District Council of Grant

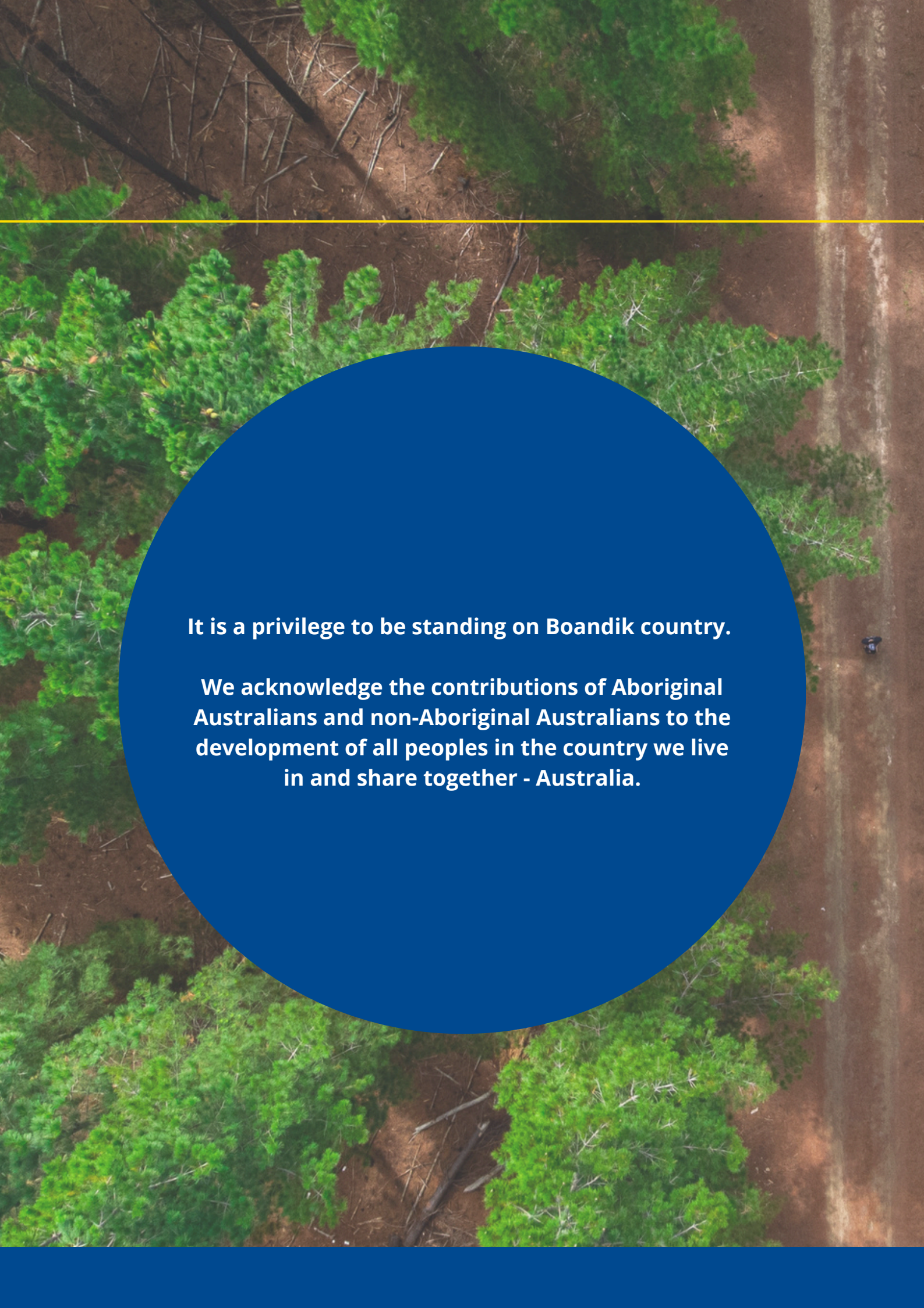
Annual Business Plan & Budget

2024 - 2025



A Progressive and Caring Council

District Council of Grant



It is a privilege to be standing on Boandik country.

We acknowledge the contributions of Aboriginal Australians and non-Aboriginal Australians to the development of all peoples in the country we live in and share together - Australia.



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1. Our Council

On behalf of Elected Members we are pleased to present to our community the 2024-2025 District Council of Grant Annual Business Plan and Budget.

In delivering this Plan, Council wants to acknowledge that in February 2024, Council received the Essential Services Commission of South Australia's (ESCOSA) report which provides independent, risk-based advice to assist councils when making long-term financial and investment decisions for the benefit of ratepayers.

ESCOSA reported:

*The Essential Services Commission finds the District Council of Grant's current and projected financial performance **sustainable,** taking into account the Council's future performance outcomes are reliant in the moderate forecast in expense growth, and the planned increases in average rates income per property of 3.4% p.a. over the next 10 years.*

This is a fantastic result for Council particularly following the 2022 Plebiscite which posed the question of whether an amalgamation between the District Council of Grant and City of Mount Gambier Councils should be considered, which our community confirmed resounding support to remain as the District Council of Grant. Our communities should be confident in our financial viability now and into the future.

The Annual Business Plan and Budget sets out Council's proposed services, programs and projects for 2024-2025. It aims to maintain effective services for the community and continue to progress towards the long term objectives for the District Council of Grant as set out in our Strategic Management Plan 2020-2030.

Council's rate in the dollar in 2023-2023 was the 6th lowest in the state indicating that District Council of Grant's rates represent value for money.

Council Major Capital spend in 2024-2025 includes:

- $3,643,691 on our transport and infrastructure program. This amount includes upkeep on our local roads, road construction, resheeting, kerbing and proposed BMX Track resurfacing
- $367,500 on Community Building Projects
- $162,192 on Community Waste Water Management Schemes (CWMS)
- $830,000 on the Mount Gambier Regional Airport
- $1,958,000 on Fleet Management
- $137,000 on Administrative building projects
- $148,500 on Information and Communications Technology Program

We are also investing in our community with the following key projects:

- $89,000 to year 1 of 3 contribution to Telstra for mobile towers
- $40,000 to Local Heritage Survey completion and commencement of Local Heritage Code Amendment
- $80,000 to a Coastal Adaptation Project (subject to additional funding from the Coastal Protection Board)
- $50,000 to a Corporate Branding Strategy

In order to achieve these, Council is proposing a rate revenue increase of 4.8% (excluding new property growth) which is in line with the December quarter Consumer Price Index. This results in a budgeted surplus of $332,000.

A significant amount of work has been undertaken to ensure the least impact on ratepayers. We wish to emphasise that if your valuation has not increased from that of the prior year, your general rates payable will decrease in line with the rate in the dollar decrease.

Council has carefully considered delivery of services to the community against rate increases. This Annual Business Plan and Budget maintains services against rising costs of inflation.



Kylie Boston
Mayor



Your Elected Members



Mayor Kylie Boston



Bruce Bain
Deputy Mayor
Central Ward



Brad Mann
Central Ward



Katherine Greene
Central Ward



Megan Dukalskis
Central Ward



Gavin Clarke
Central Ward



Peter Duncan
Central Ward



Barry Kuhl
Central Ward



Rodney Virgo
Port MacDonnell Ward



Karen Turnbull
Tarpeena Ward

2. CEO Statement of Financial Sustainability

The Annual Business Plan and Budget for 2024-2025 will continue the delivery of the objectives contained in our Strategic Management Plan 2020-2030.

Council's financial strategy is based on achieving a long-term financial management position that is able to deliver consistent planned services, manage debt, support growth and asset renewal. This year's Annual Business Plan and Budget gives consideration of the current economic environment and the consequent pressures on our communities and as a result, there has been considerable effort made to balance the needs of our ratepayers with sustained investment in infrastructure and services.

This year, we intend to invest over $5 million in renewing our key assets to deliver services and maintain our infrastructure including roads to a standard that meets our community's expectations. These projects have been identified as priority projects based on Council's Asset Management Strategy, the condition of individual assets and community needs assessment, together with reference to Council's Long Term Financial Plan (LTFP) and net funds available.

In accordance with Section 122 (4)(b) of the *Local Government Act 1999*, the information contained within the Annual Business Plan and Budget demonstrates financial sustainability. Section 9 of the Annual Business Plan and Budget articulates the Capital Works Program while Sections 10 - 11 expresses how revenue is received, where funds are spent, the impact on Council's financial position and a synopsis of Council's rating strategy. The content of these pages sets out the practices of the District Council of Grant to operate in a financially sustainable way.

The Local Government Association has defined financial sustainability where Council's long term financial performance and position is sustainable with planned long term services, infrastructure levels and standards being met without unplanned increases in rates or disruptive cuts to services. Council in 2024-2025 is maintaining current services levels and committing to asset renewal consistent with that forecast in the long term financial plan.

Being financially sustainable means having:

- The ability to provide consistent services into the future
- Maintaining assets at an appropriate level in line with Asset Management Plans
- Ensuring loan indebtedness considers the financial impost intergenerationally
- New infrastructure provided to meet community expectations, balanced against increases in costs
- Adequate debt, debtor and treasury management

Future generations should not have to bear the cost of decisions to delay maintenance and renewal of assets.

In short, the principle of financial sustainability is that each generation 'pays their way' for the services and assets they consume. Therefore, funding must be matched to the longevity of the project (short or long term).

Council measures financial sustainability through three indicators. The LTFP, pages 8 to 10, and Appendix 1 shows that Council remains financially sustainable in the long term and continues to operate within target measurement ranges meaning in short that Council has the means to adequately renew assets, provide services.

Key Financial Indicators - Long Term Financial Plan	2024 Plan Year 1	2025 Plan Year 2	2026 Plan Year 3	2027 Plan Year 4	2028 Plan Year 5	2029 Plan Year 6	2030 Plan Year 7	2031 Plan Year 8	2032 Plan Year 9	2033 Plan Year 10
Operating Surplus / (Deficit) ($'000)	(154)	184	39	(360)	(1)	202	146	319	316	366
Operating Surplus Ratio (%)	(0.8)	1.0	0.2	(1.8)	(0.0)	0.9	1.1	1.4	1.4	1.6
Net Financial Liabilities ($'000)	(7,708	(4,126)	575	(1,104)	(1,889)	(2,643)	(3,185)	(3,535)	(3,610)	(3,615)
Net Financial Liabilities Ratio (%)	(42)	(22)	3	(5)	(9)	(12)	(15)	(16)	(16)	(15)
Asset Renewal Funding Ratio (%)	100	100	100	100	100	100	100	100	100	100

In February 2024, Council received the report from the Essential Services Commission of South Australia. Providing independent advice regarding Councils long-term financial position, an extract of the outcome is included below:

*The Essential Services Commission finds the District Council of Grant's current and projected financial performance **sustainable**, taking into account the Council's future performance outcomes are reliant in the moderate forecast in expense growth, and the planned increases in average rates income per property of 3.4% p.a. over the next 10 years.*

Finally, I can confirm that there are sufficient funds available to maintain Council's activities, programs, projects, and service standards. Council is sustainable and continues to operate in a solvent and responsible manner.



Darryl Whicker
Chief Executive Officer



3. Introduction

The District Council of Grant is the most southern local government area in South Australia. Situated on the south east coast it is bounded to the south and west by the Southern Ocean, the Victorian Border to the east and the Wattle Range Council to the north and west. The Council encircles the local government area of the City of Mount Gambier.

The Council is predominantly rural with a number of small townships, we serve a population of 8,927 and covers an area of 189,700 hectares. The area contains some of the richest and most productive agricultural land in South Australia. Dairying, beef, and sheep production, wool, seed and grain production, forestry and horticulture are the predominant agricultural activities.

The fishing industry, in particular the southern rock lobster industry is a significant factor in the economy of the area. Port MacDonnell is acknowledged as the "Southern Rock Lobster Capital of Australia". Forestry production and related secondary industries of logging and milling are major economic and employment generating activities.

The Annual Business Plan sets out the Council's proposed services, programs and projects for 2024-2025. It aims to maintain effective services for the community and continue progress towards the long term objectives for the District Council of Grant as set out in our Strategic Management Plan 2020-2030.

Specific objectives for the year are consistent with Council's Long Term Financial Plan and Asset Management Plans to ensure the long term sustainability of Council's financial performance and position.

4. Our Future

The Plan has been prepared on the basis of maintaining an appropriate level of services to the community, without imposing an unrealistic rate burden on ratepayers. The provision of services by Council is a reflection of meeting both Council's obligations under legislation and the community's desire for services and facilities.

Council adopted its 2020-2030 Strategic Management Plan (SMP) in September 2020. The SMP identifies key issues and projects which will provide for a range of services and facilities while ensuring the ongoing sustainability of Council. Council is currently reviewing its SMP.

When developing the Plan in full, Council identified its vision as being:

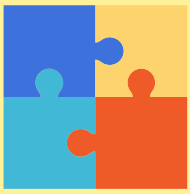
A district of welcoming, inclusive and vibrant coastal and rural communities within the Limestone Coast.

With a pristine environment, relaxed rural lifestyle, quality services and a prosperous local economy, this is a great place to live, conduct business and an exciting destination to visit and stay.

and mission as:

To provide a range of services which meet the environmental, social and economic needs of our community.

Council is committed to providing best value to its customers and community in the manner that it carries out its duties, functions, responsibilities and obligations. The following goals were set by Council to realise this objective.

GOALS	OUTCOMES
Develop Vibrant & Connected Coastal & Rural Communities 	• Inclusive communities that provide a sense of belonging for community members and foster a sense of 'a place where you want to be' • A strong sense of feeling connected to the individual community in which they live or feel most close to • Well-presented, attractive and maintained towns that contribute to a sense of community pride and ownership • A community that resonates a sense of safety and security • Retention and improvement of essential services across the district including medical and health services, Police, SES, CFS, SA Ambulance and schools • Vibrant, successful community events that are meaningful to locals as well as attracting visitors from outside the district • Empowered, well-managed and sustainable sporting clubs and community groups • A range of varied community assets that support health and well being for all • Embracing diversity within our community

- A high standard of reliable power, water and telecommunications across the district
- A high level of volunteer participation
- Prevention, mitigation and management of public health risks in accordance with Council's responsibilities under the South Australian Public Health Act
- A community engaging in a healthy lifestyle through utilisation of facilities and programs that promote health and wellbeing

Support a Prosperous Local Economy



- A prosperous local economy built around successful businesses and industry providing local employment opportunities and attracting investment that contributes to the sustainability and enhancement of the district
- A sustainable population supporting sustainable businesses and services
- Wide-recognition of the attractiveness of the district for new and further investment in local industries and businesses
- A proactive and progressive Council that endeavours to support economic development and reduce excessive impost to doing business
- A well-run, well-appointed local airport that serves as a gateway for domestic and national movement into ·and out of the region which meets community, business and tourist expectations/needs
- Continued on-going investment and innovation in local industry supporting opportunities that contribute to greater diversification of our local economy
- Development of new industries as well as industries that value add to our existing industries
- Successful Mount Gambier & District Saleyards that effectively supports livestock transactions for the region
- The district being recognized as an attractive tourist destination in its own right as a place to visit and stay another day

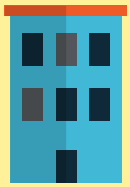
Retain & Enhance our Natural & Built Environments



- Preservation of the district's unique natural environment for current and future generations
- Delivery of effective mechanisms that promote and manage sustainable use of natural assets
- Development that is sympathetic to the characteristics and heritage of the district
- A natural environment that is accessible in a managed way, without adverse impact

- A Community that is environmentally aware and working to minimise environmental impact
- Protection and enhancement of the unique natural and built and heritage characteristics of the district
- Effective environmental management that ensures the natural beauty, characteristics and bio diversity of the district are retained
- A community that is prepared-for, and adaptable to, a changing climate, extreme weather events and natural disasters
- Best practice planning and development policies in accordance with relevant legislation, economic and community needs

Provide Quality Services & Infrastructure



- A road network that services the needs of community, visitors and local business and our predominant industries
- Sustainability in service provision to provide assurance to our community
- A road network that services the needs of community, visitors and local business and our predominant industries
- Sustainability in service provision to provide assurance to our community
- Services that cater to the needs of our community
- Provision of a high standard of customer experience and service
- Council is implementing measures to realise improvements to productivity and cost reduction
- Council is meeting its legislative obligations and policy review schedule

Lead & Engage with our Communities



- Having the trust and confidence of the community
- Advocating passionately for the region and communities with all levels of Government and other Stakeholders
- A Council united in seeking to provide the best outcomes
- The brand values of Council are maintained and Council's reputation is enhanced amongst community and other stakeholders
- Being proactive in engaging with the community on important issues and opportunities
- Being responsive to community needs, issues and concerns
- A genuine desire to engage with community through accessibility openness, and a willingness to listen and consider
- Transparency in decision making

- Being accessible with a genuine willingness to listen to and acknowledge community and stakeholders issues, concerns and ideas
- Providing opportunities for all stakeholder groups within the community to engage with Council
- Meeting service standards in accordance with Council's Customer Service Charter

Strategies that Council will undertake to achieve these objectives can be found in the Strategic Management Plan. The current version being available to the public for inspection at the Council Office or on the website at www.dcgrant.sa.gov.au.

Pursuant to section 122 (4) of the *Local Government Act 1999*, Council's must undertake a review of its Strategic Management Plan within 2 years of a general election. The District Council of Grant is currently undertaking this review process and anticipates a revised plan to be endorsed by November 2024.



5. Essential Services Commission of South Australia Local Government Advice

Council is obliged under the *Local Government Act 1999* (LGA Act) to publish this advice and its response, if applicable, in its 2024-2025 Annual Business Plan and subsequent plans until the next cycle of the scheme. It does not need to publish the attachment to the advice (these will be available with the advice on the Commissions website) nor is it compelled under the LGA Act to follow this advice. Council have included the attachment to the advice for full transparency.

The Essential Services Commission of South Australia (ESCOSA) is the states independent economic regulator and advisory body. They have been given a role by the State Government to provide advice on material changes proposed by local Councils in relation to elements of their Strategic Management Plans (SMP's) and on the proposed revenue sources, including rates, which underpin those plans.

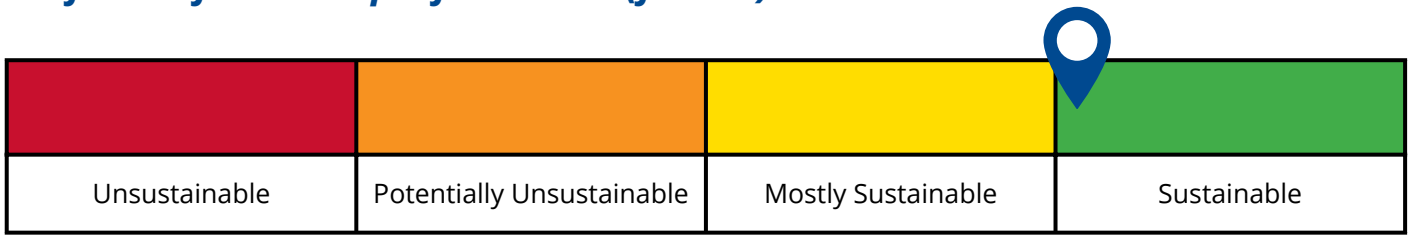
ESCOSA's Findings

Below is a summary of the District Council of Grant's financial sustainability performance and the Commission's Risk Assessment.

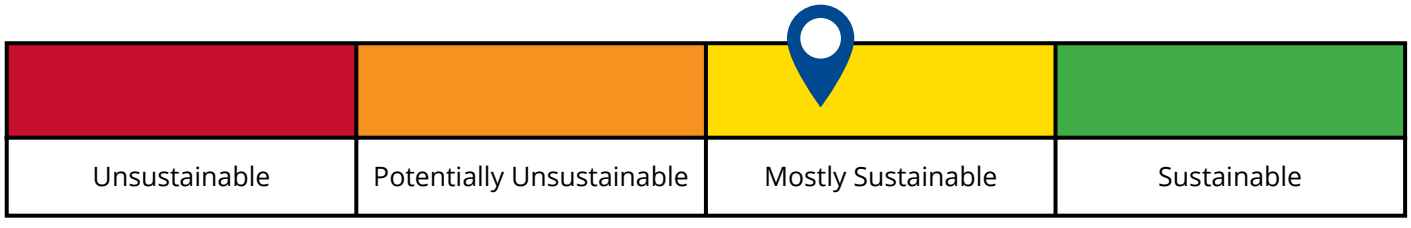
Current financial performance:



Projected financial performance (future):



Projected financial performance (past ten years):



Excerpt from ESCOSA Local Government Advice to District Council of Grant February 2024:

The Essential Services Commission finds the District Council of Grant's current and projected financial performance ***sustainable****, taking into account the Councils future performance outcomes an reliant on the moderate forecast in expense growth, and the planned increases in average rates income per property of 3.4% p.a over the next 10 years.*



6. Asset Management Plans

Sound asset management is the key to financial sustainability. There is clearly a direct link between the development and implementation of Council's Asset Management Plans (AMPs) and its Long Term Financial Plan. Council expends considerable funds on the acquisition and management of assets. It will be exposed to financial risk over the longer term if budget processes have little regard for ongoing costs associated with the maintenance and renewal of these assets beyond the current budget period. It is incumbent on Council to carefully consider information about the stock of infrastructure and other assets and the contribution that current ratepayers are making to their consumption.

