior to planning consent being granted.

To what extent do local governments employ developer contributions and charges to finance investments in new and upgraded assets?

There are several councils in SA showing an interest in charging developer contributions on an ongoing basis to fund construction and maintenance of infrastructure in new urban developments.

There is no restriction on councils entering into voluntary arrangements with developers for contributions towards essential infrastructure or the direct provision of infrastructure.

Are there legislated limits to contributions that can be required or charges that can be collected?

The current level of open space contribution payable to councils per additional allotment (if more than 20 additional allotments are created) is:

- Metropolitan Adelaide—\$4 125 for each new allotment or strata lot delineated on the relevant plan that does not exceed 1 hectare in area;
- Outer-Metropolitan Adelaide—\$2 860 for each new allotment or strata lot delineated by the relevant plan that does not exceed 1 hectare in area;

Productivity Commission Issues Paper May 2007

Assessing Local Government Revenue Raising Capacity

- Regional South Australia—\$2 405 for each new allotment or strata lot delineated by the relevant plan that does not exceed 1 hectare in area.

The quantum of these rates is established by Regulation 55A of the *Development Regulations 1993*, in line with the variation to land values. The rates are set by the Valuer General in accordance with a prescribed formula under the *Development Act 1993*.

The *Development Act 1993* is silent on the method of establishing the quantum of the levy for contributions to a car parking fund, but local land prices are a guide.

In relation to infrastructure provision in new subdivisions, the *Development Regulations 1993* require from a developer that:

- The roadway of every proposed road within the relevant division must be constructed and where required by the council, paved and sealed with bitumen, tar or asphalt or other material approved by the council.
- Any bridge, culvert, or underground drain or inlet which is reasonably necessary for a proposed road in accordance with recognised engineering design practice must be constructed.
- Any footpath, water-table, kerbing, culvert or drain of a proposed road required to be formed by the council must be constructed.
- Any drain which is necessary in accordance with recognised engineering practice for the safe and efficient drainage of the land and for the safe and efficient disposal of stormwater and effluent from the land must be provided and constructed.
- Electrical services must be installed in accordance with recognised engineering practice.

Are there legislated constraints on the use of revenue raised from developer charges?

The *Development Act 1993* requires that revenue collected by Local Government through land division open space contribution requirements be used principally for the purposes of developing or acquiring land as open space, and that money received towards a car parking fund be used to provide, operate and maintain car parking facilities within a designated area, or be used to reduce the demand for car parking in that area.

Councils can enter into Land Management Agreements in some circumstances to ensure essential infrastructure is jointly provided.

What are the effects on individuals, organisations and businesses of the use of developer charges and contributions?

There is no statutory developer contribution provision in SA.

Key industry and economic advisory groups such as the Economic Development Board, are strongly opposed to the use of developer levies as a means of funding

Productivity Commission Issues Paper May 2007

Assessing Local Government Revenue Raising Capacity

councils' soft and hard infrastructure obligations, citing a need for improved integrated land use and infrastructure planning and clarification of funding provision and responsibilities.

With the exception of legislated contributions described above, the South Australian Government has not endorsed the use of development levies. Proponents and councils can enter into Land Management Agreements to accelerate essential infrastructure.

What is the most appropriate way to recover the costs of new and upgraded assets?

Often the initial capital cost of an asset is only a very small part of the total costs associated with operating and maintaining the asset over its lifetime. Our clear view is that the ongoing annual operating costs (i.e. maintenance / depreciation costs) associated with new and upgraded assets should be recovered in full each year from current ratepayers. To not do so would lead to a council incurring annual operating deficits and thus result in future ratepayers needing to pay for services being consumed by current ratepayers.

How assets are financed is a separate matter altogether. Governments traditionally have borrowed money to enable them to create infrastructure to serve their communities. Borrowing allows assets to be acquired earlier than would have otherwise been the case – but it does have a cost. Some councils not only utilise debt to acquire additional assets but also to replace and rehabilitate those they already own. In many instances it is more cost-effective to do this than to incur the excessive maintenance costs that result from keeping older assets operational. Where a council commits to operating in a financially sustainable manner it will, over time, reduce the need for additional debt as revenue raised will be available to support asset replacement needs.

Local Government net debt in South Australia at 30 June 2006 was \$191 million, which was very low when put in the context of physical assets valued at approximately \$11.5 billion.

Fines and other pecuniary penalties

What measures are there in place to protect against the possibility that local governments might view fines as a revenue raising instrument more than as an appropriate deterrent?

Limits are imposed on councils' powers to set fines and penalties. For example, the maximum penalty that can be fixed by a Local Government under a by-law cannot exceed \$750 (or \$50 per day for a continuing offence) and associated expiation fees cannot exceed 25 per cent of the maximum fine for that offence.

Maximum penalties and expiation fees for parking infringements are also set by legislation.

Productivity Commission Issues Paper May 2007

Assessing Local Government Revenue Raising Capacity

The *Local Government Act 1999* and the *Development Act 1993* entitle a council to retain penalties derived from compliance action.

Interest income

To what extent are local government cash reserves the result of State government imposed borrowing limits?

At page 10 of the Issues Paper, the Commission raises the possibility that borrowing constraints could be a factor in revenue raising efforts across councils, particularly in relation to infrastructure services.

There are no constraints on the quantum, term, type and source of council borrowings in South Australia. All constraints were removed nearly 15 years ago. Prior to removing the constraints, there was clear evidence that many councils in South Australia were borrowing funds up to the full amount of borrowing limits imposed even though funding was not required. Consultation with these councils at the time revealed concerns that, to not borrow the full limit each year, may have put at risk their ability to gain approval for borrowings in later years when they required funding (e.g. to cater for large capital projects).

Despite the removal of borrowing limits, the level of cash and investments held by councils in South Australia continues to increase each year. We believe the explanation lies in the “cash reserves” mindset of many people in Local Government (see explanation below).

What are some of the implications of these limits and how do they affect capacity of local governments to raise revenues?

Not applicable in South Australia.

What are some of the implications of cash reserves on both efficiency and intertemporal equity in the community?

Most council budgets adopted in South Australia continue to maintain and create new “reserves”, a device used to ensure that sufficient cash is available when required in future years for a specific purpose (usually a capital project). In most cases, the reserves effectively are financed by undertaking new borrowings.

More recently, a few councils have begun to manage their borrowings and cash investments holistically. They are carrying negligible cash and investments and instead raise funds through borrowings only as cash flow needs require. This approach is supported by immediate liquidity back-up arrangements provided by the Local Government Finance Authority of South Australia to cater for any unforeseen circumstances. The long-term financial and asset management plans of these councils include itemisation of planned future capital and other expenditure otherwise earmarked in “reserve” accounts.

Productivity Commission Issues Paper May 2007

Assessing Local Government Revenue Raising Capacity

The 2004-05 DOTARS Local Government National Report (at Figure 1.10 on Page 31) shows that cash and investments in the Local Government sector in Australia averaged \$8.5 billion over the five years ending 30 June 2004. Borrowings averaged \$6.5 billion over the same period.

At page 23 of the Issues Paper, the Commission raises the possibility of applying cash balances to reduce council rates or expand services. We disagree with both suggestions as they would lead to a deterioration in the accrual operating result of councils. Instead we see merit in applying the majority of cash balances to reduce the level of council borrowings.

Usually, the interest rate being paid by councils on borrowings is higher than that being earned on cash and investments. If the difference was say, 1.0% per annum, then councils could achieve savings to the tune of 1.0% per annum of intended borrowings if they applied their cash and investments to obviate the need for such borrowings. Based on the above average level of borrowings of \$6.5 billion, savings in net interest costs of well over \$50 million per annum nationally would seem to be achievable over time. Of course, appropriate liquidity back-up arrangements would need to be in place

Factors influencing expenditure and revenue raising

Operational efficiency of local governments

To what extent is there scope for local governments to reduce the unit costs of their operations? If so, how might they most effectively reduce their costs?

There is the capacity for Local Government to reduce the costs of their operations by exploring opportunities for cost sharing in areas such as infrastructure investments, service provision, resource sharing, planning and administration.

When individually the councils review their operations, perhaps in relation to infrastructure provision they may decide that there is a need to purchase some equipment such as a 'rock-crusher'. Rather than viewing their operations in isolation they could consult with neighbouring councils and instead of purchasing an asset with a limited or short-term use, it could be purchased as a shared asset.