The AMPs help ascertain likely future maintenance and renewal needs and guide consideration of infrastructure needs to meet future community service expectations. Costs inherent in Council's AMPs are reflected in Council's Long Term Financial Plan and both of these documents are integral to, and will be heavily influenced by, the Strategic Management Plan.

7. Significant Influences and Priorities

A number of significant factors have influenced the preparation of Council's 2024-2025 Annual Business Plan. These include:

- Requirements to maintain infrastructure assets at acceptable standards
- The level of State and Commonwealth Government grant funding
- Fees/charges imposed by the State Government including the waste levy
- Cost of compliance with State Government reporting and accountability requirements
- CPI (4.8% December 2023 Adelaide)
- LGPI (local government price index) (4.4% December 2023)
- Employee Enterprise Agreements
- Continued increases in utility costs
- The level of capital and operational services required across the district
- Sustainable settings of Council's Long Term and Strategic Planning documents

In response to these factors, and to minimise the burden on ratepayers, the Annual Business Plan has been prepared within the following guidelines:

- General rate revenue is planned to provide for operating expenses
- Maintenance and renewal of existing assets will be a matter of priority to ensure that the range and level of services being provided by Council's infrastructure is maintained at a reasonable level
- A challenge for the District Council of Grant is to prioritise expenditures to meet the demand for services and facilities. Given the asset intensive nature of Council activities, assessing the long term capacity of the community to fund ongoing maintenance and rehabilitation of infrastructure assets is a crucial consideration

8. Continuing Services

All Councils have basic responsibilities under the Local Government Act comprising:

- Regulatory activities e.g. compliance, authorised officers, bylaws, dogs and fines;
- Setting rates, preparing an annual budget and determining longer-term strategic management plans for the area;
- Management of basic infrastructure including roads, footpaths, parks, public open space, street lighting and storm-water drainage;
- Street cleaning and rubbish collection;
- Development planning and control, including building safety assessment;
- Various environmental health services.

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

















The Council also provides a number of facilities or services that attract a separate fee. These provide important benefits while also generating revenue for services and projects of benefit to the District Council of Grant, these include:

- Animal Management
- Property Information Searches
- Development Applications
- Airport fees; including passenger levy, hangar rental and aircraft operating licence fees
- Saleyard user charges
- Leases and licences associated with use of council buildings and property
- Road Rents
- Cemetery charges
- Rubbish Dump/Waste Transfer Station fees
- Mobile Food Vending Licence fees
- Fish buyers licences
- Private works carried out for ratepayers and other government departments

The Annual Business Plan and Budget does not propose to reduce service levels or staffing, it will increase the service level provided to residents by a higher injection of funds in the road maintenance area.

Details of ongoing services provided to the community and activities of Council are shown in the graph below.

EXPENSE BY ACTIVITY

Administration	15%
Agricultural Services	0%
Economic Affairs N.E.C.	12%
Health	2%
Housing & Community Amenities	24%
Mining, Manufacturing & Const	1%
Other Purposes N.E.C.	1%
Protection Of The Environ Nec	1%
Public Order & Safety	2%
Social Security & Welfare	0%
Sport & Recreation	7%
Transport & Communication	35%



Summary by Category	
Category	**Budget 2024-2025**
Administration	$2,944,000
Agricultural Services	$8,000
Economic Affairs N.E.C.	$2,386,000
Health	$308,000
Housing & Community Amenities	$4,649,000
Mining, Manufacturing & Construction	$242,000
Other Purposes N.E.C.	$157,000
Protection Of The Environ Nec	$126,000
Public Order & Safety	$455,000
Social Security & Welfare	$63,000
Sport & Recreation	$1,303,000
Transport & Communication	$7,045,000
TOTAL	**$19,686,000**

9. Project Priorities for the Year

Council's planned priorities for project expenditure in 2024-2025 are set out in the table below.

Capital Works Program 2024-2025

Program / project	Total Budget	N= New / R = Renewal
BUILDING PROGRAM	**$ 504,500**	
Community buildings projects	$ 367,500	
Strategic Objective: Develop Vibrant & Connected Coastal & Rural Communities		
Replacement of Tenterden Reserve Double BBQ & Blackfellows Cave BBQ	$ 25,000	R
Port MacDonnell Hall Electrical/Structual Repairs as per condition Report	$ 20,000	R
Yahl Hall improvements per condition Report	$ 10,000	R
Tarpeena Hall improvements per condition Report	$ 15,000	R
Port MacDonnell Football Club Playground Equipment	$ 20,000	R
Truly Tarpeena economic catalyst open space renewal project (Year 1 of 2)	$ 50,000	N
Access Inclusion Advisory Panel including Changing Places Facility, Beach Access & Saleyards	$ 30,000	N
Woolwash Carpark Outdoor Shower (Subject to Funding?)	$ 10,000	N
Implementation of Inner Township Master Plans - Detailed Designs / Procurement	$ 120,000	N
Port MacDonnell Memorial Wall Precinct	$ 47,500	N
Wayfinding Strategy implementation Phase 1	$ 10,000	N
Port MacDonnell Caravan Park Public Amenities (Floor Seal)	$ 10,000	R
Administrative buildings projects	$ 137,000	
Strategic Objective: Provide Quality Services & Infrastructure		
Depot Building Works	$ 15,000	R
Landscape Board spray shed roller door replacement	$ 8,000	R
Council Office - General Office Refurbishment (Year 3 of 3) Including possible Aircon Hallway	$ 70,000	R
Community Complex - Reception Counter Modifications	$ 7,000	N
Council Animal Facility	$ 30,000	N
Upgrade IT Storeroom Switchboard at Council Office	$ 7,000	R
Structures and Furniture	**$ 59,000**	
Strategic Objective: Provide Quality Services & Infrastructure		
Council Office - Chamber Chairs, Ergonomic Table for Training Room, CEO Chairs, Lectern	$ 20,000	R
Community Complex - Brochure Storage and Cabinet	$ 9,000	N
Commuity Complex - Stackable Chairs - event	$ 5,500	R
Community Complex - Portable Event Display Unit	$ 1,500	N
Community Complex - Signage South of Building	$ 2,000	R
Community Complex - Map East of Building	$ 3,000	R
Purchase of 400 new bins	$ 18,000	N
INFORMATION AND COMMUNICATIONS TECHNOLOGY PROGRAM	**$ 148,500**	
Technology upgrades		
Strategic Objective: Provide Quality Services & Infrastructure		
Saleyards Switch upgrade	$ 20,000	N
Saleyards Server Upgrade	$ 20,000	N
Community Complex - Computers / IT Equipment	$ 5,500	N
Ipad and Iphone Replacement	$ 15,000	R
Monitor Stands	$ 5,000	R
Comms Cabinet Re-Patching (All Sites)	$ 3,000	R
Security Camera Upgrade	$ 10,000	R
Key Fob System Upgrade	$ 30,000	R
Phone System Upgrade	$ 40,000	R
New Corporate System		

TRANSPORT INFRASTRUCTURE PROGRAM	**$**	**3,643,691**	
Road resheeting projects	$	1,282,190	
Strategic Objective: to Provide Quality Services & Infrastructure			
Medhurst Road Resheet 1400x6x150 (Kennedy Quarry)	$	59,471	R
Schinkels Road Rip & Relay 4.6km	$	34,355	R
Sphers Road Resheet 3000x5x150	$	90,860	R
Concannon Road Rip & Relay 1700m (Mt Salt to McCleans Road)	$	14,104	R
Jess Road Rip & Relay (From Earls Cave to Tervoerts Road)	$	15,443	R
Lithgows Road Rip & Relay 2500	$	19,235	R
Earls Cave Road Rip & Relay (Sewarts Rd to Lower Nelson Road)	$	15,063	R
Cape Banks Road Rip & Relay 3500	$	25,678	R
Racketts Road Rip & Relay (Old Rocks Road to Bitumen)	$	18,225	R
Glynns Road Rip & Relay 3600 (Shepherds Lane to Crowes Road)	$	27,673	R
Hutt Bay Road Resheet 1500x6x150	$	56,489	R
Rust Road Resheet 2000x6x150	$	82,576	R
Reseals	$	600,000	R
Little Road Resheet 3000x5x150	$	73,121	R
Kieselbach Road Resheet 2300x5x150	$	63,026	R
Hinton Road Rip & Relay 1500x6	$	14,232	R
Cafpirco Road Rip & Relay 1500x6	$	21,893	R
Trevor Clarke Drive Resheet 1000x6x200	$	50,745	R
Road Construction Projects	$	2,193,001	
Strategic Objective: to Provide Quality Services & Infrastructure			
Wandilo Forest Rd Rconstruct 2000 x 9x .250 mm (Ponda Rd)	$	409,501	R/N
Woodlands Rd Reconstruct 1600 x 8x .200 mm (Telfords Quarry)	$	239,143	R/N
Rabbitters RD Rconstruct 1700 x 8x .200 mm	$	270,025	R/N
Barrows Road Reconsrtuct 850x8	$	119,513	R/N
Vorwerk Rd / Caroline Inter	$	307,861	R/N
Airport Road Reconstruct & Seal 1250x8x300 (Start end of Bitumen)	$	197,162	R/N
Port Mac Bike Track Resurfacing	$	70,000	R
Hollis Reconstruct & Seal 1100	$	193,346	R/N
Shared Path - Pelican Point Road	$	386,450	N
Footpath & Kerbing Projects	$	168,500	
Strategic Objective: to Provide Quality Services & Infrastructure			
Kingsley Road Kerb & Channel 130m of Kingsley Rd from Mortimer st to Holland Crt	$	168,500	N
COMMUNITY WASTEWATER MANAGEMENT SYSTEMS	**$**	**162,192**	
CWMS			
Strategic Objective: to Provide Quality Services & Infrastructure			
Pelican Point CWMS - Chlorine Pump	$	2,298	R
Cape Douglas CWMS - Replacement Pumps	$	8,000	R
Allendale East CWMS - Electrical Upgrade & Fence Renewal	$	15,000	R
Donovans CWMS - VFD for PS1	$	3,000	R
Donovans CWMS - Intallation of wastewater disposal & Irrigation infrastructure	$	8,894	R
Tarpeena CWMS - Replacement Pumps & Fence	$	7,000	R
Port MacDonnell CWMS - Replacement Pumps and Electrical Work	$	18,000	R
Port MacDonnell CWMS - Installation of Secondary Pumping Main & Reconfiguration of PS's - Procurement costs Multi year Project ($1.2M)	$	50,000	N
Dry Creek CWMS Infrastructure Project Designs - Multi Year Project	$	15,000	N
Donovans & Reed Bed CWMS Infrastructure Project. - Project Designs - Multi Year Project	$	35,000	N

Mount Gambier Airport	**$**	**830,000**	
Airport			
Strategic Objective: To support a Prosperous Local Economy			
Building of Entrance to the Bellman (Museum)			N
Paid Carpark Upgrade	$	300,000	N
Taxiway A1 Upgrade and Taiway D Extension (Stage 1 of 2)	$	530,000	R/N
Mount Gambier Saleyards	**$**	**20,000**	
Saleyards			
Strategic Objective: To support a Prosperous Local Economy			
Air Conditioning - Meeting Room	$	5,000	N
Rotary Hoe Attachment for Bobcat	$	15,000	N
FLEET MANAGEMENT AND PLANT REPLACEMENT PROGRAM	**$**	**1,958,000**	
Fleet management	**$**	**703,000**	
Strategic Objective: to Provide Quality Services & Infrastructure			
Toyota Hilux 4x4 Dual Cab Utility	$	42,000	R
Toyota Hilux 4x4 Dual Cab Utility	$	50,000	R
Toyota Hilux 4x4 Dual Cab Utility x3	$	121,000	R
Toyota Hilux 4x4 Dual Cab Utility x3	$	121,000	R
Toyota 4 x 2 Dual cab	$	40,000	R
Mazda BT50 4x4 Diesel Single Cab	$	50,000	R
Ford Ranger PX XL 4x2 Single Cab Utility	$	29,000	R
Nissan Navara K9Kube	$	50,000	R
Toyota Hilux 4x4 Dual Cab Utility x3	$	120,000	R
Toyota Hilux 4x4 Dual Cab Utility x2	$	80,000	R
Plant replacement	**$**	**1,255,000**	
Strategic Objective: to Provide Quality Services & Infrastructure			
Caterpillar 120 M Motor Grader	$	500,000	R
Broons Combination Roller	$	220,000	R
Case IH 125 Mazzum Tractor	$	135,000	R
Hino 617 Medium 300 Series Tipper	$	75,000	R
Hino 500 Series 2628 Medium Truck	$	230,000	R
Forklift	$	40,000	R
Kubota F3690 36 HP 4WD Outfront Mower	$	40,000	R
Fuel Facility Diesel Pump and Smartfill unit upgrade	$	15,000	R



Capital Program

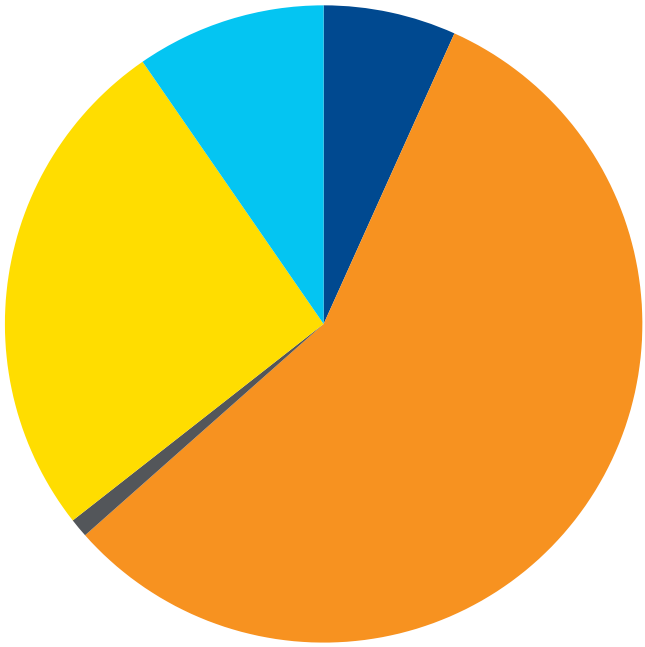
At the time of writing, the projects listed in this plan have been identified as priority projects based on Council's Asset Management Strategy, the condition assessment of individual assets and community needs assessment, together with reference to Council's Long Term Financial Plan and net funds available.

The order in which projects are undertaken may change due to changing circumstances. Also, from time to time due to our dynamic environment such as the addition or withdrawal of grant funding, state government decisions, extreme weather events or change of focus, the Plan and the activities included may need to the amended.

The graph below shows where Council is proposing to allocate its capital spend for the 2024-2025 financial year.

COUNCIL'S CAPITAL ALLOCATION

Building & Structures	7%
Infrastructure Transport	59%
Infrastructure Common Effluent	1%
Plant, Machinery & Equipment	27%
IT & Furniture & Fittings	6%



Category	2022-2023 Replacement Cost	% of Total Assets	2024-2025 Capital Expenditure	% of Proposed Capital Expenditure
Land	$15,868,000	7%	$ -	0%
Buildings & Structures	$47,190,000	20%	$510,000	7%
Infrastructure Transport	$137,568,000	59%	$4,474,000	61%
Infrastructure Stormwater	$1,313,000	1%	$ -	0%
Infrastructure Common Effluent (CWMS)	$13,790,000	6%	$162,000	2%
Infrastructure Other	$5,999,000	3%	$ -	0%
Plant, Machinery & Equipment	$9,365,000	4%	$1,973,000	27%
IT & Furniture & Fittings	$1,095,000	0%	$207,000	3%
TOTAL	**$232,188,000**		**$7,326,000**	

10. Funding the Business Plan

In delivering services and programs contained within this Annual Business Plan and Budget, Council is targeting an operating Surplus of $332,000 in 2024-2025 as a result of:

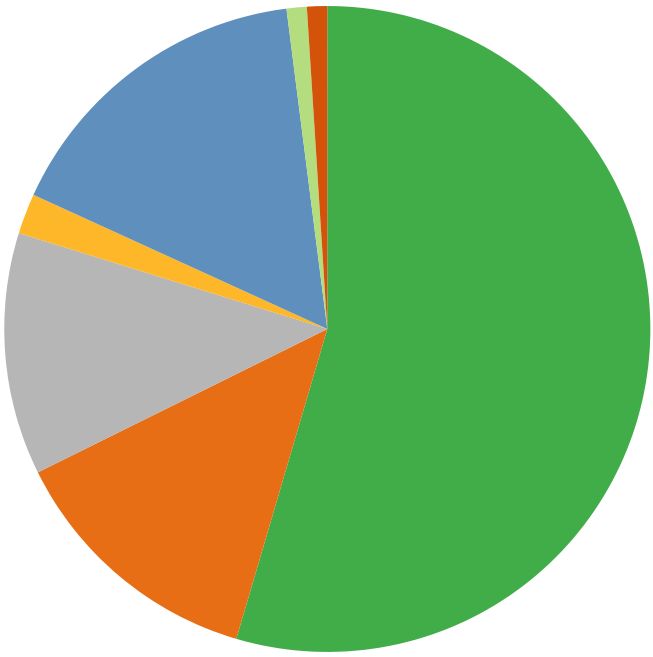
Operating Revenues	$20,018,000
Less: Operating Expenditure	$19,686,000
Net Operating Surplus	$ 332,000

Council's annual operating revenue is considered sufficient to meet expected operating expenditure for the 2024-2025 year.

Council is granted the power to acquire funds under Section 133 of the *Local Government Act 1999*. Sources of funds include property rates, service charges, statutory and user charges, income from investments, commercial activities together with grants and subsidies. An indication of the proportion each of these makes up the total revenue of Council is depicted in the diagram below.

COUNCIL'S SOURCE OF FUNDS

Rates General	54%
Rates Other	13%
User Charges	12%
Statutory Charges	2%
Grants & Subsidies	16%
Interest	2%
Reimbursements	0%
Other Revenue	1%



Council's Source of Funds	
Category	**Budget 2024-2025**
Rates General	$10,831,000
Rates Other (CWMS, Garbage, RL Levy)	$2,620,000
User Charges	$2,388,000
Statutory Charges	$320,000
Grants & Subsidies	$3,224,000
Interest	$329,000
Reimbursements	$91,000
Other Revenue	$215,000
TOTAL	**$20,018,000**



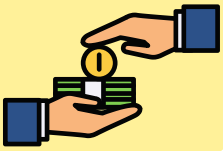
User Pay charges set by Council

These comprise charges for the Council's fee based facilities such as Community Wastewater Management Schemes (CWMS), Mobile Garbage Bin Collection (MGB), Mount Gambier & District Saleyards and Mount Gambier Regional Airport. Most of the above mentioned facilities operate on a self-funded basis where revenues are offset by costs and any balance is kept in a reserve account.



Statutory Charges set by State Government

These are fees and charges set by regulation and collected by the Council for regulatory functions such as assessment of development applications. Revenues will generally off-set the cost of the service.



Grants and Partnerships

The Council normally seeks to attract as much grant funding as possible from other levels of government, and major projects of wider State benefit are usually jointly funded in partnership with the State Government and other relevant parties.

Council's Annual Business Plan has been prepared on the basis of maintaining the delivery of the current range and level of services to the community, whilst being mindful of the rate burden imposed on individual ratepayers.

The plan aims to contribute to the long term financial sustainability of the Council through prudent and responsible financial management that will result on its operating expenses being less than its operating revenue, thereby producing a positive operating result.

Council spends its funds in four main categories being employee costs, depreciation, finance costs and materials, contracts and other expenses.

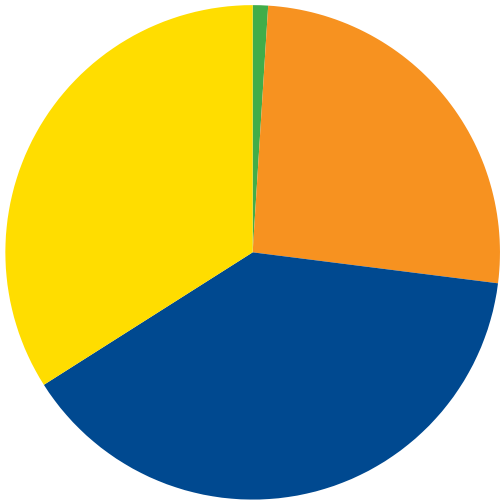
Depreciation consumes 26% of Council's funds which should be then invested into capital spending.

This Annual Business Plan and Budget outlines a total capital expenditure budget of $7,326,000. $5,393,000 will be used to renew existing assets and $1,933,000 will be spent on new / upgraded assets.

The following chart and table provide a breakdown of the services for which expenditure is planned in 2024-2025.

COUNCIL'S ALLOCATION OF FUNDS

	Finance Costs	1%
	Depreciation	26%
	Employee Costs	39%
	Materials, Contractors & Other Expenses	34%



Council's Allocation of Funds	
Category	**Budget 2024-2025**
Employee Costs	$7,603,000
Finance Costs	$111,000
Depreciation	$5,150,000
Materials, Contractors & Other Expenses	$6,822,000
TOTAL	**$19,686,000**

11. Impact on Council's financial position

After taking account planned net outlays on existing and new assets in 2024-2025, Council's net financial liabilities are expected to be ($3,700,000).