Likewise with service provision by consulting with neighbouring councils either individually or regionally the ability to provide shared services can be maximised. Examples include operational areas such as waste management, and resource sharing such as planning, IT, payroll services and libraries.

This will lead to improved operational efficiency and is being strongly encouraged by the State Government.

Productivity Commission Issues Paper May 2007
Assessing Local Government Revenue Raising Capacity

What effect would such cost reductions have upon their revenue raising requirements?

There would be limited impact on their revenue raising, however the efficiency and the effectiveness of the council operations both individually and regionally would be enhanced and could potentially impact on the need to place further financial impost on ratepayers.

How and to what extent have structural reforms, such as boundary changes of local governments and service sharing arrangements, affected operational efficiency?

Significant structural reform occurred in South Australia from 1996 to 1998. The voluntary amalgamation process saw the number of councils reduced from 118 to 68.

The decision by councils to pursue amalgamations was based on broader ranging considerations rather than on arguments about immediate operational efficiencies. The process was driven in most cases by important strategic issues facing communities, including the role of responsible governance in an environment of ever-diminishing public resources.

It was not a priority of councils to achieve financial savings. Rather, the push was for improved services or, in some cases in rural and remote areas, simply retaining services.

Under section 41 of the *Local Government (Implementation) Act 1999*, amalgamating councils were required to publish in their annual reports for 1998/1999 and 1999/2000 information relating to the constitution or formation of the council that resulted in:

- (a) savings achieved during that financial year; and
- (b) changes to the quality or extent of services delivered or provided within the relevant area.

These reports were tabled in the South Australian Parliament.

The thinking that drove the process in the mid 1990s i.e. important strategic issues facing communities, including the role of responsible governance in an environment of ever-diminishing public resources, is manifesting itself under the current administration of councils by them exploring opportunities for cost sharing, both of infrastructure investments and service provision. This will lead to improved operational efficiency.

Service levels and pricing

What guidelines and requirements are available to assist local governments to determine the appropriate range and standard of services,

Productivity Commission Issues Paper May 2007
Assessing Local Government Revenue Raising Capacity

to measure and allocate their costs, to determine their revenue requirements, and to set rates, and fees and charges, accordingly?

From 2007, councils in South Australia must undertake a comprehensive consultation program to determine the range and standard of services required by the community and the acceptable level of rate revenue increases. An Annual Business Plan is developed each year to determine annual costs and revenue requirements. Proposed rating strategies and revenue levels are established during this process.

The SA Local Government Financial Management Group in conjunction with the Local Government Association of SA is currently undertaking a project aimed at developing a Long Term Financial Planning Model for Local Government.

Under the *Local Government Act 1999*, there is a requirement that, in most cases, local government in SA will as part of their strategic management plan, have by November 2008 developed a 10 year financial management plan and an infrastructure and asset management plan. These plans which will be reviewed annually from this time will assist local government to determine the appropriate range and standard of services, to measure and allocate their costs, to determine their revenue requirements, and to set rates, and fees and charges, accordingly.

Do guidelines properly take into account the allocation of infrastructure costs over the life of long-lived assets such as local roads, libraries and other facilities?

During 2006-07, the Local Government Association of SA initiated a state-wide project to help councils develop strategies, policies and tools to achieve sustainable asset management. This project will include the provision of guidelines for adequately reflecting such requirements as whole-of-life-cycle costing.

Financial and asset management skills

What effect might the lack of financial and asset management skills of managers and lack of appreciation of the relevant issues by councillors have on the revenue raising capacity and effort of local governments?

One effect of the limited appreciation of the relevant issues by some managers and councillors is that the rating effort of those councils may be lower than necessary to fund the optimal level of capital expenditure on renewal and replacement of existing assets.

Some managers and councillors do not have an appreciation of budget issues, or are constrained by ratepayer expectations. This finding was supported in the Local Government Financial Sustainability Review. It was found that some managers and councillors do not have enough knowledge or expertise to plan ahead in funding infrastructure, resulting in a risk and cost for future communities.

Productivity Commission Issues Paper May 2007
Assessing Local Government Revenue Raising Capacity

To what extent do local governments find difficulty in attracting and retaining suitably qualified experts in financial and asset management? What types of local governments experience the greatest difficulties?

Councils that are affected the most are generally smaller Councils that are unable to provide sufficient incentive to attract qualified staff.

By working on a more regional or collaborative basis those councils that do not have the capacity to attract and retain qualified staff, can be supported by those councils who do, on a fee for service basis. For example in the provision of IT services councils south of Adelaide are working collaboratively to overcome the lack of suitably qualified persons. Alternatively councils, working collaboratively, could structure their staffing so as to provide services across councils.

Incentive effects of grants and subsidies

What grants and subsidies are provided to local government by State and Territory governments? What is the value for each category of grant? Are there any terms and conditions attached to these grants? Do these terms and conditions distort the incentives of local governments to raise their own revenue? If so, how and why?

The State Budget papers include an overview of Local Government finances that include a table summarising grants and subsidies provided by the State to Local Government. (Table 4.7 in Chapter 4 of the Budget Statement, Budget Paper 3 in 2007-08.)

Terms and conditions attach to all of these specific purpose payments. There are no indications that these payments distort the incentive of councils to raise their own revenue.

However, in relation to Commonwealth general purpose grants made available to the State for “on-passing” to councils (via the SA Local Government Grants Commission), there is evidence that the rating effort of a few rural councils has been reduced below what it otherwise would have been. This occurred following a major review in 1997-98 of the SA Local Government Grants Commission’s methodology for distributing grants within the State (using Horizontal Fiscal Equalisation principles). Due to their limited ability to raise revenue and their greater than average expenditure needs per capita, allocations to most rural and remote councils increased significantly at the expense, in the main, of allocations to inner metropolitan councils. While the changes were phased in over seven years, it was noticeable that a few of the smaller rural councils decided to take the opportunity to limit rate increases in some years. While this practice has been discouraged the ability to influence this action is limited by the untied nature of the grants.

Productivity Commission Issues Paper May 2007
Assessing Local Government Revenue Raising Capacity

It could be argued that these grants sustain financially unsustainable councils, and it would be highly likely that these councils would be unable to exist without their support, but these councils do face higher relative costs of administration and road maintenance and renewal in particular and have considerably less revenue raising capacity (per capita) than their urban counterparts and therefore need support in some form.

What grants and subsidies are provided by the Australian Government? What is the value of each category of grant? Are there any terms and conditions attached to these grants? Do these terms and conditions distort the incentives of local governments to raise their own revenue? If so, how and why?

The main grants paid to Local Government across Australia are the Financial Assistance Grants, and account for approximately ten percent (possibly as high as fifteen percent) of the total operating revenue of the Local Government sector in each State.

A table has been attached on the following page, which highlights the level of financial assistance grants to be paid to Local Government across Australia during 2007-08. The general purpose grants are distributed on a per capita basis while the identified local road grants are distributed on a historical basis. These grants are distributed on an untied basis.

Roads to Recovery Grants are another source of funds provided direct to Local Government for the maintenance of their road network. These grants while limited to a four-year funding program, commenced in 2001. They were renewed in 2005 for another four-year term. These grants are tied specifically to roads.

In South Australia, due to the acknowledged inequity in identified local road funding, (SA maintains 11.6 per cent of the local road network while receiving only 5.5 per cent of available funds) the Commonwealth Government provided a 3 year funding program to be administered in the same way as the identified local road grants. This program was announced in 2004 and ran from 2004-05 to 2006-07 at which time it was renewed for another four years.

With the exception of those comments made in relation to the last question, we do not believe that these grants distort the ability of Local Governments to raise their own revenue.

The amount supplied by the Commonwealth especially for roads is well short of the cost of maintaining Council assets, especially for roads.