Net financial liabilities are a key indicator of the Council's financial position. It measures total liabilities less financial assets (ie. what the Council owes to others, less money the Council has or is owed). The expected level of net financial liabilities represents -20.38% of budgeted operating revenue. This compares with a long-term targeted level for this indicator of less than 100% of operating revenue. This is lower than target as Council was anticipating spending funds on the Mount Gambier & Districts Livestock Exchange 2023 Transformation Project.

Council is planning in expending 92.22% on the renewal and replacement of existing assets as compared with what our adopted asset management plans prescribe. This is greater than anticipated as was 2023-2024 budgeted figures as a direct result of the Local Government Roads and Community Infrastructure (LRCI) grant funding received which was untied. Council has spent and will continue to spend this on advancing asset renewal strategies.

Key Financial Indicators	Adopted Targets	2024-2025 Budget	2024-2025 Long Term Financial Plan	2023-2024 Revised Budget
Operating Surplus Ratio	0%-10%	1.66%	1.40%	0.30%
Net Financial Liabilities Ratio	0%-100%	-20.38%	-25.00%	-21.69%
Asset Sustainability Ratio	90%-100%	92.22%	100%	126%

For more details on the calculation method for key financial indicators, see the financial indicators section of this business plan.



12. What it means for ratepayers

As depicted in the table above 'Councils Source of Funds' the primary source of income for Council is the property based tax – 'Council rates'. Our revenue for 2024-2025 includes $10.831M to be raised from general rates. This equates to 54% of Council's operating revenue.

Council's plan proposes a 4.8% rate increase for the 2024-2025 year (excluding new property growth). The actual amount payable by any individual ratepayer may be more or less than this, depending on the movement in capital value of their property (relative to the average).

In setting the rates for the 2024-2025 financial year Council considered the need to keep rate increases as low as possible whilst also considering the implementation of the following plans and issues:

- Long Term Financial Plan that sets the overall financial objectives for Council for the next 10 years
- Asset Management Plans that set capital works, maintenance and renewal programmes for Council's asset and infrastructure
- The resources required to deliver the Council services as detailed in the 2024-2025 Annual Business Plan and Budget
- Changes in valuation and how the impact can be minimised in setting rate levels
- The increased use of "user pays" cost recovery systems.

Council uses a differential rating system based on land use as the factor to apply differential rates. In applying differential rates, Council has considered and is satisfied that the rating system addresses the issues of consistency and comparability across all Council areas.

Council spends considerable time modelling the effect of valuation and rate increases on individual rate payers whilst at the same time ensuring it can raise sufficient funds to achieve a positive operating result and a balanced budget.

How $100 of your rates will be spent

Category	Budget 2024-2025
Governance & Administration	$14.96
Agricultural Services	$0.04
Economic Affairs N.E.C.	$12.12
Health	$1.57
Housing & Community Amenities	$23.62
Mining,Manufacturing & Const	$1.23
Other Purposes N.E.C.	$0.80
Protection Of The Environ Nec	$0.64
Public Order & Safety	$2.31
Social Security & Welfare	$0.32
Sport & Recreation	$6.62
Transport & Communication	$35.77
TOTAL	**$100.00**



Rating Strategy



Method used to value land

Council will continue to use capital value as the basis for valuing land within the council area. Council considers that this method of valuing land provides the fairest method of distributing the rate share across all ratepayers because property value is a genuine indicator of wealth. Capital value also closely approximates the market value of a property and is provides the best of overall property values. These valuations are provided by the Valuer General to Council.



Capital Valuation Movements

Capital values across the whole district for 2024-2025 have increased by $428.9M (8.27%) from last year. There has been an increase in vacant land. Split by land use category values have changed as follows:

Local Governament Code	No. of Properties	2023-2024 Capital Value	2024-2025 Capital Value	$ Increase	% Increase
Non Rateable	395	100,219,423	109,776,013	9,556,590	9.54
CV - Residential	2648	1,194,190,842	1,286,395,703	92,204,861	7.72
CV - Commercial - Shop	20	7,111,134	7,414,275	303,141	4.26
CV - Commercial - Other	74	35,571,388	37,039,800	1,468,412	4.13
CV - Industry - Light	4	3,402,706	3,510,647	107,941	3.17
CV - Industry - Other	45	44,788,407	47,282,341	2,493,934	5.57
CV - Primary Production	2453	3,715,407,658	4,017,646,545	302,238,887	8.13
CV - Vancant Land	420	70,300,300	88,923,200	18,622,900	26.49
CV - Other	67	12,051,982	13,932,656	1,880,674	15.60
Total Valuation	6126	5,183,043,840	5,611,921,180	428,877,340	8.27

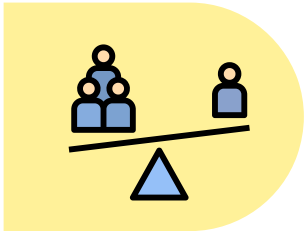
The following table depicts average valuations for properties across the district and their respective increases in rates compared against the prior year (These figures are exclusive of any service charges):

Land Use	Year	Cents in the $	Average valuation ($)	Average Rates ($)	No. of Properties	Average Increase ($)	Average Increase (%)
Residential Category (a)	2023-24	0.21129	451,490	954	2645	54.0798318	5.7
	2024-25	0.20750	485,799	1,008	2648		
Commercial Categories (b), (c) & (d)	2023-24	0.21129	454,069	959	94	21.8968605	2.3
	2024-25	0.20750	472,916	981	94		
Industrial Categories (e) & (f)	2023-24	0.21129	983,492	2,078	49	72.9070907	3.5
	2024-25	0.20750	1,036,592	2,151	49		
Primary Production Category (g)	2023-24	0.19016	1,510,328	2,863	2468	192.597026	6.7
	2024-25	0.186545	1,637,850	3,055	2453		
Vacant Land Category (h)	2023-24	0.21129	171,047	361	411	77.9178335	21.6
	2024-25	0.20750	211,722	439	420		
Other Category (i)	2023-24	0.21129	177,235	374	68	57.0165422	15.2
	2024-25	0.20750	207,950	431	67		



Rating Methodology

Council will utilise differential rating according to land use of the property, pursuant to the *Local Government Act 1999* s156(1)(c).



Differential Rates

In applying differential general rates Council has considered and is satisfied that the rating system addresses the issue of consistency and comparability across all areas, particularly as it relates to the various sectors of the business and wider community. This satisfies the requirements of the *Local Government Act 1999* s153(2).

Differential general rates will apply to all rateable land within the area based upon the capital value of the land varied by reference to the use of the land.

Differential general rates imposed by Council are separate and distinct from service charges imposed for the Community Wastewater Management System and Mobile Garbage Bin collection. Details of service charges are provided further in this document.

For the 2024-2025 year Council will raise differential general rate revenue of $10.831M. The following tables show the proportion of differential general rates raised by category of land use.

Land Use	2023-2024	% of Total General Rates	2024-2025	% of Total General Rates
Primary Production	7,072,411	69.13	7,504,846	69.29
Other	3,157,919	30.87	3,324,969	30.70
	10,230,329		10,831,179	

Council reviewed its basis of rating to ensure all ratepayers are contributing in accordance with taxation principles. As a result, Council will apply the following cents in the dollar for the differential land use categories.

Residential
$0.20725 cents in the dollar for rateable properties with a land use of category (a) (Residential).

Commercial (Shop, Office, Other)
$0.20725 cents in the dollar for rateable properties with a land use of categories (b) (Commercial - Shop), (c) (commercial - Office) and (d) (Commercial - Other).

Industrial (Light, Other)
$0.20725 cents in the dollar for rateable properties with a land use of category (e) (Industry - Light) and (f) (Industry - Other)

Primary Production
$0.186545 cents in the dollar for rateable properties with a land use of category (g) (Primary Production). Primary Production rate has been set at 10% less than the Residential cents in the dollar. The reduced differential rate is to acknowledge the importance and significant of Primary Production to our community and the significant valuation increases it has incurred over the past few years.

Vacant Land
$0.20725 cents in the dollar for rateable properties with a land use of category (h) (Vacant Land).



Minimum rate

Council considers it appropriate that ratepayers in respect of all rateable land make a contribution to the cost of administering Council's activities and that ratepayers in respect of all rateable land make a contribution to the cost of creating and maintaining the physical infrastructure that supports that land and the basic services provided to all ratepayers.

The minimum rate is levied against the whole of an allotment. Only one minimum rate is levied against two or more pieces of adjoining land (whether separated by a road or not) if they are owned by the same ratepayer and occupied by the same occupier. This is described as contiguous land and only one minimum rate is payable by the ratepayer.

The minimum rate in 2024-2025 is $680 ($650 in 2023-2024).

This represents an increase of $30 (4.62%) on the minimum rate applied in 2023-2024. Overall, the minimum rate will be applied to approximately 19% of all rateable properties well within the maximum of 35% allowed for in the Local Government Act 1999.

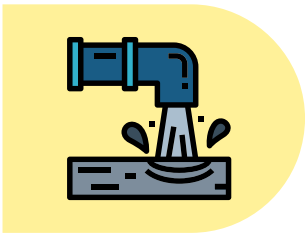


Payment of Rates

The Council has resolved that the payment of all rates will be in four equal or approximately equal instalments due on:-

1st - 6 September 2024
2nd - 6 December 2024
3rd - 7 March 2025
4th - 6 June 2025

Annual Services Charge



Community Wastewater Management Schemes

As set out in Section 155(2) of the *Local Government Act 1999*, the Council imposes an annual service charge on properties for the Community Wastewater Management Schemes to meet the operational and capital cost of the schemes.

Community Wastewater Management Schemes are an essential services and Council should be recovering costs associated with running the schemes.

Council is increasing the fee for these services by less than CPI as a result of the economic pressures faced by ratepayers. At the same time Consultants have been engaged to carryout conditional assessments and whole of life costings on the schemes which will influence the future charges.

The Council will recover this cost through an annual service charge of:

- $725 for each occupied property unit ($695 in 2023-2024) (4.32% Increase)
- $615 for each unoccupied property unit ($590 in 2023-2024) (4.24% Increase)

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



Mobile Garbage Bin Collection

For the purpose of meeting the costs associated with the collection and disposal of domestic and other garbage, Council has a Mobile Garbage Bin service charge on all servicable properties. Where the service is provided to non-rateable properties, a service charge is to be levied against the land.

Charges for Mobile Garbage Bin services for 2024-2025 will be:

- Bin Service: $300.00 ($285 in 2023-2024) (5.263% Increase)

Council charges separately for this service as it is specific to particular properties and is thus unreasonable to expect the total rate base to provide for its use, maintenance and replacement.

It is estimated that disposal costs for Council will increase by 20% and if this is to occur ratepayers will see a significant increase in the service charges to cover these increased costs into the future.

Mobile Garbage Bin Collection Service Expansion

Pursuant to sections 151(5)(b), (6) and (8a) of the Local Government Act 1999 ("the Act") and in support of a proposal to change the Council's basis of rating by imposing a service charge under section 155 of the Act on certain land in the Council area, the Council makes a general waste and recycling waste collection service available to certain properties in its area ("the Service"). Historically, the Service has been provided to all residential and vacant properties located within all Council Townships, with the exception of the township of Cape Douglas.

Due to logistical and other reasons, the Service has not, to date, been provided to or available at all residential properties in the Council's area. Consequently, some property owners have been required to enter into personal arrangements for private waste collection services. Council is now intending to 'close this gap' by facilitating the Service being provided to/available for, all habitable properties within the Council area.

To assist in funding the Service, Council has imposed an annual service charge on each of the properties to which the Service has been provided or made available, pursuant to section 155 of the Act.

To enable Council to continue to grow the capacity of the Service, in the broader interests of its community by ensuring that the Service is, and can continue to, be made available to those who need it (and as an economic growth initiative in the district), it is intended to expand the reach of the Service for the 2024-2025 financial year. As a consequence, Council will to impose a service charge for the first time on certain land that has not previously but which from 1 July 2024, will, benefit from the expansion of the Service.

The expansion

The expansion of the Service is so that in the 2024-2025 financial year, general waste and recycling collections services are, for the first time, provided or made available to the following land, in addition to the properties already serviced under existing service routes:

- 40 properties within Cape Douglas;
- 11 properties along Princes Highway west of Kangaroo Flat Road;
- 6 properties in the Wandilo Forest Road area along Dartboogie Road, Wandilo Road and Wandilo Forest Road;
- 5 properties along Sunnybrae road and Airport road;
- 2 properties along Cafpirco Road, past the Burnda Road intersection;
- 6 properties along Kromelite Road;
- 8 properties on the western edge of Tarpeena along Avondale Road and Rust Road;
- 6 properties in Kongorong along Aslins Road and Wilkes Road; and
- 1 property on Littles Road off Carpenter Rocks Road.

(collectively, "the Properties").

The Properties are shown on the plans contained in Appendix 5 to the Annual Business Plan. The expansion involves the Council now imposing a service charge on the Properties to assist in funding the expansion of the Service to them.

The service charge will, of course, be declared in respect of all land to which the Service is provided or made available from 1 July 2024 (which includes the Properties). A plan showing all properties to which the Service is provided or made available from 1 July 2024 is available on the Council's website www.dcgrant.sa.gov.au.

For the 2024-2025 Financial year, the service charge imposed on all land to which the Service is provided or made available, will be a fixed amount of $300 based on the nature of the Service (pursuant to section 155(8) of the Act) ("the expansion").

The reasons for the change

The objective of the expansion is to facilitate and ensure that all residents in all townships and larger settlements will have access to kerbside general waste and recycling services and at a more affordable cost than would be available to residents if they were required to source the service privately. The Service is considered to be a critical service and the delivery of it aligns with the Council's Strategic Management Plan 2020 – 2030 ("the Plan").

The provision of the Service (as expanded) is environmentally responsible. It aims to maximise the diversion of materials from landfill into recycling streams, inclusive of green organics, wherever practicable. The expansion is directly within the following functions of the Council as set out at section 7 of the Act:

- to plan at the local and regional level for the development and future requirements of its area;
- to provide services and facilities that benefit its area, its ratepayers and residents, and visitors to its area;
- to determine the appropriate financial contribution to be made by ratepayers to the resources of the council; and
- to manage, develop, protect, restore, enhance and conserve the environment in an ecologically sustainable manner, and to improve amenity.

As above, the Service has the added benefit of contributing to sustainable, economic, growth.



The relationship of the expansion to the Council's overall rates structure and policies

The expansion involves the imposition of a service charge for the Service that will also be imposed on the Properties for the first time, in the 2024-2025 financial year. To that end, it ensures a consistent approach to the imposition on service charges for waste collection in the Council area.

The charge is to be imposed on the basis of the 'user pays' principle, taking into account, amongst other things, the cost to the Council of operating and maintaining the Service, ensuring that it is not subsidised by non-users of the Service and that its provision to land across the District facilitates sustainable, economic development. In addition, it is imperative to note this is not an "opt-in/out" Service – it is the intention that where a property is situated on a defined waste collection route as resolved by Council, they will receive waste collection services unless Council determines it is not viable to service that particular property. This position has been reflected in the Waste Management Policy.

As above, the expansion aligns with the Plan and is particularly consistent with the following strategies identified therein:

- explore a range of strategies to encourage and develop environmental awareness among the community such as encouraging reductions in landfill through recycling; and
- provide sustainable waste management services.

The expansion is also consistent with the Council's Waste Management Policy and Rating Policy. More specifically:

- the Rating Policy recognises the implementation of a service charge for waste collection services on all land to which the service is provided or made available; and
- it meets the aims of the Council's Waste Management Policy to:
    - reduce the amount of waste going to landfill;
    - implement a mandatory system of kerbside waste and recyclable collection for all township areas, and premises outside of townships where economically viable and operationally practical;
    - reduce the amount of inappropriately disposed waste; and
    - be consistent, as much as is practicable, with the National Waste Policy, to ensure a "best practice" approach to waste management.

The reasons for the change

The expansion will see ratepayers of the Properties paying an increased rates liability, on a user-pays basis, for the 2024-2025 financial year in the amount of the service charge ($300).

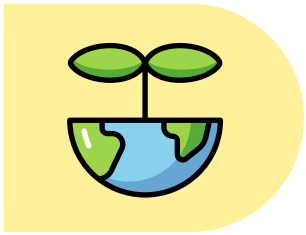
To the extent that the additional financial impost causes undue burden for ratepayers, the Council will consider the provision of rating relief options under the Act. However, it is to be observed that the operation of regulation 13 of the Local Government (General) Regulations 2013 will, in any event, provide relief on a reducing scale according to the distance that the Service is provided from the land in question. This relief operates such that if the Service is not provided directly at the land then a reduced service charge is payable as prescribed.

The service charge will, of course, be declared in respect of all land to which the Service is provided or made available from 1 July 2024 (which includes the Properties). A plan showing all properties to which the Service is provided or made available from 1 July 2024 is available on the Council's website www.dcgrant.sa.gov.au.

For the 2024-2025 Financial year, the service charge imposed on all land to which the Service is provided or made available, will be a fixed amount of $300 based on the nature of the Service (pursuant to section 155(8) of the Act) ("the expansion").

Issues concerning equity within the community

The expansion is a responsible and appropriate measure in the development of the Service, to ensure that an equitable approach in the provision of this prescribed service of waste collection across the District. It ensures that all townships and larger settlements have the benefit of the Service.



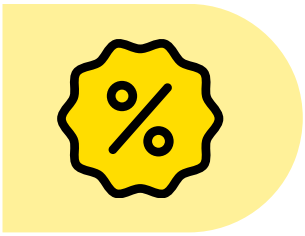
Regional Landscape Levy

Council is required to collect a regional landscape levy on all rateable properties within its district. Council is operating as a revenue collector for the Board in this regard and does not retain this revenue nor determine how the revenue is spent.

For the 2024-2025 financial year Council is required to collect, on behalf of the Limestone Coast Landscape Board an amount of $706,466 (a 3.04% increase on 2023-2024).

Council will for 2024-2025 impose a separate rate against rateable properties based on the land use of the land and will forward the amount to the Board to fund its activities:

- Residential - $91.00
- Commercial - $136.00
- Industrial - $217.00
- Primary Production - $399.00



Rebate of Rates

Council has determined that rebates of rates will be granted when the applicant satisfies the requirements for mandatory rebates under the Local Government Act s159 to 165. Applications for discretionary rebates lodged under s166 of the Act will be considered under Council's Rate Rebate Policy.

The Act acknowledges that there are particular land uses that are economically disadvantaged and provide local community benefit and therefore must be offered rate relief in order to be sustainable. Some rebates under the Act are applied as a mandatory requirement however further discretionary provisions allow for Council to determine whether other desirable land uses may be offered rate relief.



Appendix 1

Budgeted Financial Statements 2024-2025

DISTRICT COUNCIL OF GRANT
BUDGET 2024/2025

STATEMENT OF COMPREHENSIVE INCOME

2023/2024 Budget Review 3 $'000		2024/2025 LTFP	2024/2025 BUDGET $'000
	INCOME		
12,696	Rates	**13,175**	13,451
313	Statutory Charges	**330**	320
2,216	User Charges	**2,379**	2,388
2,813	Grants Subsidies and Contributions	**2,453**	3,224
346	Investment Income	**369**	329
104	Reimbursement	**75**	91
299	Other	**201**	215
18,787	TOTAL REVENUES	**18,982**	20,017
	EXPENSES		
7,209	Employee Costs	**7,481**	7,604
6,304	Materials, Contracts and Other Expenses	**6,024**	6,822
128	Finance Costs	**105**	111
5,090	Depreciation, amortisation & impairment	**5,106**	5,150
18,731	Total Expenses	**18,716**	19,686
56	**OPERATING SURPLUS/(DEFICIT) BEFORE CAPITAL AMOUNTS**	**265**	332
-	Net gain (loss) on disposal or revaluation of assets	**-**	-
737	Amounts specifically for new or upgraded assets	**1,000**	1,031
-	Physical resources received free of charge	**-**	-
793	**TOTAL COMPREHENSIVE INCOME**	**1,265**	**1,363**

DISTRICT COUNCIL OF GRANT
BUDGET 2024/2025

CASH FLOW STATEMENT

2023/2024 Budget Review 3 $'000 Inflows (Outflows)		2024/2025 LTFP	2024/2025 BUDGET $'000 Inflows (Outflows)
	CASHFLOWS FROM OPERATING ACTIVITIES		
	RECEIPTS		
18,441	Operating Receipts	18,613	19,689
346	Investment Receipts	369	329
	PAYMENTS		
(13,513)	Operating payments to suppliers & employees	(13,505)	(14,426)
(128)	Finance Payments	(105)	(111)
5,146	**Net Cash provided by (or used in) Operating Activities**	5,372	5,481
	CASH FLOWS FROM INVESTING ACTIVITIES		
	RECEIPTS		
737	Grants specifically for new or upgraded assets	1,000	1,031
0	Repayments of Loans by Community Groups	0	0
818	Sale of Assets	1,164	818
	PAYMENTS		
(5,117)	Capital Expenditure on renewal/replacement of assets	(5,848)	(5,393)
(1,858)	Capital Expenditure on new/upgraded assets	(2,688)	(1,933)
(5,420)	**Net Cash provided by (or used in) Investing Activities**	(6,372)	(5,477)
	CASH FLOWS FROM FINANCING ACTIVITIES		
	RECEIPTS		
-	Proceeds from Borrowings	-	-
	PAYMENTS		
(422)	Repayment of Borrowings	(378)	(378)
(422)	**NET CASH USED IN FINANCING ACTIVITIES**	(378)	(378)
(696)	**NET INCREASE (DECREASE) IN CASH HELD**	(1,378)	(374)
8,353	**CASH AT BEGINNING OF YEAR**	9,217	7,657
7,657	**CASH AT END OF YEAR**	7,839	7,283

DISTRICT COUNCIL OF GRANT
BUDGET 2024/2025

BALANCE SHEET

2023/2024 Budget Review 3 $'000		2024/2025 LTFP	2024/2025 BUDGET $'000
	ASSETS		
	CURRENT ASSETS		
7,657	Cash and cash equivalents	7,839	7,283
857	Trade & other receivables	892	857
228	Inventories	228	228
8,742	**TOTAL CURRENT ASSETS**	8,959	8,368
	NON-CURRENT ASSETS		
114	Financial Assets	114	114
155,285	Infrastructure, Property, Plant & Equipment	158,542	156,644
155,399	**TOTAL NON-CURRENT ASSETS**	158,656	156,758
164,141	**TOTAL ASSETS**	167,615	165,125
	LIABILITIES		
	CURRENT LIABILITIES		
1,860	Trade & Other Payables	1,822	1,860
422	Borrowings	328	422
1,095	Short-term Provisions	1,095	1,095
3,377	**TOTAL CURRENT LIABILITIES**	3,245	3,377
	NON-CURRENT LIABILITIES		
1,119	Long-term Borrowings	835	741
57	Long-term Provisions	57	57
1,176	**TOTAL NON-CURRENT LIABILITIES**	892	798
4,553	**TOTAL LIABILITIES**	4,137	4,175
159,588	**NET ASSETS**	163,478	160,950
	EQUITY		
49,522	Accumulated Surplus	50,344	50,885
108,770	Asset Revaluation	111,838	108,770
1,296	Other Reserves	1,296	1,296
159,588	**TOTAL EQUITY**	163,478	160,951

DISTRICT COUNCIL OF GRANT
BUDGET 2024/2025

STATEMENT OF CHANGES IN EQUITY

2023/2024 Budget Review 3 $'000		2024/2025 LTFP	2024/2025 BUDGET $'000
	ACCUMULATED SURPLUS		
48,729	Balance at end of previous reporting period	49,079	49,522
793	Net Result for Year	1,265	1,363
0	Transfer From Reserves	0	0
0	Transfer To Reserves	0	0
49,522	**BALANCE AT END OF PERIOD**	50,344	50,885
	ASSET REVALUATION RESERVE		
108,770	Balance at end of previous reporting period	110,293	108,770
0.00	Gain on revaluation of infrastructure, property, plant & equipment	1,545.00	0.00
0.00	Transfer to Accumulated Surplus on sale of infrastructure, property, plant & equipment	0.00	0.00
108,770	**BALANCE AT END OF PERIOD**	111,838	108,770
	Other Reserves		
1,296	Balance at Beginning of Period	1,296	1,296
-	Transfer to reserve from accumulated surplus	-	-
0	Transfer from reserve to accumulated surplus	0	0
1,296	**BALANCE AT END OF PERIOD**	1,296	1,296
159,588	**TOTAL EQUITY AT END OF REPORTING PERIOD**	**163,478**	**160,951**

DISTRICT COUNCIL OF GRANT
BUDGET 2024/2025

UNIFORM PRESENTATION OF FINANCES

2023/2024 Budget Review 3 $'000		2024/2025 LTFP	2024/2025 BUDGET $'000
18,787	Operating Revenues	18,982	20,017
(18,731)	less Operating Expenses	(18,716)	(19,686)
56	**Operating Surplus / (Deficit) before Capital Amounts**	266	331
	Less Net Outlays in Existing Assets		
5,117	Capital Expenditure on renewal and replacement of Existing Assets	5,848	5,393
(5,090)	less Depreciation, Amortisation and Impairment	(5,106)	(5,150)
(818)	less Proceeds from Sale of Replaced Assets	(1,164)	(818)
(791)		(422)	(575)
	Less Net Outlays on New and Upgraded Assets		
1,858	Capital Expenditure on New and Upgraded Assets	2,688	1,933
(737)	less Amounts received specifically for New and Upgraded Assets	(1,000)	(1,031)
-	less Proceeds from Sale of Surplus Assets	-	-
1,121		1,688	902
(274)	**Net Lending / (Borrowing) for Financial Year**	(1,000)	4

DISTRICT COUNCIL OF GRANT
BUDGET 2024/2025

FINANCIAL INDICATORS

2023/2024 Budget Review 3		2024/2025 LTFP	2024/2025 BUDGET
$'000			$'000
56	**Operating Surplus** *Being the Operating Surplus (Deficit) before Capital Amounts*	265	332
0.30%	**Operating Surplus Ratio** Operating Surplus Total Operating Income *This ratio expresses the Operating Surplus as a percentage of Total Operating Income*	1.40%	1.66%
(4,075)	**Net Financial Liabilities** *Net Financial Liabilities are defined as Total Liabilities less financial assets (excluding equity accounted investments in Council Businesses*	(4,708)	(4,079)
-21.69%	**Net Financial Liabilities Ratio** Net Financial Liabilities Total Operating Income	-24.80%	-20.38%
126.00%	**Asset Sustainability Ratio** Net Asset Renewals Infrastructure & Asset Management Plan required expenditure *Net Asset Renewals Expenditure is defined as Net Capital* Expenditure on the renewal and replacement of existing assets, and excludes new Capital Expenditure on the acquisition of additional assets	100.00%	92.22%



Appendix 2

Local Government Financial Indicator Definitions

Ratio Desciptions

Operating Surplus (Deficit) Ratio

This ratio expresses the operating surplus (deficit) as a percentage of general and other rates, net of rebates. A negative ratio indicates the percentage increase in total rates required to achieve a break-even operating result. A positive ratio indicates the percentage of total rates available to fund capital expenditure over and above the level of depreciation expense without increasing Council's level of net financial liabilities. If this amount is not required for capital expenditure it reduces the level of net financial liabilities.

Council's target is to achieve an operating surplus ratio between (0%) deficit and 10% surplus.

Council's 2024-2025 budget aims to achieve an operating surplus ratio of 1.66% which indicates that Council is operating within its long term targets. Sufficient cash reserves are available to fund Council's activities, programs and projects.

Net Financial Liabilities

Net financial liabilities measure Council's total indebtedness. Net financial liabilities is a broader measure than net debt as it includes all of Council's obligations including provisions for employee entitlements and creditors. The level of net financial liabilities increases when a net borrowing result occurs in a financial year and will result in a Council incurring liabilities and/or reducing financial assets. The level of net financial liabilities decreases when a net lending result occurs in a financial year and will result in a Council purchasing financial assets and/or repaying liabilities.

Council's target is to maintain its net financial liability between zero and $20.017M (total operating revenue).

Council's 2024 - 2025 Budget aims to achieve a net financial liability of ($4.079M) indicating that Council is in a strong financial position. This indicates that Council is operating within in its long term targets and in a sustainable financial position. There is capacity to undertake additional borrowings for future projects if the need arises. If Council's Mount Gambier & Districts Livestock Exchange 2030 Transformation Project proceeds, this will trend back to positive ratio.

Net Financial Liabilities Ratio

This ratio indicates the extent to which net financial liabilities of the Council can be met by the Council's total operating revenue. Where the ratio is falling it indicates the Council's capacity to meet its financial obligations from operating revenues is strengthening. Where the ratio is increasing it indicates a greater amount of Council's operating revenues is required to service its financial obligations.

Council's target is to maintain its net financial liability ratio between zero and 100%.

Council's 2024-2025 Budget aims to indicate that a net financial liability ratio of -20.38%.

This indicates that Council is operating within in its long term targets and in a sustainable financial position.

Asset Sustainability Ratio

This ratio indicates whether the Council is renewing or replacing existing non-financial assets at the rate of consumption. On occasions the Council will accelerate or reduce asset expenditures over time to compensate for prior events or invest in assets by spending more now so that it costs less in the future to maintain.

Council's target is to maintain its asset sustainability ratio between 90% and 110%.

Council's 2024-2025 Budget aims to achieve an asset sustainability ratio of 92.22%. This indicates that Council is operating above the scope of its Asset Management Plans. This is a direct result of funding received that was not anticipated in the Long Term Financial Plan and Asset Management Plans resulting in Council accelerating some capital works.





Appendix 3

Essential Services Commission of South Australia Local Government Advice

Advice

Local Government Advice

District Council of Grant

February 2024

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

District Council of Grant

AT A GLANCE

OVERVIEW

The Essential Services Commission finds the District Council of Grant's current and projected financial performance **sustainable,** taking into account the Council's future performance outcomes are reliant on the moderate forecast in expense growth, and the planned increases in average rates income per property of 3.4% p.a. over the next 10 years

RISKS IMPACTING SUSTAINABILITY

- ⚠ Out of date asset management plans
- ⚠ Revaluation of assets are old or out of date
- ⚠ If cost growth levels exceed forecast and CPI levels

CONTINUE

- ✓ Reviewing the inflation forecasts and other relevant macroeconomic assumptions in the budget and forward projections each year
- ✓ Improving the transparency of changes to the key planning assumptions in the long-term financial plan and annual business plans
- ✓ Consulting with the community on the annual business plan, with a focus on understanding the community's preferences on service levels
- ✓ Reviewing the extent of cash reserves in the context of rates
- ✓ Providing more funding to the renewal of assets, rather than prioritising initiatives which involve new or upgraded infrastructure

COMMISSION'S RECOMMENDATIONS

- Report any actual cost savings in the annual budget and long-term financial plan
- Consider the intended uses of the accumulated funds
- Consider a more consistent approach to asset revaluations to ensure the forecast rate of asset consumption (and depreciation expense) in the long-term financial plan reflects recent macroeconomic conditions
- Consider adopting a more robust and regular asset management planning process

KEY FACTS

- Population in 2021 was **8,636**
- Council covers **1,904 square kilometres**
- **5,528** rateable properties in 2022-23
- **$11.7 million of rate income** in 2022-23
- Value of assets held in 2022-23 equals **$163.8 million**



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

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Glossary of terms

ABS	Australian Bureau of Statistics
AMP	Asset management plan (also called an IAMP)
Commission	Essential Services Commission, established under the *Essential Services Commission Act 2002*
CPI	Consumer Price Index (Adelaide, All Groups)
Council	District Council of Grant
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

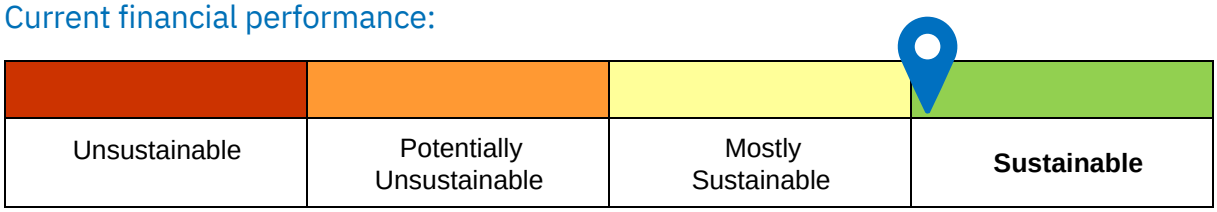
Legend: Low-risk Moderate-risk High-risk

1 The Commission's key advice findings for the District Council of Grant

The Essential Services Commission (Commission) finds the District Council of Grant (Council) to be in a sustainable financial position, with operating surpluses having been achieved in most of the last six years and increasing contributions from ratepayers and government grants. At the same time, the Council demonstrated prudent cost control by achieving operating cost growth below CPI.

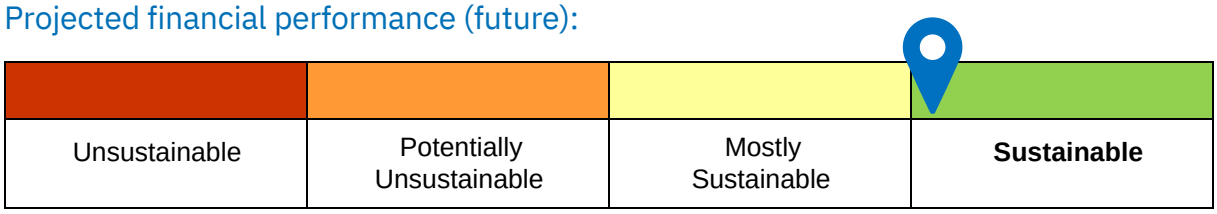
The Council's continual improvement to its financial performance is reliant on continued cost growth that is slightly below CPI and income growth that is in line with CPI. The Council also has a low level of borrowings and is prioritising the renewal of its asset base to resolve its infrastructure renewal backlog. In addition, the Council also demonstrates a commitment to reviewing desired service levels through appropriate consultation with the community.

Current financial performance:



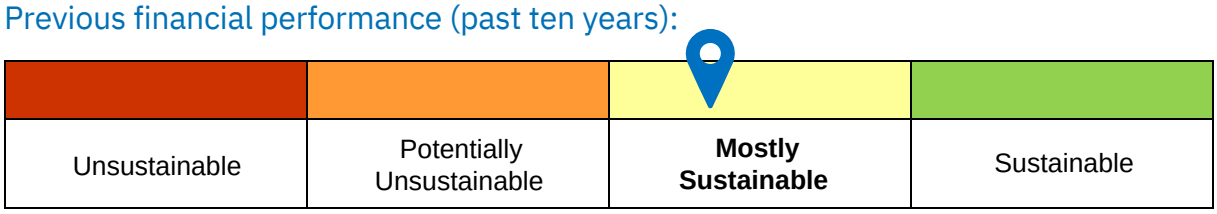
Unsustainable	Potentially Unsustainable	Mostly Sustainable	**Sustainable**

Projected financial performance (future):



Unsustainable	Potentially Unsustainable	Mostly Sustainable	**Sustainable**

Previous financial performance (past ten years):



Unsustainable	Potentially Unsustainable	**Mostly Sustainable**	Sustainable

Looking ahead, the commission sugegsts the following steps to help ensure that Council continues to budget appropriatly, report its actual cost savings and efficiencies, review the extent of its cash reserves, and adopt a more robust strategic asset managment process.

Budgeting considerations

1. **Continue** to review its inflation forecasts and other relevant macroeconomic assumptions in its budgets and forward projections each year.
2. **Continue** to improve the transparency of changes to its key planning assumptions in its long-term financial plan and annual business plans each year.

Continuing to provide evidence of ongoing cost efficiencies

3. **Report** any actual cost savings in its annual budget (and long-term financial plan, as appropriate), to provide evidence of constraining cost growth and achieving efficiency across its operations and service delivery.

4. **Continue** the good practice of consulting with the community on its annual business plan, with a focus on understanding the community's preferences on service levels.

Level of cash reserves

5. **Continue** to review the extent of cash reserves in the context of its rates; and consider the intended uses of the accumulated funds. Refinements to asset management planning

Refinements to asset management planning

6. **Adhere** to the principles underpinning its long-term financial plan projections to provide more funding to the renewal of its assets, rather than prioritising initiatives which involve new or upgraded infrastructure

7. **Consider** a more consistent approach to asset revaluations to ensure the forecast rate of asset consumption (and depreciation expense) in the long-term financial plan reflects recent macroeconomic conditions.

8. **Consider** adopting a more robust and regular asset management planning process (including transport).

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 State Parliament to provide advice on material changes proposed by local councils in relation to elements of their strategic management plans (**SMPs**) and on the proposed revenue sources, including rates, which underpin those plans.1

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

The first cycle of the scheme extends over four years from 2022-23 to 2025-26, and the Commission has selected 17 councils for advice in the second scheme year (2023-24), including the District Council of Grant (**Council**).

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 2024-2025 Annual Business Plan (including any draft Annual Business Plan) and subsequent plans until the next cycle of the scheme.8 It does not need to publish the attachment to the advice (these will be available with the advice on the Commission's website9), nor is it compelled under the LG Act to follow the advice.

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

2.1 Summary of advice

The Commission finds the Council to be in a **sustainable** financial position with operating surpluses having been achieved in most of the last six years and increasing contributions from ratepayers and government grants. At the same time, the Council demonstrated prudent cost control by achieving operating cost growth below CPI.

The Council will continue to rely on rates income (its largest source of income) and grants income to achieve its forecast surpluses, however the Commission notes that historically the Council's rate levels were relatively low.10

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).
10 Refer to council rates data for 2021-22 available at https://councilsinfocus.sa.gov.au/councils/district_council_of_grant.

The Council's forward projections from 2023-24 forecast a continual improvement to its financial sustainability outlook with the rate of operating revenue growth set to outpace expense growth, through:

- Continued rate increases on the community, above the rate of the Reserve Bank of Australia (RBA)-based forecast inflation,
- Continued cost constraint that is generally in line with RBA-based forecast inflation, and
- The continued prioritisation of its asset spending away from new and upgraded assets, moving more towards renewal and rehabilitation capital works projects.

In recent years, the Council has run small operating surpluses, indicating that the operating income it collects is generally exceeding its operating expenses by a small margin. The Commission notes that the Council is continuing to forecast small operating surpluses in the short term. If its total operating expenses (including deprecation) do not reflect current macro-economic conditions, the Council risks understating its total operating expenses and overstating its operating surplus ratio.

The Council has also forecast that its net financial liabilities ratio will remain below zero and that the Council will hold negligible borrowings by 2028-29. It is also projecting that it will not acquire new borrowings from 2028-29 onwards, and that its cash reserves will reach $5.6 million by 2032-33. The Council's long-term forecasts suggests that it will utilise cash reserves prior to borrowing for new capital works or major long-term infrastructure.11 The Commission recommends that the Council should review the extent of those cash reserves to determine whether some should be returned to ratepayers (through an adjustment in rates).

The Council area is predominantly rural with agriculture being a critical economic industry within the region. Having confidence in its transport infrastructure, to help agricultural products reach their intended destination, is an important factor for the Council. The Commission notes that community feedback does not appear to relate to affordability, but to wanting a greater understanding of the council's infrastructure condition. As a result, the Commission recommends that the Council could benefit from a more robust planning process for its strategic asset management planning.

2.2 Detailed advice findings

The next sections summarise the Commission's more detailed observations and advice findings regarding the Council's material changes to its 2023-24 plans (compared with the previous year's 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.12

2.2.1 Advice on material plan amendments in 2023-24

Key Points:

- An improvement in operating performance of $2.1 million or by 162 percent, resulting in the Council bringing forward, by three years, its projected operating surplus to 2027-28.
- An additional $15.0 million (or 37 percent) for asset renewals, and an additional $5.1 million (or 39 percent) for new and upgraded capital works.

11 District Council of Grant, *2023-2024 to 2032-2033 Long Term Financial Plan*, August 2023, p. 10.
12 The attachment will be available on the Commission's website with the Advice.

The Commission has compared the Council's projections in its 2023-24 LTFP with those from its 2022-23 LTFP and focused on the aggregate of the nine overlapping years: 2023-24 to 2031-32 to ensure a comparable analysis of material amendments.

The Council's 2023-24 LTFP includes an improvement to its projected operating performance, and increases to its projected capital expenditure estimates, compared with the 2022-23 forecasts, as follows:

- An improvement in operating performance of $2.1 million or by 162 percent, resulting in the Council bringing forward, by three years, its projected operating surplus to 2027-28. This is mainly driven by a 5.5 percent increase in rates revenue as well as a 3.4 percent decrease in employee costs.
- An additional $15.0 million (or 37 percent) for asset renewals, and an additional $5.1 million (or 39 percent) for new and upgraded capital works. Much of the increases are being driven by the partial funding of the accumulation of deferred renewal expenditure, a more accurate costing for the Saleyards project, and the introduction of the Donovans Community Wastewater Management System (**CWMS**) expansion.

The Council applies a CPI-based inflation adjustment to its cost and revenue estimates. Based on updated inflation assumptions in its 2023-24 LTFP, an increase in its cost and revenue estimates over the 2023-24 to 2031-32 forecast period,13 compared with the same estimates in its 2022-23 LTFP, could account for higher inflation forecasts

The Commission notes that the Council's stated assumptions for indexation in its 2023-24 LTFP, which contain CPI forecasts for each year, are more transparent compared with its 2022-23 LTFP, but notes that there is still considerable uncertainty around those assumptions.

Notwithstanding the need for the Council to endeavor to find improvements of productivity and reduce any inflationary impact on its community, the Commission has found that it would be appropriate for it to:

1. **Continue** to review its inflation forecasts and other relevant macroeconomic assumptions in its budget and forward projections each year.
2. **Continue** to improve the transparency of changes to its key planning assumptions in its long-term financial plan and annual business plans each year.

2.2.2 Advice on financial sustainability

Operating performance

Key Points:

- Operating deficits were recorded in 2012-13 to 2015-16, with a turnaround in operating performance with surpluses achieved in four of the last five years.
- The operating surplus ratio is forecast to average 0.5 percent per annum between 2023-24 and 2032-33.
- Total expenses are forecast to grow from 2023-24 to 2032-33, by an annual average of 2.4 percent which is 0.2 percent less than the RBA forecast for CPI growth over this period.

[13] The set of nine years forecast in both the 2022-23 and 2023-24 LTFP projections.

The Council historically experienced operating deficits from 2012-13 to 2015-16 followed by operating surpluses between 2016-17 and 2019-20, and in 2020-21, a further operating deficit was followed by a surplus in 2021-22. In the forecast period 2023-24 to 2032-33, the Council anticipates an average operating surplus of $0.1 million with an operating surplus ratio14 of approximately 0.5 percent.