Productivity Commission Issues Paper May 2007

Assessing Local Government Revenue Raising Capacity

Final Advice Total Commonwealth Financial Assistance Grants for Local Government State Entitlements, 2006-07 and 2007-08

State	2006-07		2007-08		% change 06/07 to 07/08. (%)
	Proportion (%)	Allocation (Actual) (\$'000)	Proportion (%)	Allocation (Estimate) (\$mill)	
New South Wales	31.96	536.34	31.69	558.83	4.19
Victoria	23.45	396.06	23.50	414.34	4.62
Queensland	19.31	327.28	19.49	343.61	4.99
Western Australia	11.57	195.10	11.61	204.78	4.96
South Australia	6.93	117.12	6.92	122.10	4.25
Tasmania	3.28	55.24	3.26	57.52	4.14
Northern Territory	1.41	24.01	1.43	25.15	4.74
Australian Capital Territory	2.09	35.52	2.10	37.09	4.42
TOTAL	100.00	1,686.68	100.00	1,763.42	4.55

TABLE 1

Final Advice Commonwealth General Purpose Financial Assistance Grants State Entitlements, 2006-07 and 2007-08

State	2006-07		2007-08		% change 06/07 to 07/08. (%)
	Proportion (%)	Allocation (Actual) (\$'000)	Proportion (%)	Allocation (Estimate) (\$mill)	
New South Wales	33.27	385.94	32.88	401.58	4.05
Victoria	24.71	289.19	24.77	302.61	4.64
Queensland	19.57	230.15	19.82	242.07	5.18
Western Australia	9.92	115.84	9.98	121.91	5.24
South Australia	7.56	88.63	7.56	92.31	4.15
Tasmania	2.38	27.77	2.36	28.80	3.74
Northern Territory	1.00	11.87	1.02	12.45	4.94
Australian Capital Territory	1.60	18.90	1.61	19.71	4.30
TOTAL	100.00	1,168.28	100.00	1,221.43	4.55

TABLE 2

Final Advice Commonwealth Identified Local Road Grants for Local Government State Entitlements, 2006-07 and 2007-08

State	2006-07		2007-08		% change 06/07 to 07/08. (%)
	Proportion (%)	Allocation (Actual) (\$'000)	Proportion (%)	Allocation (Estimate) (\$mill)	
New South Wales	29.01	150.40	29.01	157.25	4.55
Victoria	20.62	106.88	20.62	111.74	4.55
Queensland	18.74	97.13	18.74	101.55	4.55
Western Australia	15.29	79.26	15.29	82.87	4.55
South Australia	5.50	28.49	5.50	29.79	4.55
Tasmania	5.30	27.47	5.30	28.72	4.55
Northern Territory	2.34	12.14	2.34	12.70	4.55
Australian Capital Territory	3.21	16.62	3.21	17.38	4.55
TOTAL	100.00	518.40	100.00	541.99	4.55

Source: South Australian Local Government Grants Commission from information provided by the Department of Transport and Regional Services



Local Government Association
of South Australia

**Code for Establishing and Applying
Property Units
as a Factor for the Imposition of
Annual Service Charges
for
Community Wastewater Management Systems**

Published by the Local Government Association of South Australia

20 April 2006

CONTENTS

1.	INTRODUCTION.....	3
1.1	Definitions	3
1.2	Scope.....	3
2.	DEFINITION OF A “PROPERTY UNIT”.....	4
3.	CALCULATION OF PROPERTY UNITS FOR CATEGORIES OF PROPERTIES.....	4
3.1	Residential dwellings	5
3.2	Vacant allotments.....	5
3.3	Commercial premises (one occupancy per building).....	5
3.4	Multiple commercial premises with or without a residence	6
3.5	Hospital, nursing or rest homes, or similar occupancies	6
3.6	Hotel, motel, clubs, or similar occupancies	6
3.7	Halls, change rooms, community centres, sporting facilities or similar occupancies (not including commercial premises or accommodation, bar or restaurant facilities)	7
3.8	Schools.....	8
3.9	Churches	8
3.10	Industrial premises.....	8
3.11	Caravan parks.....	9
4.	GENERAL PROVISIONS	10

a) Introduction

Section .01 Definitions

In this Code, unless the contrary intention appears:

“the Act” means the Local Government Act 1999, incorporating any amendments made from time to time;

“Consultant” means the entity engaged by a Council to design and specify a CWMS;

“Council” means a municipal or district Council established or continuing in existence under the Act;

“Property Unit” means a unit used to calculate the average measurement of effluent volume, as defined in Clause 2 of this Code;