The persistent deficits from 2012-13 to 2015-16 occurred in a period when the Council's operating expenses outpaced operating income by approximately $1 million per annum. The Council redressed the issue through increased rates commencing 2016-17, supported by increased grants, subsidies and contributions. Operating income growth averaged 3.6 percent per annum from 2012-13 to 2021-22, almost double the rate of operating expense growth (averaging 1.9 percent per annum).

The short-term decline in the forecast operating surplus ratio is attributed to material increases in operating expenditure in 2022-23 (with significant year-on-year increases reported in 'employee costs', 'material, contracts and other' expenses, and 'depreciation' of 13 percent, 6 percent, and 6 percent, respectively).15 The Council is forecasting to continue budgeting for higher operating costs which will continue to temper its operating surpluses over the short-term.

Looking forward, the Council is projecting average annual rates revenue growth of 3.4 percent to 2032-33, which is above the forecast long-term inflation by 0.8 percentage points.16 This average growth in annual rates revenue is also higher than the expected expense growth (which is forecast to grow by an annual average rate of 2.4 percent for the same period).

The Council has confirmed that the number of rateable properties is assumed to be constant at current levels (of 5,528). Expenses per property (a metric which also accounts for growth) are expected to increase by an average of 2.4 percent per annum over this period, which is generally consistent with current inflation projections.

The Council's total expenses are also forecast to grow by an annual average of 2.4 percent over this period. This represents an anticipated real terms reduction in total expenses growth relative to the RBA forecast for CPI growth over this period.17 The Commission also notes this comes after a steep increase in total expenses in 2022-23 of eight percent and may make the Council's forecast of 2.4 percent average growth in total expenses difficult to achieve.

When considering the Council's recent financial results (from 2021-22) together with its short-term budget forecasts (till 2024-2025), the Commission is seeing material cost pressures emerging over a cumulative three-year period, notably:

> 28.1 percent cumulative increase in 'employee costs' to 2024-2025 (accounting for 38.2 percent of total operating expenses18), and

>13.2 percent cumulative increase in 'materials, contracts and other' expenses (accounting for 32.7 percent of total operating expenses19).

The Council has stated its commitment to identify efficiency gains and reduce costs. However, the Commission notes that no specific projected cost-savings, nor a strategy for achieving the Council's cost constraint objectives, are identified in its LTFP. The Commission further notes the consultation

14 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).

15 Calculated by the Commission, based on the Council's Financial Reporting template provided to the Commission.

16 The forecast average annual growth in the CPI from 2023-24 to 2032-33 is estimated to be 2.6 percent based on the 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.

17 See footnote 17.

18 The Council indicates this may be higher due to the costs associated with the inclusion of saleyards and airport operations.

19 See footnote 19.

feedback from submissions on the Council's draft 2023-24 annual business plan identified the community would benefit from clarity on cost-saving measurements.20

Despite this, the Commission notes that the Council's community consultation processes are comprehensive and effective in understanding and responding to concerns on rates affordability and service provision. The Council has also used a range of approaches and media channels to inform its community on its proposed plans and, as a result, received a high level of engagement compared with previous years.21 In general, the written responses showed that respondents preferred the Council to effectively look for ways to be more transparent in the revenue source/budget for road upgrades, transport (road) asset service levels, as well as the Council's short-run deficit position.

To ensure the Council is positioned to achieve the real terms reduction in its cost base that it has forecast, and improve its operating performance (without the need for further rate increases above inflation), the Commission encourages it to:

3. Report any actual cost savings in its annual budget (and long-term financial plan, as appropriate), to provide evidence of constraining cost growth and achieving efficiency across its operations and service delivery.

4. Continue the good practice of consulting with the community on its annual business plan, with a focus on understanding the community's preferences on service levels.

Net financial liabilities

Key Points:

- ⚠ Between 2012-13 and 2022-23, the net financial liabilities ratio has trended between 27.7 percent and negative 24.1 percent, averaging negative 7.2 percent over the period 2017-18 to 2021-22.
- ⚠ In the 2023-24 LTFP, the Council has forecast that the net financial liabilities ratio will remain below the LGA's suggested lower target range of zero.
- ✓ When the net financial liabilities ratio is viewed in isolation, it is at a level which demonstrates that the Council has the financial capacity for its operating income to cover its net financial liabilities. The ratio is driven by its cash reserves and a conservative view of borrowings, which provides a reserve for unforeseen expenditure requirements to manage inflation risk, and generally, its financial sustainability risk.

The Council's net financial liabilities ratio has trended between 27.7 percent and negative 24.1 percent between 2012-13 and 2022-23. Since 2017-18, this ratio has been below zero, which is also below the suggested LGA target range for the indicator of between zero and 100 percent (averaging negative 7.2 percent over the period between 2017-18 to 2021-22). The Council has no new loan borrowings in 2022-23, and its outstanding debt as of 30 June 2023 was $2 million.

In the 2023-24 LTFP, the Council has forecast that the net financial liabilities ratio will remain below zero and that the Council will hold negligible borrowings by 2028-29. Furthermore, the 2023-24 LTFP projects that the Council will not take on additional borrowings from 2028-29 onwards.

20 District Council of Grant, *Ordinary Council Meeting Agenda -19 June 2023 Item 13.2.1 Attachment 3*, 2023-2024 to 2032-2033 Annual Business Plan & Budget – *Public Consultation*, available at https://lgasa-web.squiz.cloud/?a=1415987, p.216.

21 The Council sought community engagement through four inner township master plan workshops. See District Council of Grant, *Ordinary Council Meeting Agenda -19 June 2023 Item 13.2.1, 2023-2024* to 2032-2033 Annual Business Plan & Budget – *Public Consultation*, p.166.

22 District Council of Grant, *Annual Report 2022-23*, p. 4.

As a result, the net financial liabilities ratio will progressively decline over the period to 2032-33, which also reflects the Council's operating income growth (an average of 2.6 percent per annum) and an accumulation of cash balances ($5.6 million is estimated by 30 June 2033). The Council's long-term forecasts suggests it will utilise cash reserves prior to borrowing for new capital works or major long-term infrastructure.23

When the net financial liabilities ratio is viewed in isolation, it is at a level which demonstrates that the Council has the financial capacity for its operating income to cover its net financial liabilities. The ratio is driven by its cash reserves and a conservative view of borrowings, which provides a reserve for unforeseen expenditure requirements to manage inflation risk, and generally, its financial sustainability risk.

The Commission understands that the Council regularly reviews the level of its cash reserves as part of its budgets and long-term planning processes; however, in general there could be improved disclosure on the reasons (or principles) for the level of its cash reserves. In this context, it would be useful to understand the intended uses of these funds and, ultimately, whether some should be returned to ratepayers (through an adjustment in rates). As the Commission has not made an assessment in this regard, it would be appropriate for the Council to:

5. **Continue** to review the extent of cash reserves in the context of its rates; and **consider** the intended uses of the accumulated funds.

Asset renewals expenditure

Key Points:

- ✓ Between 2012-13 and 2021-22, total capital expenditure averaged $6.0 million per annum (including $3.1 million on asset renewals and $2.9 million on new and upgraded assets).
- ⚠ Between 2012-13 and 2021-22, the asset renewal funding ratio averaged 88 percent.
- ✓ The forecast asset renewal funding ratio over the next 10 years is projected to average 99 percent.
- ⚠ Expenditure on new/upgraded assets is projected to average $3.6 million between 2023-24 and 2027-28 with zero expenditure forecast thereafter.
- ⚠ The last asset revaluation exercise was undertaken in 2018-19, with no indexation applied in 2019-20 or 2020-21, but indexation of 1.8 percent and 6.4 percent applied in 2021-22 and 2022-23 respectively.

Between 2012-13 and 2017-18, the ratio averaged 74 percent (72 percent on a cumulative basis), signifying a substantial underspend on the renewal and rehabilitation needs of its asset stock over this period. However, from 2018-19 to 2022-23, there is an improvement in asset renewal spending priorities. The result being that by the end of 2022-23, the Council appears to have largely caught up with its IAMP renewals expenditure, with the yearly average asset renewal ratio being 92 percent (88 percent on a cumulative basis) between 2012-13 to 2022-23.

Over the 2012-13 to 2021-22 period, the Council's spending on renewal and rehabilitation of assets averaged $3.1 million each year, with growth of 4.2 percent indicating an average increase in the expenditure over time. Expenditure on new/upgraded assets for the same period averaged $2.9 million per annum.

District Council of Grant, *2023-2024 to 2032-2033 Long Term Financial Plan*, August 2023, p. 10.

Going forward, from 2023-24 to 2032-33, the asset renewal funding ratio on the IAMP basis is forecast to have an annual average of 99 percent,24 which is in line with the LGA suggested target range. Average annual spending on renewal or rehabilitation of assets is projected to increase to $6.3 million per annum.

Expenditure on new/upgraded assets is projected to average $3.6 million between 2023-24 and 2027-28 with zero expenditure forecast thereafter. This suggests that the Council's approach to investment in new infrastructure may be contingent on it achieving additional grant funding,25 the Council only recognising new grant funding when it is certain. Based on historical expenditure,26 it is likely that anticipated new and upgraded capital expenditure is understated because of this. These factors suggest that the Council's LTFP is not complete. While affordability of the initial expenditure is not an issue for this Council due to it having access to combinations of cash reserves and borrowing capacity, affordability to the community in the longer-term does require consideration, as new infrastructure brings a future stream of liabilities related to depreciation expenses, maintenance and repair, and asset renewal costs.

This, along with other matters, impacts the understanding of how the asset stock per rateable property evolves. Over the historical period, the value of the asset stock declines from $166 million in 2012-13 to $147 million in 2021-22, largely driven by a downwards revaluation of roads and kerbs and the removal of residual values in 2015-16.27 This also contributed to growth in depreciation only being 1.2 percent over this period. The Commission also notes that the Council's approach to asset revaluation historically may also have contributed to this. The last asset revaluation exercise was undertaken in 2018-19, with no indexation applied in 2019-20 or 2020-21, but indexation of 1.8 percent and 6.4 percent applied in 2021-22 and 2022-23 respectively.

The asset stock is forecast to increase to $183.8 million by 2032-33 (from $154 million in 2022-23) following significant new/upgraded expenditure in 2024-202528 related to the CWMS and saleyards. The
average asset stock per rateable property will increase from $0.28 million to $0.33 million during the forecast period, based upon the Council's LTFP.

Overall, the Commission considers there is a risk that the lack of regularity in the Council's approach to asset revaluation, alongside its likely underestimation of overall expected capital expenditure, risks it under estimating depreciation and IAMP renewal expenditure. Other things being equal, this suggests that the Council's expense forecast is likely to be optimistic, meaning that if service levels are to be maintained/improved, its rates forecasts are likely to be too low.

The Commission acknowledges that the Council has noted that, while its funding for current lifecycle infrastructure costs was considered adequate between 2019 and 2029, it remains below long-term needs and requires review to fully understand the demand for services and affordability over the longer term.29

24 The quoted averages for the ratio are based on 'gross asset renewal expenditure' (before the sale of replaced assets) rather than 'net asset renewal expenditure'.
25 District Council of Grant, *2023-2024 to 2032-2033 Long Term Financial Plan*, August 2023, p. 10.
26 From 2012-13 to 2021-22.
27 Email correspondence from Council 23.1.2024.
28 District Council of Grant, Strategic Asset management Plan 2019-2023, p.35.
29 District Council of Grant, Strategic Asset Management Plan 2019-2023, p7.

Noting that additional grant funding may influence future capital spending on new/upgraded assets and the benefits of a more consistent approach to asset revaluation, the Commission recommends that the Council:

6. **Adhere** to the principles underpinning its long-term financial plan projections to provide more funding to the renewal of its assets, rather than prioritising initiatives which involve new or upgraded infrastructure.

7. **Consider** a more consistent approach to asset revaluations to ensure the forecast rate of asset consumption (and depreciation expense) in the long-term financial plan reflects recent macro-economic conditions.

Notwithstanding, the asset renewal ratio in the Council's LTFP is projected to broadly track in line with the recommended minimum level (for the IAMP-based ratio) of 90 percent, averaging 91 percent per annum between 2023-24 and 2032-33. In part, this reflects the shift in the Council's asset spending priorities towards asset renewals, rather than new and upgraded asset expenditures.

The Commission also notes that over the entire period from 2012-13 to 2032-33, cumulative depreciation and gross IAMP expenditure differs by 3 percent, indicating strong alignment between the two measures. This suggests year-on-year differences are primarily due to timing differences between collection of the depreciation charges via rates and charges, and practically renewing the asset stock. This, however, is based upon the Council's AMPs being accurate, robust, and current.

In this respect, the Commission notes the Council's AMPs were last comprehensively reviewed in 2019 and are almost five years old. The Council is preparing to undertake this review again in 2024.30 The Council currently has individual AMPs for transport, buildings, fleet, CWMS, stormwater, open space, and Information & Communication Technology (**ICT**) infrastructure assets. These cover the Council's asset base and reflect comprehensive asset valuations that have been carried out in 2018 or earlier.31

In addition to updating the AMPs, the Commission notes that further updates to the Council's Asset Management Strategy (adopted in March 2019) may be needed to align to the current economic environment. Further, it is noted that councils are required to undertake a comprehensive review of their strategic management plans (including asset management plans) within two years after each general election of the council.

The Council area is predominantly rural with agriculture a critical economic industry within the region. A key factor is having confidence in the transport infrastructure to help ensure agricultural products reach their destination as well as keeping the overall asset stock in good health, Community feedback does not appear to relate to affordability, but to wanting a greater understanding of the Council's infrastructure condition. The Council could benefit from a more robust planning process to its asset management planning. As such, the Commission recommends that the Council:

8. Consider adopting a more robust and regular asset management planning process (including transport).

2.2.3 Advice on current and projected rate levels

Key Points:

- Rate revenue per property growth has averaged 4.6 percent or $67 per annum for each property in the period between 2012-13 and 2021-22, which is more than double the rate (2 percent) above CPI for the same period.

30 The Council will develop a draft asset management plan in February 2024, followed by broader consultation in April/May 2024. District Council of Grant, Ordinary Council Meeting Agenda 15th January, p. 21.

31 District Council of Grant, Strategic Asset Management Plan 2019-2023, p.26.

⚠ The forecast rate increase for 2023-24 is 8.1 percent per property, and it is forecast for rates to increase on average by 3.4 percent per annum or $796 in total to 2032-33.

✓ Affordability risk among the community for the further rate increases appears to be low on balance, when considering:

- the Council's relatively high socio-economic indexes for areas (**SEIFA**) economic resources ranking,
- the current relatively low rates for residential ratepayers, and
- the effect of cumulative increases in rates per existing ratepayer of approximately 0.8 percent per annum from 2023-24 to 2032-33 after excluding forecast inflation.

The Council's rate revenue per property growth has averaged 4.6 percent or $67 per annum for each property in the period between 2012-13 and 2021-22, which has exceeded CPI (average growth of 2.0 percent per annum), but also encompasses 0.6 percent average annual growth in rateable properties. Current rate levels partially reflect the Council's trend of an increasing operating surplus but also that rates are increased as a proportion of total revenue.32

In 2023-24 the Council's rate increases are estimated to result in an 8.1 percent increase or $171 per property for its existing ratepayers,33 which reflects the Council's estimated inflation of 7.9 percent. 34 This is in line with the RBA estimated short-term inflation of 7.9 percent for the same period.35 Over the forward years of its LTFP, the Council is projecting average rates increases for its existing ratepayers of approximately 3.4 percent per annum from 2023-24 to 2032-33.

In total, the LTFP effectively projects a cumulative increase of $796 per existing ratepayer (to $3,088 per annum) by 2032-33. Although rates growth is consistent with the Council's assumed inflation growth over this period, it is higher than the RBA-based inflation forecast of an average of 2.6 percent per annum.

The current economic environment is putting more pressure on many communities' capacity to pay for further rate increases, including those of the Council. However, on balance, the affordability risk among the Council's community for these further rate increases appears to be low, when considering:

- the Council's relatively high socio-economic indexes for areas (**SEIFA**) economic resources ranking,36
- the current relatively low rates for residential ratepayers, 37 and

3 Rates revenue accounted for 65 percent of operating income in 2022-23 compared to 56 percent in 2012-13.
2 Based on the Council's 2023-24 Excel template (with the 2023-24 forecasts) provided to the Commission. The
3 Commission has used $12.668 million (in 2023-24 budgeted rates revenue) compared to unaudited 2021-22
3 estimates. Individual rate level changes may be higher or lower depending on the rates category and property value.
3 District Council of Grant, 2023-2024 to 2032-2033 Annual Business Plan & Budget, June 2023, p. 21
4 CPI Adelaide (All groups) increased by 7.9 percent in the year to March 2023 quarter and has reduced in the year
3 to June 2023 and September 2023 quarters to 6.9 percent and 5.9 percent, respectively. Available at
5 https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/sep-quarter-2023
36 The District Council of Grant area is ranked 69 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 (eg, 1) denotes relatively lower access to economic resources in general, compared with other areas, available at https://www.abs.gov.au/websitedbs/censushome.nsf/home/seifa
37 Refer to Councils in Focus rates data for 2022 available at https://councilsinfocus.sa.gov.au/councils/district_council_of_grant. 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.

> the effect of cumulative increases in rates per existing ratepayer of approximately 0.8 percent per annum from 2023-24 to 2032-33 after excluding forecast inflation.

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:

> ongoing performance against its LTFP estimates,

> updates to the Strategic Asset Management Plan and Technical Asset Management plans,

> reprioritisation of its capital spending towards asset renewal and rehabilitation works and how it has addressed the backlog of asset renewal expenditure, and

> how it has sought to minimise any emerging affordability risks.



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Appendix 4

Essential Services Commission of South Australia Technical Attachment

Advice

Local Government Advice - Attachment

District Council of Grant

February 2024

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

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A The Commission's approach

In providing the Advice for the District Council of Grant (**Council**), the Essential Services Commission (**Commission**) has followed the approach it previously explained in the Framework and Approach – Final Report (**F&A**).1

The Commission has considered the Council's strategic management plan (**SMP**) documents (set out in the box below), with a particular focus on its performance and outlook against three financial indicators: the operating surplus ratio, the net financial liabilities ratio and the asset renewal funding ratio.2 Analysis of these three indicators captures financial and service sustainability, in addition to cost control and affordability risk.3

> 2023-2024 Annual Business Plan & Budget (adopted June 2023)
> 2023-2024 to 2032-2033 Long Term Financial Plan (adopted August 2023)
> 2022-2023 to 2031-2032 Long Term Financial Plan (adopted September 2022)
> Community Wastewater Management System Asset Management Plan 2019 to 2029 (adopted March 2019)
> Stormwater Asset Management Plan 2019 to 2029 (adopted March 2019)
> Transport Asset Management Plan 2019 to 2029 (adopted March 2019)
> Buildings Asset Management Plan 2019 to 2029 (adopted March 2019)
> Fleet Asset Management Plan 2019 to 2029 (adopted March 2019)
> Information & Communication Technology Equipment Asset Management Plan 2019 to 2029 (adopted March 2019)
> Open Space Asset Management Plan 2019 to 2029 (adopted March 2019)
> Strategic Asset Management Plan 2019 to 2023 (adopted March 2019)
> Strategic Management Plan 2020-2030 (endorsed 2020)

The Commission notes that most of the Council's asset base is covered by its existing asset management plans (**AMPs**), and the asset valuations for those assets had been carried out at 1July 2018 (for buildings and other structures) and 1July 2019 (for stormwater, community wastewater management system infrastructure assets).4

Given that the Commission must, in providing advice, have regard to the objective of councils maintaining and implementing their infrastructure and asset management plans (**IAMPs**) (usually termed AMPs) and long-term financial plans (**LTFPs**),5 it has also considered the Council's performance

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

2 The indicators are specified in the *Local Government (Financial Management) Regulations 2011.* Since 2011, each council has been required to refer to these three indicators in its plans, annual budget, mid-year budget review and annual financial statements. The councils can adopt their own target range for each ratio, but the Commission has adopted the previously suggested Local Government Association (LGA) target ranges as a basis for its analysis, which were established and agreed during the development of the LGA Financial Sustainability Papers (2006-2011).

3 The F&A listed 29 analytical questions that the Commission has answered in assessing the Council's performance against these indicators to determine affordability, cost control and other sustainability risks.

4 District Council of Grant, *General Purpose Financial Statements for the year ended 30 June 2022* (included in its 2022-23 Annual Report), Note 7(a)(i) Infrastructure, Property, Plant and Equipment, p.22.

5 *Local Government Act 1999* (LG Act) s122(1g)(a)(i).

in that context. Findings regarding the content of the Council's AMPs, and the alignment between its LTFP and AMPs,6 are discussed in section C.3.

The Commission has also reviewed the Council's template data which contains its 2023-24 LTFP forecasts for 2023-24 to 2032-33, as well as its 2022-23 LTFP forecasts, historical financial data, the number of rateable properties and Council staff (Full Time Equivalent (**FTE**)) numbers from 2012-13 onwards.7 All charts and tables in the Advice are primarily sourced from these datasets. In addition, the Commission has reviewed the Council audit committee reports, and other public information, as appropriate.

The Commission has reported estimates in nominal terms, for consistency with the Council's plans and actual rate levels, but it has compared estimated inflation impacts to these trends as a guide to identify 'real' rather than 'inflationary' effects. In the charts, the Consumer Price Index (**CPI**) line shows the cumulative growth in the CPI (Adelaide) series from 2012-13, and then projections of this series from 2023-24 based on the Reserve Bank of Australia (**RBA**) (Australia-wide) inflation forecasts (to the December quarter 2025), and the midpoint of the RBA target range (2.5 percent) thereafter.

Finally, in formulating this Advice, the Commission has had regard to all discussions and engagement with the Council, including the face-to-face onsite meeting at the Council offices, and the individual circumstances of the Council, consisting of:

- its location as a rural agricultural council,
- its income level ($18.5 million), and
- the size of its rates base (about 5,500 ratepayers8).

6 As required under s122(1b) of the LG Act.

7 Sourced from the Local Government Grants Commission (including data reported by the Office of the Valuer-General) and the Council's data.

8 Based on the estimated number of property assessments in 2023-24.

Summary of the District Council of Grant's financial sustainability performance and the Commission's risk assessment

Financial sustainability indicators:	Last 10 years from 2012-13 (Actual performance)	2022-23 Audited	Next 10 years from 2023-24 (Council forecasts)
Operating surplus ratio (target 0-10%)	Operating deficits / Improved performance ---------->		Surpluses projected from 2024-25 (except for 2026-27) ---------->
Net financial liabilities ratio (target 0-100%)	Ratio within target range ---------->	Ratio below zero (driven by higher cash balances and lower debt levels)	
Asset renewal funding ratio (target 90-110%)	Ratio is below the suggested target range	Higher renewal works spending & ratio roughly within target range for remaining projections ---------->	
Identified Risks:			
Cost control risk	Operating expenses per property average growth 1.9% pa to 2022-23 (CPI 2.6%) ---------->		Operating expenses growth of 2.4% is marginally lower than forecast CPI (CPI 2.6%) ---------->
Affordability risk	High rates revenue per property average growth of 4.6% pa to 2022-23 (CPI 2.6%) ---------->		Projected rate revenue per property average growth of 3.4% above forecast CPI (CPI 2.6%) ---------->

- Ratio outside suggested LGA target range or higher risk
- Ratio close to suggested LGA target range or medium risk
- Ratio within suggested LGA target range or lower risk

B Material plan amendments in 2023-24

The Council has made various amendments to its 2023-24 budget and forward projections, partly for inflation and partly for other revenue and spending initiatives. The material amendments to some of its main financial forecasts are listed in the table below (in nominal terms).9 To ensure a comparable analysis of estimates between the 2022-23 and 2023-24 LTFPs, the Commission has reviewed the nine overlapping years' statistics: 2023-24 to 2031-32, and identified material amendments accordingly.

Selected Financial Item	Sum of 2023-24 to 2031-32 estimates in 2022-23 LTFP ($ million)	Sum of 2023-24 to 2031-32 estimates in 2023-24 LTFP ($ million)	Change in 2023-24 estimates ($ million)	Change in 2023-24 estimates (percent)
Total operating income	177.0	186.6	9.6	5
Total operating expenses	178.3	185.8	7.5	4
Operating surplus / (deficit)	(1.3)	0.8	2.1	162
Capital expenditure on renewal of assets10	40.0	55.0	15.0	37
Capital expenditure on new and upgraded assets11	13.1	18.2	5.1	39

B.1 Changes to operating performance

In aggregate, the projections in the Council's current and previous LTFPs (that is, over the nine-year comparative period to 2031-32, as shown in the table above) indicate the Council's forecast cumulative operating surplus increasing by $2.1 million. This reflects the Council's efforts to achieve a sustained operating surplus (earlier on) from 2027-28 onwards (compared to 2030-31 in the previous LTFP).

For the overlapping nine years, the anticipated improvement in the operating surplus (compared to the previous LTFP) is due to a 5.0 percent increase (or a $9.6 million increase) in operating income, offsetting a 4.0 percent increase (or a $7.5 million increase) in expenses. Some of the amendments driving this, according to the Council's material amendments statement, include:

> Investment income has increased by 103 percent because of higher interest rates and significant cash balance until 2025-26.

> Grants, Subsidies & Contributions have increased by 20 percent. In 2022-23 the Council received an additional $0.4 million in Financial Assistance Grants, with the Council assuming it will continue to receive the same level of Financial Assistance Grants moving forward.

> Finance costs have decreased by 70 percent or by $1.3 million. The Council has decided (after reviewing its financial position), to fund the $1.3 million difference (capital costs for the saleyards upgrade and the grant received) with its own cash reserves rather than through additional borrowing. As a result, the interest repayments are lower than in the last LTFP.

9 This table shows only selected financial items to demonstrate the material amendments made by the Council in its 2023-24 estimates. It excludes various financial items and individual items do not sum to totals.

10 The capital expenditure estimates are based on the 2023-24 LTFP estimates provided by the Council to the Commission (in an Excel template).

11 Footnote 9 applies.

- 'Materials, contracts, and other' expenses have increased by 13 percent. Electricity, cleaning and fuel costs have increased by $0.2 million indexed by CPI. Higher inflation estimates have also resulted in increased cost pressures for 'employee' expenses, as discussed in section B.2.

The Council's historical and projected operating performance is discussed further in section C.1.

B.2 Indexation adjustments

The Council applies CPI-based inflation adjustments to its cost and revenue estimates. The table below highlights the Council's CPI assumptions from the 2023-24 LTFP.12 This is a revision to its assumptions in its 2022-23 LTFP estimates (of average CPI growth of 3.7 percent annually).13

Financial Year	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33
Forecast CPI	4.00%	3.70%	3.50%	3.25%	3.00%	2.50%	2.50%	2.50%	2.50%

The increase in its cost and revenue estimates by up to 4.0 and 5.0 percent respectively over the 2023-24 to 2031-32 forecast period,14 compared with the same estimates in its 2022-23 LTFP, were mostly driven by its higher inflation forecasts.

The RBA currently forecasts the CPI (Australia-wide) to increase by 3.9 percent in the year to the 30 June 2024 quarter, and by 3.3 percent in the year to 30 June 2025. Thereafter, it is reasonable to anticipate a 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).15

The Commission notes that the Council's stated assumptions for indexation in its 2023-24 LTFP, which contain CPI forecasts for each year, are more transparent compared with its 2022-23 LTFP.

Notwithstanding the need for the Council to endeavour to find improvements to productivity, and reduce any inflationary impact on its community, the Commission has found that it would be appropriate for it to:

1. **Continue** to review its inflation forecasts and other relevant macroeconomic assumptions in its budget and forward projections each year.

B.3 Increase to capital expenditure estimates

The Council's 2023-24 LTFP indicates an increase in capital expenditure for asset renewals (by $15.0 million or 37 percent), and for new and upgraded assets (by $5.1 million or 39 percent), compared to the previous year's LTFP (for the period from 2023-24 to 2031-32). Over the 10-year projections in the 2023-24 LTFP, the Council has factored in a total of $62.7 million in capital renewal and replacement works, and $18.2 million in new and upgraded capital works, accounting for 77 percent and 23 percent of the total capital expenditure program respectively.

The Council has advised that the material amendments in its capital expenditure program are driven by:

- $15 million in asset renewals as a result of indexation,16 and

12 District Council of Grant, *2023-2024 to 2032-2033 Long Term Financial Plan*, August 2023, p. 10.
13 District Council of Grant, *2022-2023 to 2031-2032 Long Term Financial Plan*, September 2022, p. 7.
14 The set of nine years forecast in both the 2022-23 and 2023-24 LTFP projections.
15 RBA, Forecast Table - November 2023, available at https://www.rba.gov.au/publications/smp/2023/nov/forecasts.html

16 2022-23 LTFP had capital works at today's dollars and not indexed.

> $5 million in new capital expenditure due to a more accurate costing for the Saleyards project and the introduction of the Donovans Community Wastewater Management System (**CWMS**) expansion.17

The Council's transport assets represent the largest asset class, and are a major focus of its renewal investment in 2023-24. The Council's capital expenditure outlook is discussed further in section C.3.

B.4 Changes between 2023-24 long-term financial plan and annual business plan

The Commission notes the Council regularly revisits its LTFP projections with disclosed average figures, however it is not always clear how its assumptions have changed over its forecast period; the implication being that its ratepayers (or stakeholders) may not be fully informed on these matters. More recently, in its 2023-24 LTFP, the Council has commenced disclosing its key long-term planning assumptions for each forecast year, and it is encouraged to continue this practice. A further positive aspect of the 2023-24 LTFP is that it includes two scenarios – that is, with and without the proposed 2024 major upgrade to the Saleyards facility. This practice assists the community to understand the impact of the project and how it might affect the Council's service levels and financial position.

The Council adopted its 2023-24 Annual Business Plan and Budget in June 2023, and the 2023-2024 to 2032-2033 Long-Term Financial Plan18 in August 2023 respectively.

The Commission notes that the income and expenditure data contained in the 2023-24 LTFP is consistent with the data contained in the Annual Business Plan and Budget prepared in June 2023.

The Commission considers it appropriate that the Council:

2. **Continue** to improve the transparency of changes to its key planning assumptions in its long-term financial plan and annual business plans each year.

[17] District Council of Grant, *2023-2024 to 2032-2033 Long Term Financial Plan*, August 2023, p. 9.

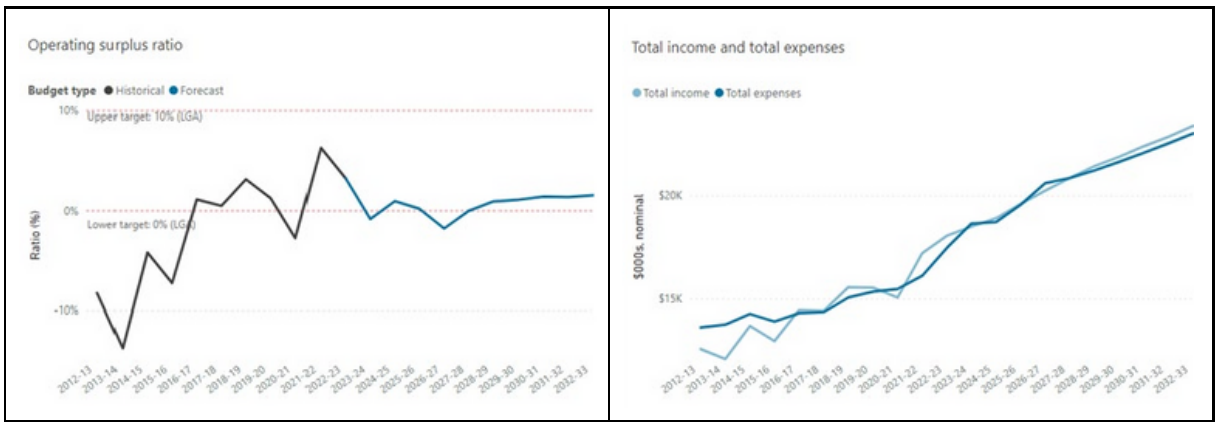
C Financial sustainability

C.1 Operating performance

The Council historically experienced operating deficits from 2012-13 to 2015-16, followed by operating surpluses between 2016-17 and 2019-20. In 2020-21, a further operating deficit was followed by a surplus in 2021-22. In the forecast period 2023-24 to 2032-33, the Council anticipates an average operating surplus of $0.1 million with an operating surplus ratio19 of approximately 0.5 percent (see the left chart below).

The persistent deficits from 2012-13 to 2015-16 occurred in a period when the Council's operating expenses outpaced operating income by approximately $1 million per annum. The Council redressed the issue through increased rates, commencing in 2016-17, supported by increased Grants, subsidies and contributions. Operating income growth averaged 3.6 percent per annum from 2012-13 to 2021-22, almost double the rate of operating expense growth (averaging 1.9 percent per annum).

The short-term decline in the forecast operating surplus ratio is attributed to material increases in operating expenditure in 2022-23 (with significant year-on-year increases reported in 'employee costs', 'material, contracts and other' expenses, and 'depreciation' of 13 percent, 6 percent, and 6 percent, respectively).20 The Council is forecasting to continue budgeting for higher operating costs which will continue to temper its operating surpluses over the short-term (see the right chart below).



Rates revenue has increased on average by 5.2 percent per annum from 2012-13 to 2021-2221 (when rateable property growth averaged 0.6 percent and CPI growth averaged 2.0 percent). Over the same period, 'grants, subsidies and contributions' (accounting for 16 percent of total operating income) increased by an average of 3.8 percent per annum, and 'user charges' (accounting for 14 percent of total operating income) decreased by an average of 1.1 percent per annum. Grants income has been 'lumpy' from year to year.22 However, taking into account the three-year average of $496 per ratepayer for 2019-20 to 2021-22 compares with the three-year average of $435 for 2012-13 to 2014-15, grants income is relatively stable in real terms (that is a 1.9 percent increase per annum in nominal terms,23 compared to CPI growth of 2.0 percent).

19 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).

20 Calculated by the Commission, based on the Council's Financial Reporting template provided to the Commission.

21 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).

22 Due to the timing of different grants and sometimes advance grant payments (as for the 2023-24 grant allocation, which was received and accounted for in 2022-23).

23 The Commission calculates the grants income per rateable property for each year and takes the three-year moving average. 1.9 percent is calculated based on the compound average annual growth rate formula.

Meanwhile, the Council's operating expense growth over the 2012-13 to 2021-22 historical period, was primarily due to an average annual increase of 2.7 percent in 'materials, contracts and other' expenses, and 2.1 percent in 'employee' expenses (see the left chart below).

Looking forward, the Council is projecting average annual rates revenue growth of 3.4 percent to 2032-33, which is above the forecast long-term inflation by 0.8 percentage points.24 This average growth in annual rates revenue is also higher than expected expense growth (rates are discussed in more detail in section D).

The Council has confirmed that the number of rateable properties is assumed to be constant at current levels (of 5,528). Expenses per property (a metric which also accounts for growth) are expected to increase by an average of 2.4 percent per annum over this period, which is generally consistent with current inflation projections (see the right chart below).



The Council's template data (provided to the Commission) shows that employee numbers are assumed constant at current levels (of 70 FTEs), and some of its operating income and expense lines indicate negligible change in real terms or growth below current inflation forecasts. For example, grants income represents a forecast of $2.5 million per annum (on average in nominal terms), compared to a historical average of $2.3 million per annum.25 In addition, 'materials, contracts and other' expenses and 'depreciation' expenses are forecast to increase by an average of 2.2 percent and 1.9 percent per annum respectively, from 2023-24 to 2032-33.

Total expenses are forecast to grow by 2.4 percent over this period. This represents an anticipated real terms reduction in total expenses growth relative to the RBA forecast for CPI growth over this period. The Commission also notes this comes after a step increase in total expenses in 2022-23 of eight percent and may be difficult to achieve.

When considering the Council's recent financial results (from 2021-22) together with its short-term budget forecasts (till 2024-2025), the Commission is seeing material cost pressures emerging over a cumulative three-year period, notably:

- 28.1 percent cumulative increase in 'employee costs' to 2024-2025 (accounting for 38.2 percent of total operating expenses26), and

24 The forecast average annual growth in the CPI from 2023-24 to 2032-33 is estimated to be 2.6 percent based on the 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.

25 Based on the Council's Excel template provided to the Commission. Historical average is based on the 10-year period from 2012-13 to 2021-22; and forecast average is based on the 10-year period from 2023-24 to 2032-33.

26 The Council indicates this may be higher due to the costs associated with the inclusion of saleyards and airport operations.

> 13.2 percent cumulative increase in 'materials, contracts and other' expenses (accounting for 32.7 percent of total operating expenses27).

The Council has stated a commitment to identify efficiency gains and reduce costs. However, the Commission notes that no specific projected cost-savings, nor a strategy for achieving the council's cost constraint objectives, are identified in its LTFP. The Commission further notes the consultation feedback from submissions on the Council's draft 2023-24 annual business plan identified the community would benefit from clarity on cost-saving measurements.28

Despite this, the Commission notes that the Council's community consultation processes are comprehensive and effective in understanding and responding to concerns on rates affordability and service provision. The Council has also used a range of approaches and media channels to inform its community on its proposed plans and, as a result, received a high level of engagement compared with previous years.29 In general, the written responses showed that respondents preferred the Council to effectively look for ways to be more transparent in the revenue source/budget for road upgrade, transport (road) asset service level as well as the Council's short-run deficit position.

To ensure the Council is positioned to achieve the real terms reduction in its cost base that it has forecast and improve its operating performance (without the need for further rate increases above inflation), the Commission encourages it to:

3. **Report** any actual cost savings in its annual budget (and long-term financial plan, as appropriate), to provide evidence of constraining cost growth and achieving efficiency across its operations and service delivery.

4. **Continue** the good practice of consulting with the community on its annual business plan, with a focus on understanding the community's preferences on service levels.

C.2 Net financial liabilities

The Council experienced both operating deficits and surpluses between 2012-13 and 2022-23. Its cash and cash equivalents (see the top left chart over the page) shows cash held by the Council at the end of each year, which has averaged $4.9 million across the same time period.

The Council has no new loan borrowings in 2022-23, and its outstanding debt as of 30 June 2023 was $2 million.30 The Council's net financial liabilities ratio has trended between 27.7 and negative 24.1 percent between 2012-13 and 2022-23 (see the bottom left chart over the page). Since 2017-18, this ratio has been below zero, which is also below the suggested LGA target range for the indicator of between zero and 100 percent (averaging negative 7.2 percent over the period between 2017-18 to 2021-22).

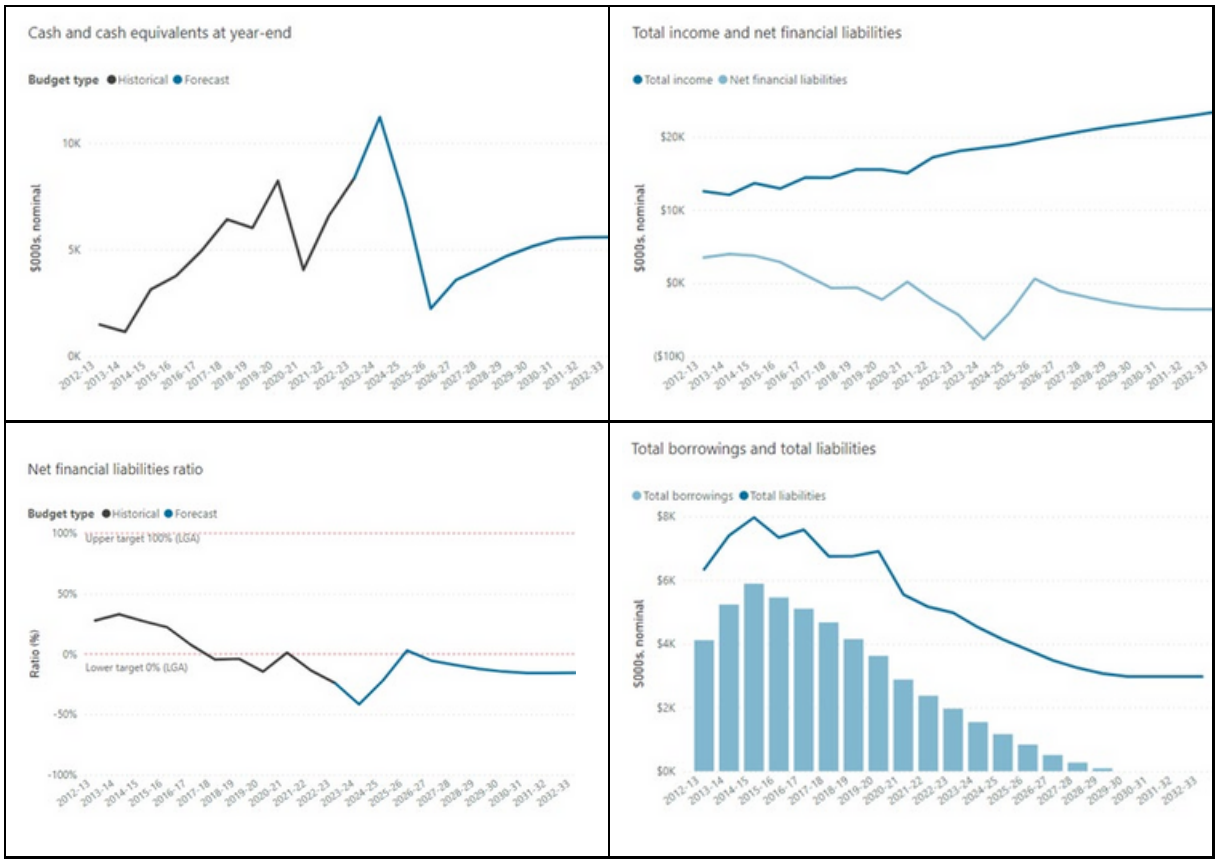
In the 2023-24 LTFP, the Council has forecast that the net financial liabilities ratio will continue to sit below zero, and that it will hold negligible borrowings by 2028-29. Furthermore, the 2023-24 LTFP projects that the Council will not take on additional borrowings from 2028-29 onwards (see the bottom right chart over the page).

27 See footnote 26.

28 District Council of Grant, *Ordinary Council Meeting Agenda -19 June 2023 Item 13.2.1 Attachment 3,* 2023-2024 to 2032-2033 Annual Business Plan & Budget – *Public Consultation,* p.216.