“the Regulations” means the *Local Government (General) Regulations 1999*, incorporating any amendments made from time to time;

“CWMS” means a Community Wastewater Management System”

“Community Wastewater Management System” means any system or scheme provided or made available by a Council for the collection, treatment or disposal (including by recycling) of wastewater and includes a septic tank effluent drainage scheme;

“Trade Wastes” means liquid waste from any industry, business, trade or manufacturing premises, other than domestic waste water, produced by the carrying out of an industrial or manufacturing process or carrying on of a business of any kind

Section .02 Scope

Section 155 of the Act provides that a Council may impose a service rate, an annual service charge or a combination of both on land to which it provides, or makes available, a prescribed service. A “prescribed service” is defined to mean the collection, treatment or disposal (including by recycling) of waste. Section 155, therefore, entitles Councils to recover the costs associated with the provision of a CWMS for the purpose of collecting, treating and disposing of waste by imposing either a **service rate, an annual service charge** or a **combination of both** on land to which it provides or makes available the service.

Section 155(3)(b) of the Act provides that a service rate or annual service charge may vary according to a factor prescribed by regulations and applied by a Council. Further, Section 155(8) provides that an annual service charge may be based on any factor that applies under Section 155(3). Regulation 9A of the Regulations prescribes that one of the factors by which a service rate or an annual service charge may vary is the Property Unit system established by this Code.

Attachment

This Code provides a mechanism that can be used for the purpose of calculating annual service charges under Section 155 of the Act in respect of CWMS. Councils may choose to use this Code as the basis for calculating annual service charges to be imposed against land to which a CWMS is provided or made available or, subject to the operation of the Act, may determine an alternative method of charging for the purpose of recouping costs associated with the provision of a CWMS.

The Property Unit system established under this Code seeks to equalise the level of charge imposed for the provision of a CWMS amongst ratepayers, based on user pays principles. Under this system, the cost to each single residential premises is the same. Other premise types producing higher levels of waste, are to be charged at a correspondingly higher level via multiples of property unit numbers (rounded up to the nearest half unit).

The calculation of the monetary amount attributed to each Property Unit is to be performed by estimating the total annual cost of establishing, operating, maintaining, improving, and replacing an individual CWMS (or the total aggregate of such costs for all the CWMS in the Council area), in accordance with section 155(5) of the Act, and dividing that total cost by the number of Property Units serviced by the CWMS (or CWMS) in the Council area.

a) Definition of a “property unit”

It is not practical or cost-effective to measure the **actual** level of effluent volume generated by individual properties connected to a CWMS. The Property Unit system outlined in this Code has been developed to allow calculation of indicative average levels of effluent volumes generated by various properties categorised according to the use of the land.

One Property Unit is based on the average level of effluent volume generated by a single residential dwelling in which three and one half occupants reside. Each occupant is assumed to generate an average of 140 litres of effluent per day. The residential dwelling is, therefore, assumed to generate an average of approximately 500 litres of effluent per day. All other categories of property are compared to the single residential dwelling for determination of the estimated volume of effluent generated by that property and the number of Property Units is adjusted accordingly.

The assumptions for the Property Unit calculations for residential dwellings and the variations for all other property categories listed in Clause 3 below are based on indicative average measures developed over time by various parties including a State Government Drainage Liaison Committee, Health Commission, Engineering and Water Supply Department and Department of Highways and Local Government, for the planning and design of CWMS. The actual volume of effluent generated by individual properties may be higher or lower than the indicative average measures used for the purpose of this Code.

a) Calculation of property units FOR categories of properties

The following method of determining Property Units shall apply to the various categories of properties outlined below.

Section .01 Residential dwellings

As outlined in Clause 2 above, a single residential dwelling comprises the basis of a single Property Unit, therefore:

1 residential dwelling = 1 property unit.

A residential dwelling comprises a single household occupancy whether a flat, unit, semi-detached, row cottage or separate dwelling.

Section .02 Vacant allotments

1 vacant allotment = 1 property unit.

A vacant allotment comprises any vacant parcel of land held under separate title, capable of sale without requiring approval for division.