29 The Council sought community engagement through four inner township master plan workshops. See District Council of Grant, *Ordinary Council Meeting Agenda -19 June 2023 Item 13.2.1, 2023*-2024 to 2032-2033 Annual Business Plan & Budget – *Public Consultation*, p.166.

30 District Council of Grant, *Annual Report 2022-23,* p. 4.



As a result, the net financial liabilities ratio will progressively decline over the period to 2032-33, which also reflects the Council's operating income growth (an average of 2.6 percent per annum) and an accumulation of cash balances ($5.6 million is estimated by 30 June 2033). The Council's long-term forecasts suggests it will utilise cash reserves ahead of borrowing for new capital works, or major long-term infrastructure.31

When the net financial liabilities ratio is viewed in isolation, it is at a level which demonstrates that the Council has the financial capacity for its operating income to cover its net financial liabilities. The ratio is driven by the Council's cash reserves and a conservative view of borrowings, which provides a reserve for unforeseen expenditure requirements including to manage inflation risk, and generally to manage its financial sustainability risk.

The Commission understands that the Council regularly reviews the level of its cash reserves as part of its budgets and long-term planning processes; however, in general there could be improved disclosure on the reasons (or principles) for the level of its cash reserves. In this context, it would be useful to understand the intended uses of these funds and, ultimately, whether some should be returned to ratepayers (through an adjustment in rates). As the Commission has not made an assessment in this regard, it would be appropriate for the Council to:

5. **Continue** to review the extent of cash reserves in the context of its rates; and **consider** the intended uses of the accumulated funds.

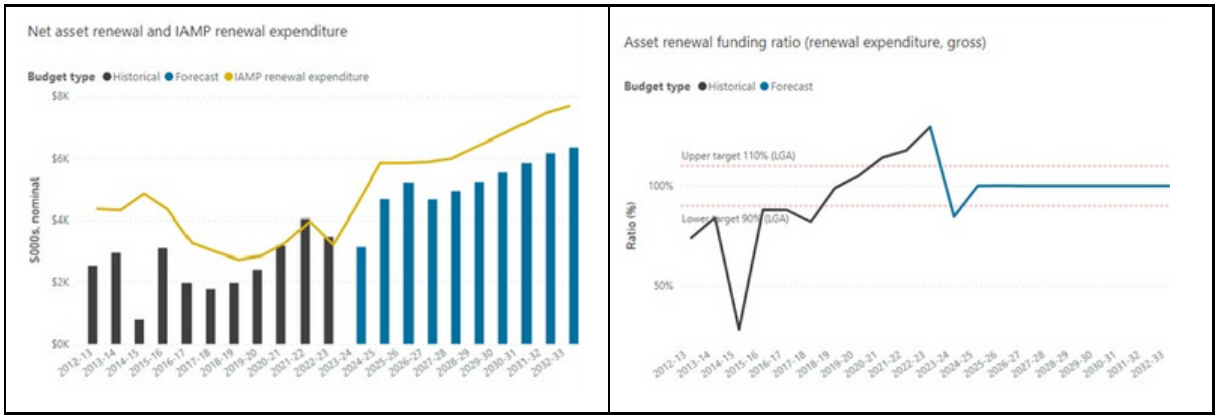
C.3 Asset renewals expenditure

Between 2012-13 and 2017-18, the Council averaged 74 percent on its asset renewal funding ratio (72 percent on a cumulative basis), signifying a substantial underspend on the renewal and rehabilitation needs of its asset stock over this period. However, from 2018-19 to 2022-23, there is an improvement in

[31] District Council of Grant, *2023-2024 to 2032-2033 Long Term Financial Plan*, August 2023, p. 10.

asset renewal spending priorities (see the charts below). The result being that by the end of 2022-23, the Council will have largely caught up with its IAMP renewals expenditure, with the yearly average asset renewal ratio being 92 percent (88 percent on a cumulative basis) between 2012-13 to 2022-23.

Over the 2012-13 to 2021-22 period, the Council's spending on renewal and rehabilitation of assets averaged $3.1 million each year, with growth of 4.2 percent indicating an average increase in the expenditure over time. Expenditure on new/upgraded assets for the same period averaged $2.9 million per annum.



Going forward, from 2023-24 to 2032-33, the asset renewal funding ratio on the IAMP basis is forecast to have an annual average of 99 percent,32 which is in line with the LGA suggested target range. Average annual spending on renewal or rehabilitation of assets is projected to increase to $6.3 million per annum (refer to right chart over the page).

Expenditure on new/upgraded assets is projected to average $3.6 million between 2023-24 and 2027-28 with zero expenditure forecast thereafter. This suggests that the Council's approach to investment in new infrastructure may be contingent on it achieving additional grant funding,33 and the Council only recognising new grant funding when it is certain. Based on historical expenditure,34 it is likely that anticipated new and upgraded capital expenditure is understated because of this.

These factors suggests that the Council's LTFP is not complete, as while affordability of the initial expenditure is not an issue for this Council due to it having access to combinations of cash reserves and borrowing capacity, affordability to the community in the longer-term does require consideration, as new infrastructure brings a future stream of liabilities related to depreciation expenses, maintenance and repair, and asset renewal costs.

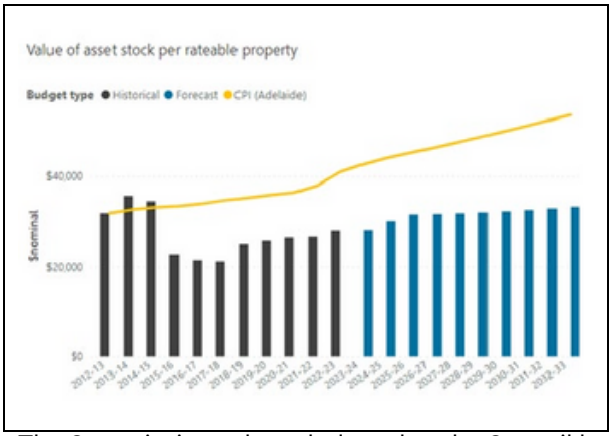
This, along with other matters, impacts the understanding of how the asset stock per rateable property evolves (refer to left chart over the page). Over the historical period, the value of the asset stock declines from $166 million in 2012-13, to $147 million in 2021-22, largely driven by a downwards revaluation of roads and kerbs and the removal of residual values in 2015-1635. This also contributed to growth in depreciation only being 1.2 percent over this period. The Commission also notes that the Council's approach to asset revaluation historically may also have contributed to this. The last asset revaluation exercise was undertaken in 2018-19, with no indexation applied in 2019-20 or 2020-21, but indexation of 1.8 percent and 6.4 percent applied in 2021-22 and 2022-23 respectively.

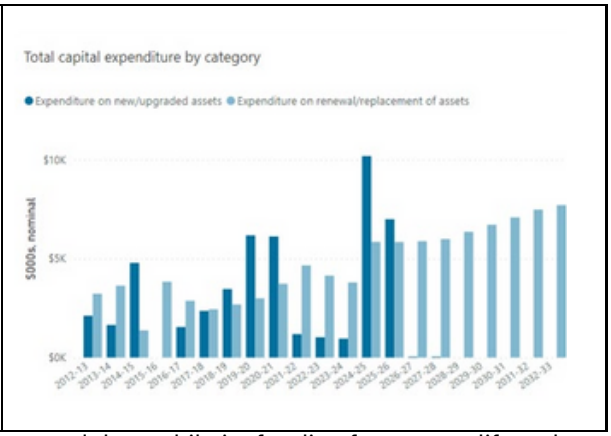
The asset stock is forecast to increase to $183.8 million by 2032-33 (from $154 million in 2022-23) following significant new/upgraded expenditure in 2024-202536 related to CWMS and saleyards. The

32 The quoted averages for the ratio are based on 'gross asset renewal expenditure' (before the sale of replaced assets) rather than 'net asset renewal expenditure'.
33 District Council of Grant, *2023-2024 to 2032-2033 Long Term Financial Plan*, August 2023, p. 10.
34 From 2012-13 to 2021-22.
35 Email correspondence from Council 23.1.2024.
36 District Council of Grant, Strategic Asset management Plan 2019-2023, p.35.

average asset stock per rateable property will increase from $0.28 million to $0.33 million during the forecast period, based upon the Council's LTFP.

Overall, the Commission considers there is a risk that the lack of regularity in the Council's approach to asset revaluation, alongside its likely underestimation of overall expected capital expenditure, risks it under estimating depreciation and IAMP renewal expenditure. Other things being equal, this suggests that the Council's expense forecast is likely to be optimistic, meaning that if service levels are to be maintained/improved, its rates forecasts are likely to be too low.





The Commission acknowledges that the Council has noted that, while its funding for current lifecycle infrastructure costs was considered adequate between 2019 and 2029, it remains below long-term needs and requires review to fully understand the demand for services and affordability over the longer term.37

Noting that additional grant funding may influence future capital spending on new/upgraded assets and the benefits of a more consistent approach to asset revaluation, the Commission recommends that the Council:

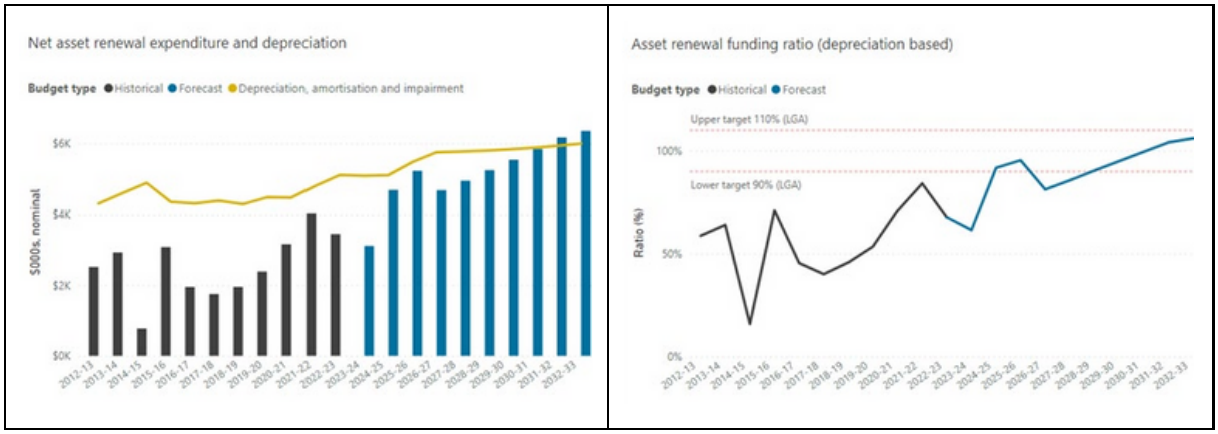
6. **Adhere** to the principles underpinning its long-term financial plan projections to provide more funding to the renewal of its assets, rather than prioritising initiatives which involve new or upgraded infrastructure.
7. **Consider** a more consistent approach to asset revaluations to ensure the forecast rate of asset consumption (and depreciation expense) in the long-term financial plan reflects recent macro-economic conditions.

While asset renewals can also be evaluated by the depreciation-based asset renewal funding ratio, the Commission notes that the previous point made regarding the Council's depreciation charge make this complicated.38 Notwithstanding, the asset renewal ratio in the Council's LTFP is projected to broadly track in line with the recommended minimum level (for the IAMP-based ratio) of 90 percent, averaging 91 percent per annum between 2023-24 and 2032-33 (see charts below). In part, this reflects the shift in the Council's asset spending priorities towards asset renewals rather than new and upgraded asset expenditures.

The Commission also notes that over the entire period from 2012-13 to 2032-33, cumulative depreciation and gross IAMP expenditure differs by 3 percent, indicating strong alignment between the two measures. This suggests year-on-year differences are primarily due to timing differences between

37 District Council of Grant, Strategic Asset Management Plan 2019-2023, p7.
38 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.

collection of the depreciation charges via rates and charges, and practically renewing the asset stock. This, however, is based upon the Council's AMPs being accurate, robust, and current.



In this respect, the Commission notes the Council's AMPs were last comprehensively reviewed in 2019 and are almost five years old. The Council is preparing to undertake this review again in 2024.39 The Council currently has individual AMPs for transport, buildings, fleet, CWMS, stormwater, open space and Information & Communication Technology infrastructure assets. These cover the Council's asset base and reflect comprehensive asset valuations that have been carried out in 2018 or earlier.40

In addition to updating the AMPs, the Commission notes that further updates to the Council's Asset Management Strategy (adopted in March 2019) may be needed to align to the current economic environment. Further, it is noted that councils are required to undertake a comprehensive review of their strategic management plans (including asset management plans) within two years after each general election of the council.

The Council area is predominantly rural with agriculture a critical economic industry within the region. A key factor is having confidence in the transport infrastructure to help ensure agricultural products reach their destination, as well as keeping the overall asset stock in good health. Community feedback does not appear to relate to affordability, but to wanting a greater understanding of the Council's infrastructure condition. The Council could benefit from a more robust planning process to its asset management planning. As such, the Commission recommends that the Council:

8. **Consider** adopting a more robust and regular asset management planning process (including transport).

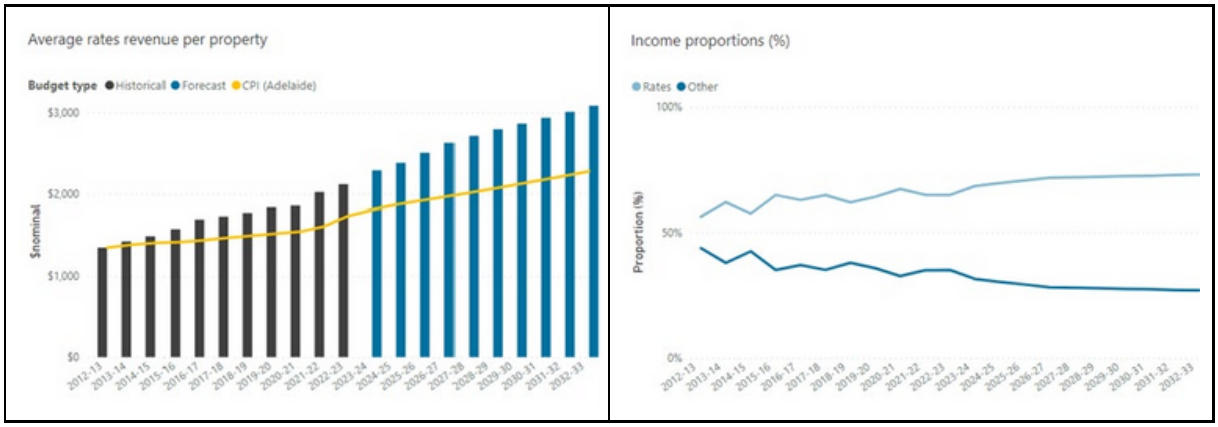
[39] The Council will develop a draft asset management plan in February 2024, followed by broader consultation in April/May 2024. District Council of Grant, Ordinary Council Meeting Agenda 15th January, p. 21.
[40] District Council of Grant, Strategic Asset Management Plan 2019-2023, p.26.

D Current and projected rate levels

D.1 Historical rates growth

The Council's rate revenue per property growth has averaged 4.6 percent or $67 per annum for each property over the past 10 years,41 to reach an average $2,025 per property in 2021-22 (see the left chart below). This has exceeded CPI growth (at an average of 2.0 percent per annum over this period42) but also encompasses 0.6 percent average annual growth in rateable property numbers. Current rate levels partially reflect its recent history of spending growth on renewal expenditure and the Council's trend of an increasing operating surplus.

The Council remains reliant on its rate base for its operating sustainability. As the chart below indicates (to the right), rates revenue accounted for 65 percent of operating income in 2022-23 compared with 56 percent of income in 2012-13. Forecast rates revenue will continue to rise to an average of 72 percent of income by 2032-33, highlighting the trend of rates increasing as a proportion of total income (refer to right chart below).



D.2 Proposed 2023-24 rate increases

The Council has budgeted for an average rate increase of 8.1 percent or $171 per property for its existing ratepayers in 2023-24.43The rates increase reflects the Council's expected financial pressures across its service delivery, and is consistent with the increase in CPI 44 during the previous 12 months at the time the budget was developed. 45

Differential general rating methodology was introduced by the Council from 2022-23.46 47 The 2023-24 annual business plan noted that different rate categories are subject to varying changes, with residential ratepayers paying 0.4 percent or $3.69 less per property than that of 2022-23 rate levels. Primary

41 From 2012-13 to 2021-22.
42 CPI Historical time series. Available at https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/sep-quarter-2023#capital-cities-comparison
43 Based on the Council's 2023-24 Excel template (with the 2023-24 forecasts) provided to the Commission. The Commission has used $12.668 million (in 2023-24 budgeted rates revenue) compared to unaudited 2021-22 estimates. Individual rate level changes may be higher or lower depending on the rates category and property value.
44 CPI Adelaide (All groups) increased by 7.9 percent in the year to March 2023 quarter and has reduced in the year to June 2023 and September 2023 quarters to 6.9 percent and 5.9 percent, respectively. Available at https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/sep-quarter-2023.
45 District Council of Grant, 2023-2024 to 2032-2033 Annual Business Plan & Budget, June 2023, p. 21.
46 District Council of Grant, 2022-2023 Annual Business Plan, June 2022, p. 15.
47 The Council informed the Commission that the removal of the rate cap had a significant impact on the 2022-23 rates.

production (mostly farmland) ratepayers are budgeted to pay the largest increase of 11.1 percent or $287.42 per property.48

On a proportional revenue basis, primary production ratepayers accounted for around 69 percent of 2023-24 budgeted rates revenue, followed by residential ratepayers (26 percent). Other than 'general rates' revenue (which represents around 81 percent of total rates revenue49), the Council collects income from CWMS charges, waste collection, and the Regional Landscape Levy (around 7, 7 and 5 percent respectively).

The Council advises its intention to run an operating deficit in 2023-24 to limit rate rises required, whilst one-off project expenditure occurs.50

D.3 Projected further rate increases

Over the forward years of its LTFP, the Council is projecting average rates increases for its existing ratepayers of approximately 3.4 percent per annum from 2023-24 to 2032-33.

In total, the LTFP effectively projects a cumulative increase of $796 per existing ratepayer (to $3,088 per annum) by 2032-33. Although rates growth is consistent with the Council's assumed inflation growth over this period, it is higher than the RBA-based inflation forecast of an average of 2.6 percent per annum (refer to the previous page chart on the left side).51

D.4 Affordability risk

The current economic environment is putting more pressure on many communities' capacity to pay for further rate increases, including those of the Council. However, on balance, the affordability risk among the Council's community for these further rate increases appears to be low, when considering:

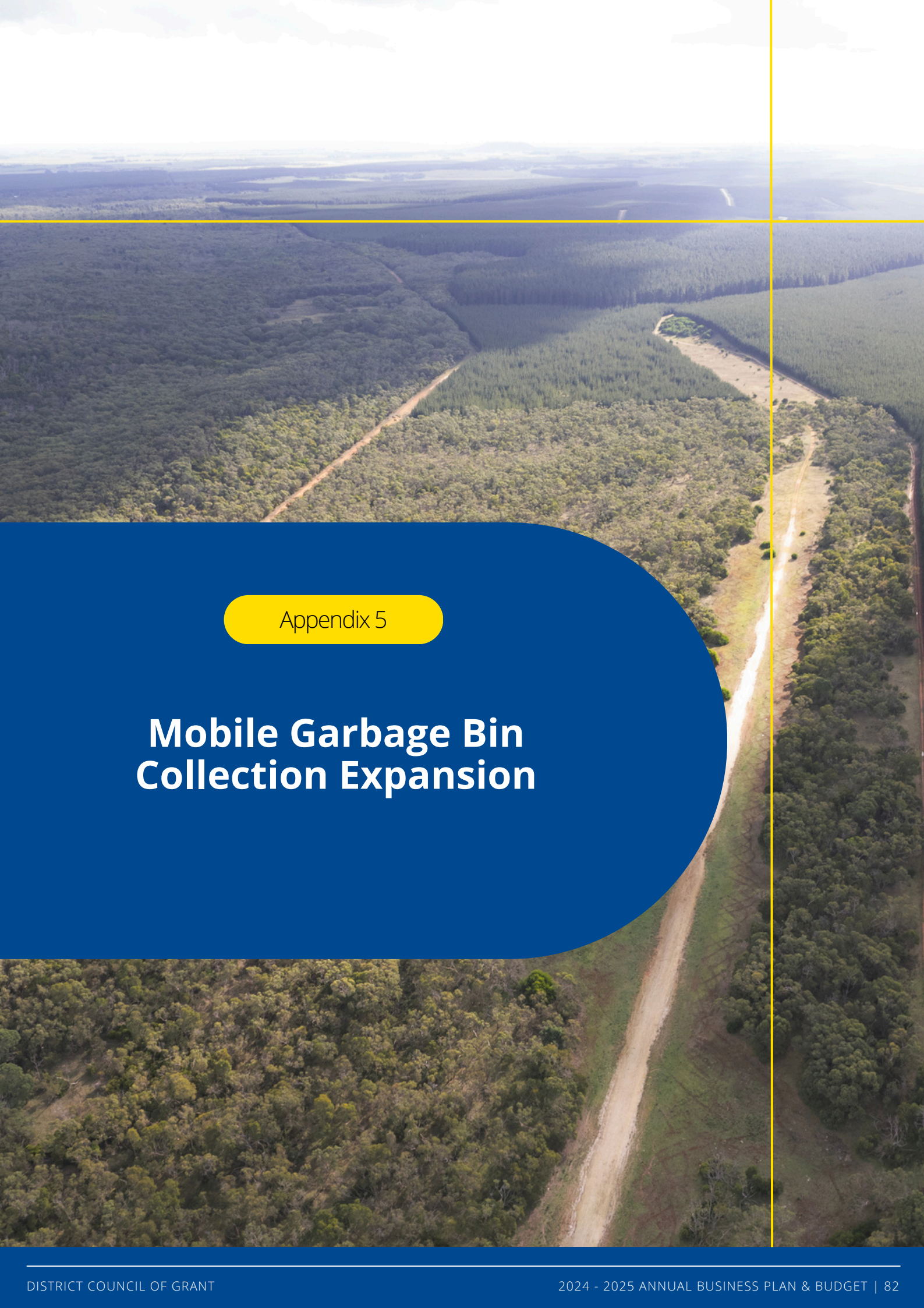
> the Council's relatively high socio-economic indexes for areas (**SEIFA**) economic resources ranking,52

> the current relatively low rates for residential ratepayers,53 and

> the effect of cumulative increases in rates per existing ratepayer of approximately 0.8 percent per annum from 2023-24 to 2032-33 after excluding forecast inflation.