Note: Where a single residence is constructed over the boundary of 2 or more allotments and/or the residence and adjoining allotments are developed in such a way that none of the allotments could be sold without removal of part or all of the residence or associated buildings, a Council may choose to treat all the adjoining allotments as constituting a single Property Unit. In this case, however, only one connection will be provided to the CWMS.

Section .03 Commercial premises (one occupancy per building)

For example: shops, offices (including Government offices) or private agencies.

The number of Property Units is to be calculated as follows:

$$\frac{\text{FTE}}{6}$$

Where:

FTE = the total number of full time equivalent employees (not living on the site).

The denominator figure 6 reflects the limited (working) hours during which facilities are used by employees compared with the domestic situation.

Any fraction obtained by such division shall be rounded up to the nearest half or full Property Unit. All commercial premises (including vacant premises) shall be considered a minimum of one Property Unit.

Example 1: A general store employing ten persons, being full-time equivalents, would be assessed as two Property Units.

$$\frac{10}{6} = 1.67^*$$

*(Rounded up to next full Property Unit = 2 Property Units)

Attachment

Example 2: An office employing the equivalent of seven full-time persons would be assessed as one and a half Property Units.

$$\frac{7}{6} = 1.17^*$$

*(Rounded up to next half of a Property Unit = 1.5 Property Units)

Section .04 Multiple commercial premises with or without a residence

Each commercial occupancy shall be calculated separately on the overall number of employees in accordance with Clause Section .03 of this section.

A single Property Unit shall be charged for any residence forming a part of commercial premises, in addition to the separate commercial property unit calculation pursuant to Clause 3.3 of this section.

Note: Where an office or other business not producing any wastewater and a residence are combined and occupied by the same person or persons, a single Property Unit may be considered an appropriate charge.

Section .05 Hospital, nursing or rest homes, or similar occupancies

The number of Property Units is to be calculated as follows:

$$\frac{\text{FTE} + \text{BEDS}}{6}$$

Where:

FTE = the total number of full-time equivalent employees (not living on the site)

BEDS = the number of accommodation beds.

Any fraction obtained by such calculation shall be rounded up to the nearest half or full Property Unit.

Example: A hospital employing 10 full time equivalent employees and holding 50 accommodation beds would be assessed as 10 Property Units.

$$\frac{10 + 50}{6} = 10$$

Any residential dwelling attached to the complex and/or any permanent occupancy by a proprietor, manager, or one or more employees will be assessed as an additional Property Unit.

Section .06 Hotel, motel, residential clubs, or similar occupancies

The number of Property Units is to be calculated as follows:

$$\text{FTE} + (\text{BEDS} \times 0.7)$$

Where:

FTE = the total number of full-time equivalent employees (not living on the site)

BEDS = the number of accommodation beds.

Note: The use of 0.7 in the formula is an **assumed** occupancy rate.

Any fraction obtained by such calculation shall be rounded up to the nearest half or full Property Unit.

Example: A hotel that employs 5 full time equivalent employees and holds 10 accommodation beds would be assessed as two Property Units.

$$\frac{5 + (10 \times 0.7)}{6} = 2$$

Any residential dwelling attached to the complex and/or any permanent occupancy by a proprietor, manager or one or more employees will be assessed as an additional Property Unit.

Premises with a public bar or restaurant

Where a public bar and/or restaurant exists at a hotel, motel or club, additional Property Units are to be calculated for the bar / restaurant trade as follows:

- (a) where the average daily attendance is up to 50 persons, 1 additional Property Unit shall be charged;
- (b) a further additional half of a Property Unit shall be charged for each additional 25 persons or part thereof.

Example: A hotel that employs 15 full time equivalent employees, holds 20 accommodation beds and contains a public bar that has a daily attendance of 65 persons would be assessed as 6.5 Property Units.

$$\frac{15 + (20 \times 0.7)}{6} = 4.83 + 1.5 \text{ (for patronage)} = 6.33^*$$

* (Rounded to the nearest full Property Unit = 6.5 Property Units)

Section .07 Halls, change rooms, community centres, sporting facilities or similar occupancies (not including commercial premises or accommodation, bar or restaurant facilities)

Where the estimated average daily attendance over a week is no more than 50 persons per day, the premises must be assessed as one Property Unit. An additional half of a Property Unit must be charged for each additional 25 persons or part thereof.

Section .08 Schools

The number of Property Units is to be calculated as follows:

$$\frac{(\text{Number of students} + \text{Staff}) \times 0.125}{6}$$

Any fraction obtained by such calculation shall be rounded up to the nearest half or full property unit.

Example: A school which has 453 students plus 15 teachers would be assessed as 10 Property Units.

$$\frac{(453 + 15) \times 0.125}{6} = 9.75^*$$

* (Rounded to the nearest full Property Unit = 10 Property Units)

Section .09 Churches

Each property = 1 Property Unit.

Section .10 Industrial premises

The number of Property Units is determined by the connection of **staff ablutions only** and is calculated based on the number of employees in accordance with Clause Section .03 of this Code.

Note: Industrial Premises may include milk-processing plants, engineering premises, poultry processors, bakeries etc. that produce wastes with an organic loading greater than septic tank effluent and/or having high hydraulic flows.

Trade Wastes

Trade Wastes are generally not permitted into a CWMS.

Where consideration is being given to accepting Trade Wastes into a CWMS, the Council must seek the advice of its consultant, the Local Government Association of South Australia and the Department of Health on the following matters:

- (1) whether the Trade Waste should be admitted to the CWMS;
- (2) what pre-treatment, if any, should be given the Trade Waste before it is admitted to the CWMS; and
- (3) the appropriate number of Property Units to be charged, based on estimated water usage, so that the discharge of Trade Waste, when permitted, is charged consistent with the general formula in Clause 2 (an estimated 500 litres of effluent per day = 1 Property Unit) and the General Provisions in Clause 4 of this Code.

Attachment

Laundromats, hairdressers and other water-using businesses not accounted for elsewhere in this Code

To calculate the number of Property Units for these premises, it is necessary to determine the number of litres of water used per day. The number of Property Units to be charged can then be calculated by dividing the litres of water used per day by 500, and rounding up to the nearest half or full Property Unit.

In the case of Laundromats, when direct water meter readings are not available this calculation must be used instead:

$$\frac{\text{MACHINES} \times \text{CYCLES} \times \text{LITRES}}{500}$$

Where:

MACHINES = the number of washing machines in the premises

CYCLES = the average number of washing cycles per machine per day

LITRES = the number of litres used per cycle.

Example: A laundromat that contains 5 washing machines which each use 16 litres of water for each cycle and a total of 25 cycles are completed each day would be assessed as 4 Property Units.

$$\frac{5 \times 25 \times 16}{500} = 4$$

Section .11 Caravan parks

Each permanently occupied site within a caravan park, such as a caretaker's/owner's dwelling, mobile home / cabin must be assessed as one Property Unit.

For other sites, not occupied on a permanent basis, the number of Property Units shall be calculated as follows:

$$\frac{\text{DSO p.a.} \times 0.7}{365}$$

Where:

DSO p.a. = Daily site occupancies per annum - i.e. the total number of overnight uses of camping sites, caravan sites, cabins etc in a 12-month period.

Note: A 30% discount is applied to the occupancy level recognising the reduced water usage per site in caravan parks compared to other accommodation (eg hotels and motels).

Example:

Daily Site Occupancies Per Annum	Property Units
--	-------------------

-

Caretaker's Dwelling	1
Permanently occupied sites	
5	

Caravan Sites	(a)	1,800
Holiday Cabins	(b)	500
Tents (Camping) sites	(c)	200
Total Annual Occupancies		<hr/> 2,500 <hr/>

<u>(2500 occupancies x 0.7)</u>	
365 days in year	=
4.79	

Total Property Units
10.79

Therefore, Total Property Units to be charged	=	11
---	---	----

Where:

- (a) = the number of caravan sites x the number of days occupied per year
- (b) = the number of Holiday Cabins within the Caravan Park x the number of days occupied per year
- (c) = the number of tents (camping sites) x the number of days occupied per year.

a) General Provisions

When a calculation requires estimation of the number of employees at a location, business owners and others who spend a substantial portion of time on the subject premises are to be considered as employees for the purposes of these calculations.

Where a calculation produces a fraction of a Property Unit, it shall be rounded up to the next full or half of a Property Unit, provided that the minimum service charge to be applied to any property is one Property Unit.