48 District Council of Grant, 2022-2023 Annual Business Plan, June 2022, p. 23.
49 Before discretionary rebates.
50 District Council of Grant, 2023-2024 to 2032-2033 Annual Business Plan & Budget, p.18.
51 RBA data forecast time series. Available at https://www.rba.gov.au/publications/smp/2023/nov/economic-outlook.html
52 The District Council of Grant area is ranked 69 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/websitedbs/censushome.nsf/home/seifa
53 Refer to Councils in Focus rates data for 2022 available at https://councilsinfocus.sa.gov.au/councils/district_council_of_grant. 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.


ESSENTIAL SERVICES COMMISSION
OF SOUTH AUSTRALIA

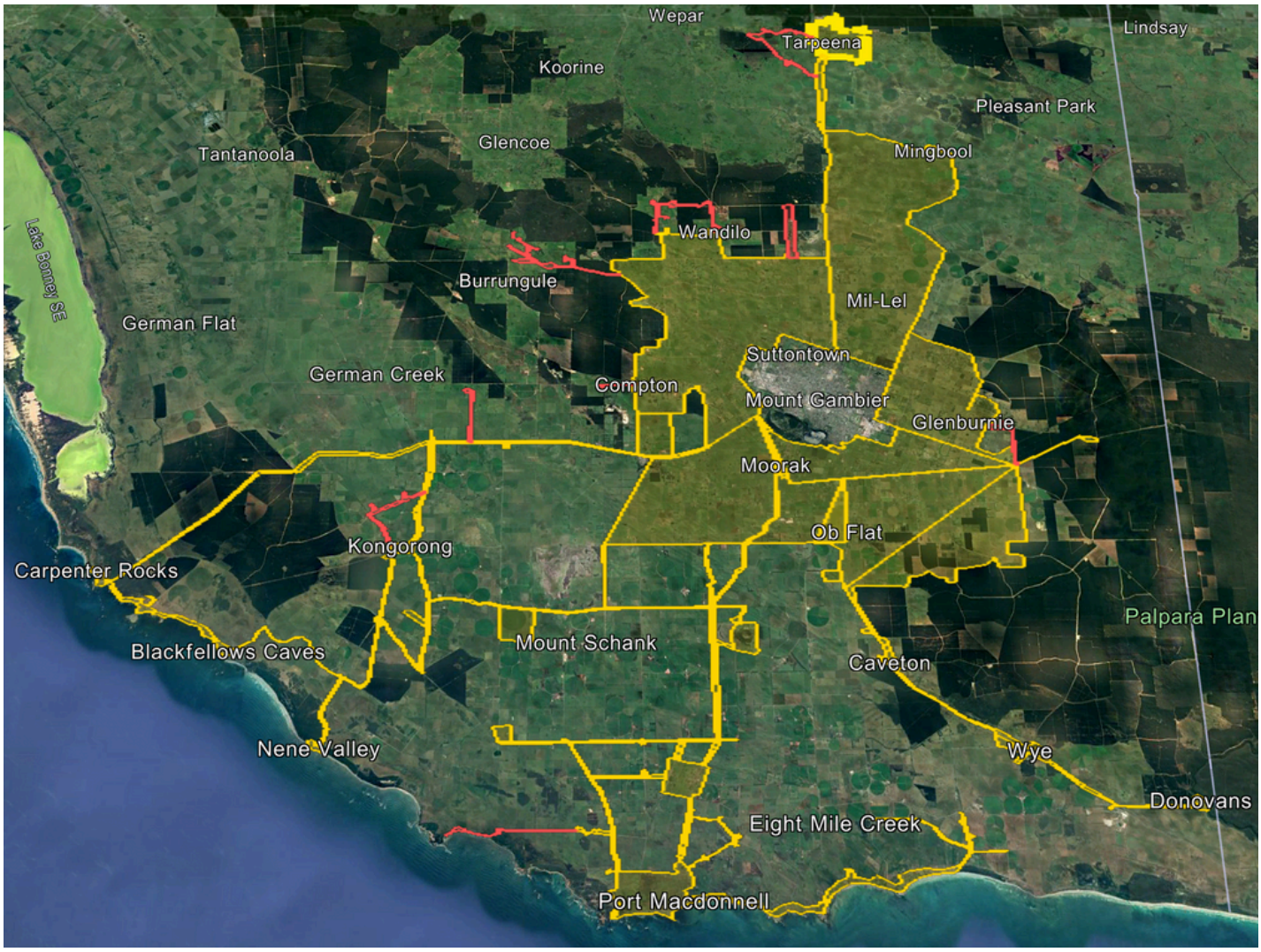


Appendix 5

Mobile Garbage Bin Collection Expansion

Legend:

- Proposed new collection zone
- Existing collection zone



Cape Douglas Township



Cape Douglas



Compton (new zone: Cafpirco Road)



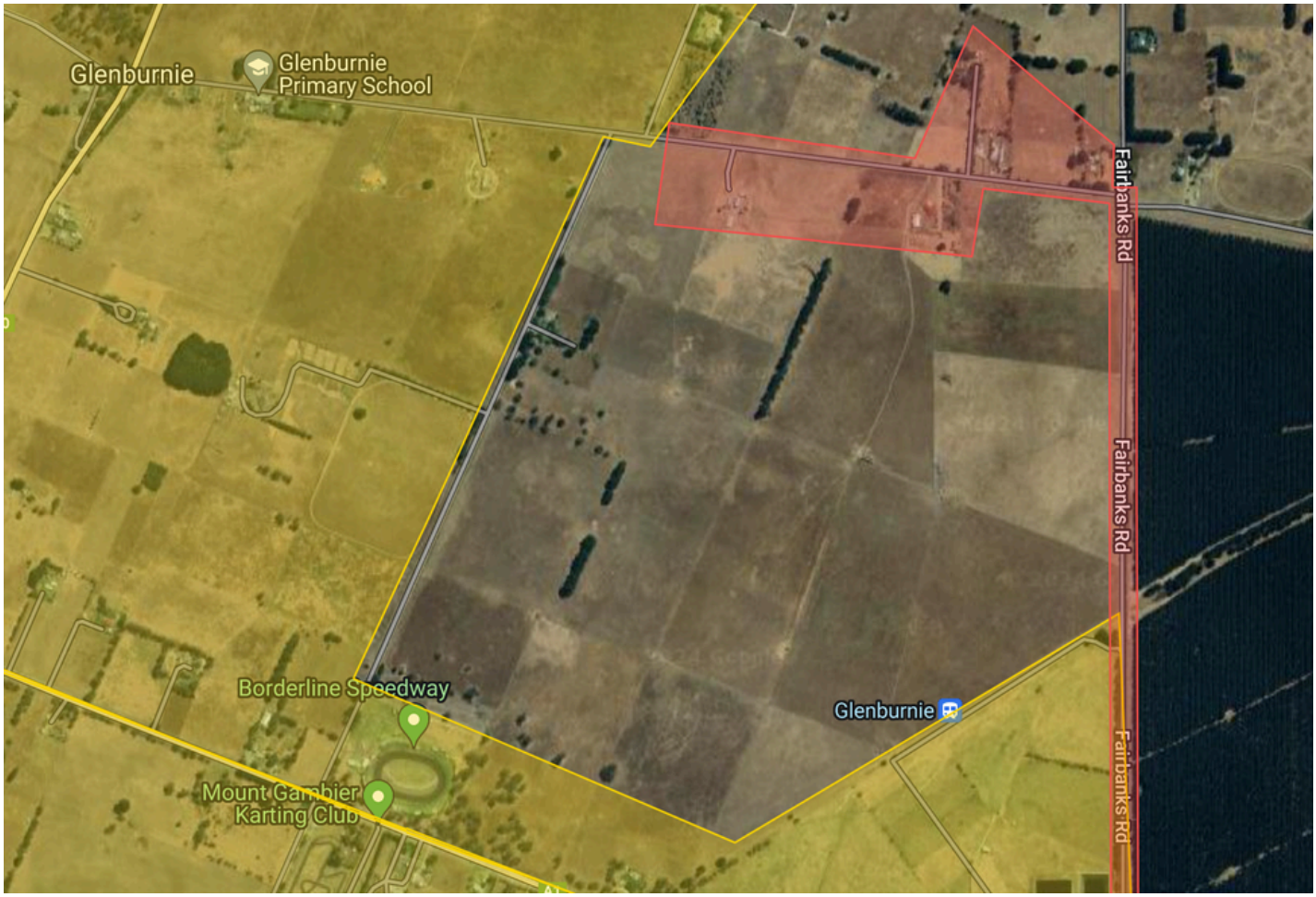
Burrungule (new zone: Littles Road)



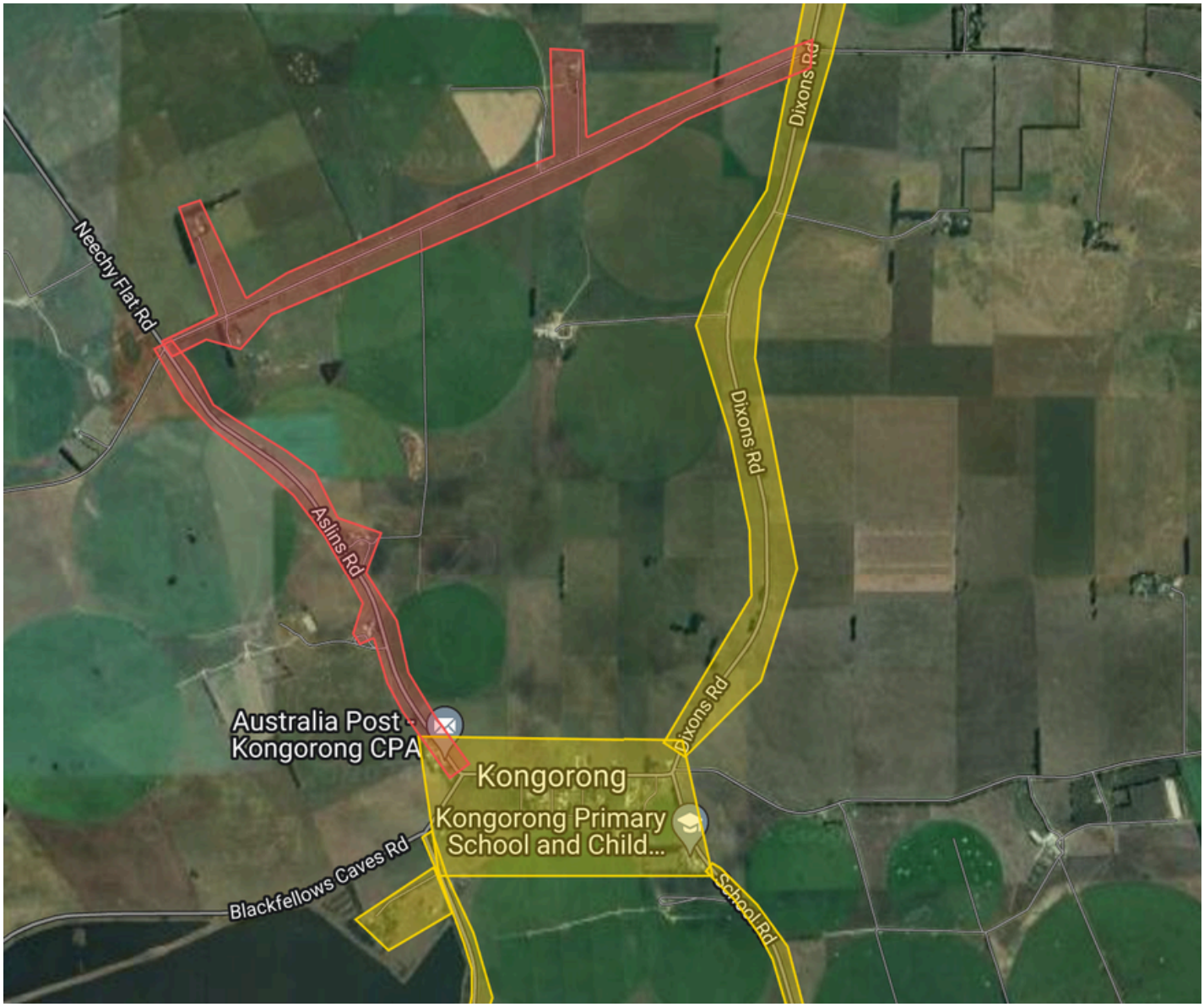
Burrungule (new zone: Princes Highway)



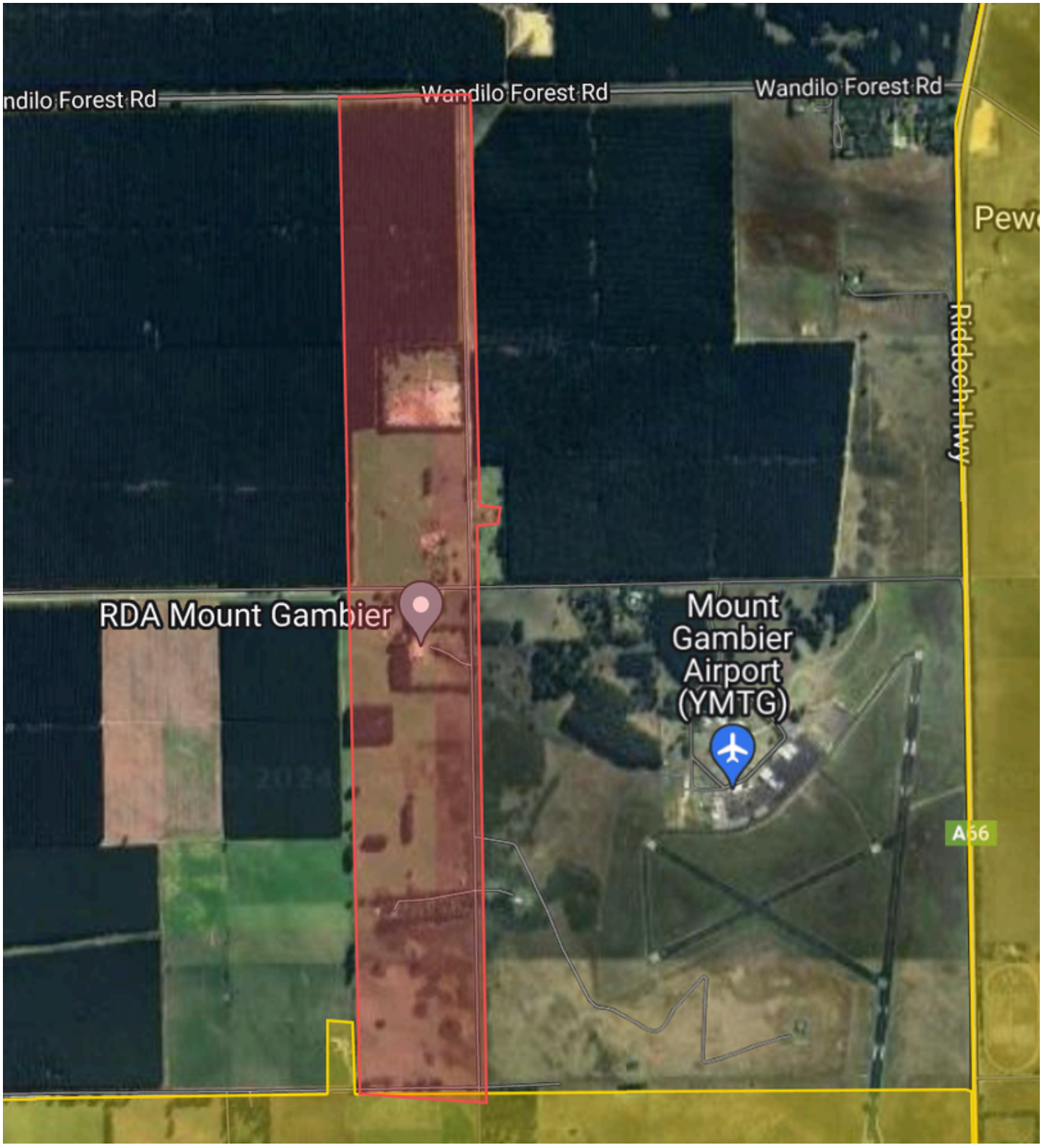
Glenburnie (new zone: Kromelite Road)



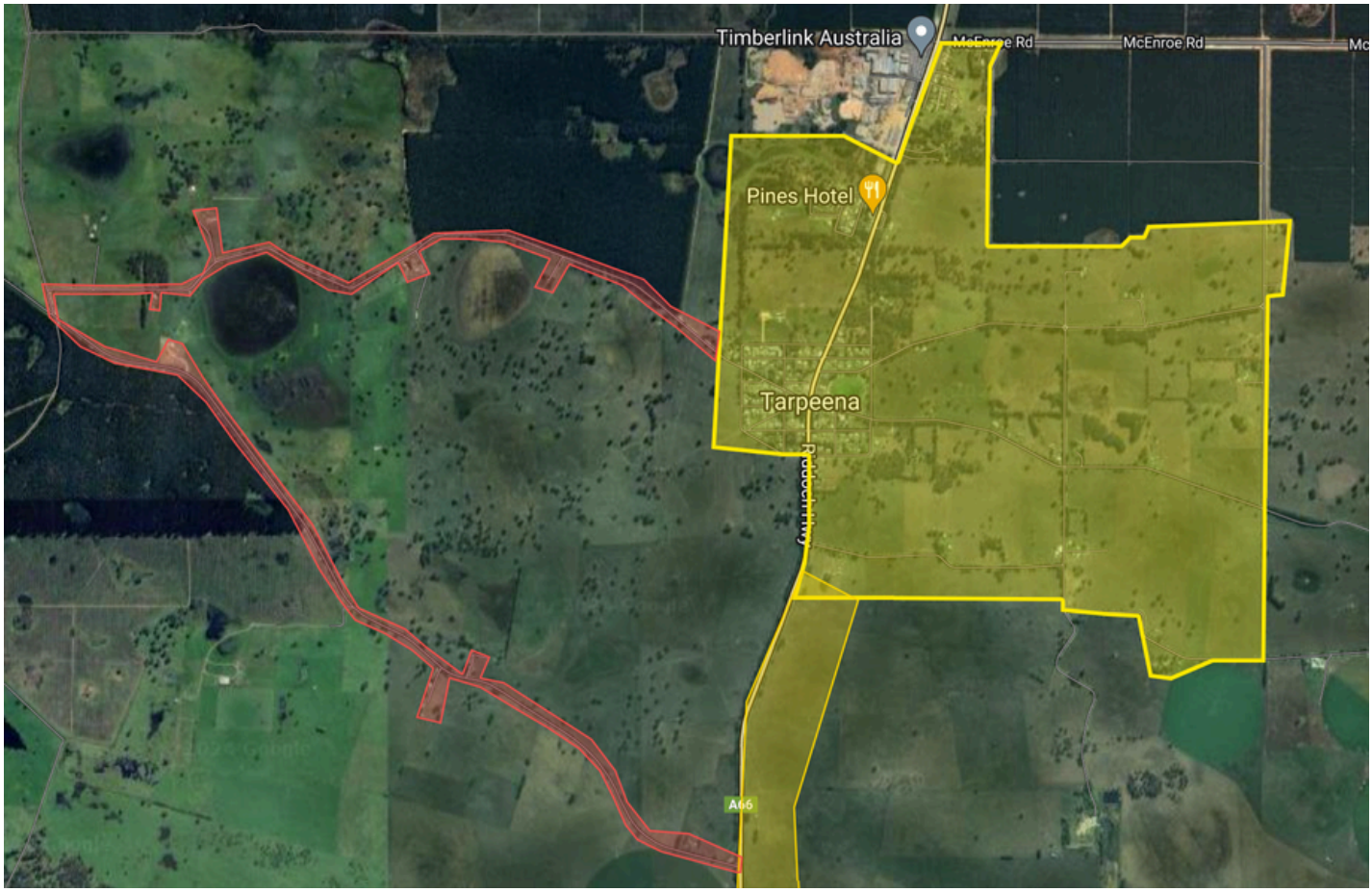
Kongorong


Neechy Flat Rd
Aslins Rd
Dixons Rd
Dixons Rd
Dixons Rd
Australia Post - Kongorong CPA
Kongorong
Kongorong Primary School and Child...
Blackfellows Caves Rd
School Rd

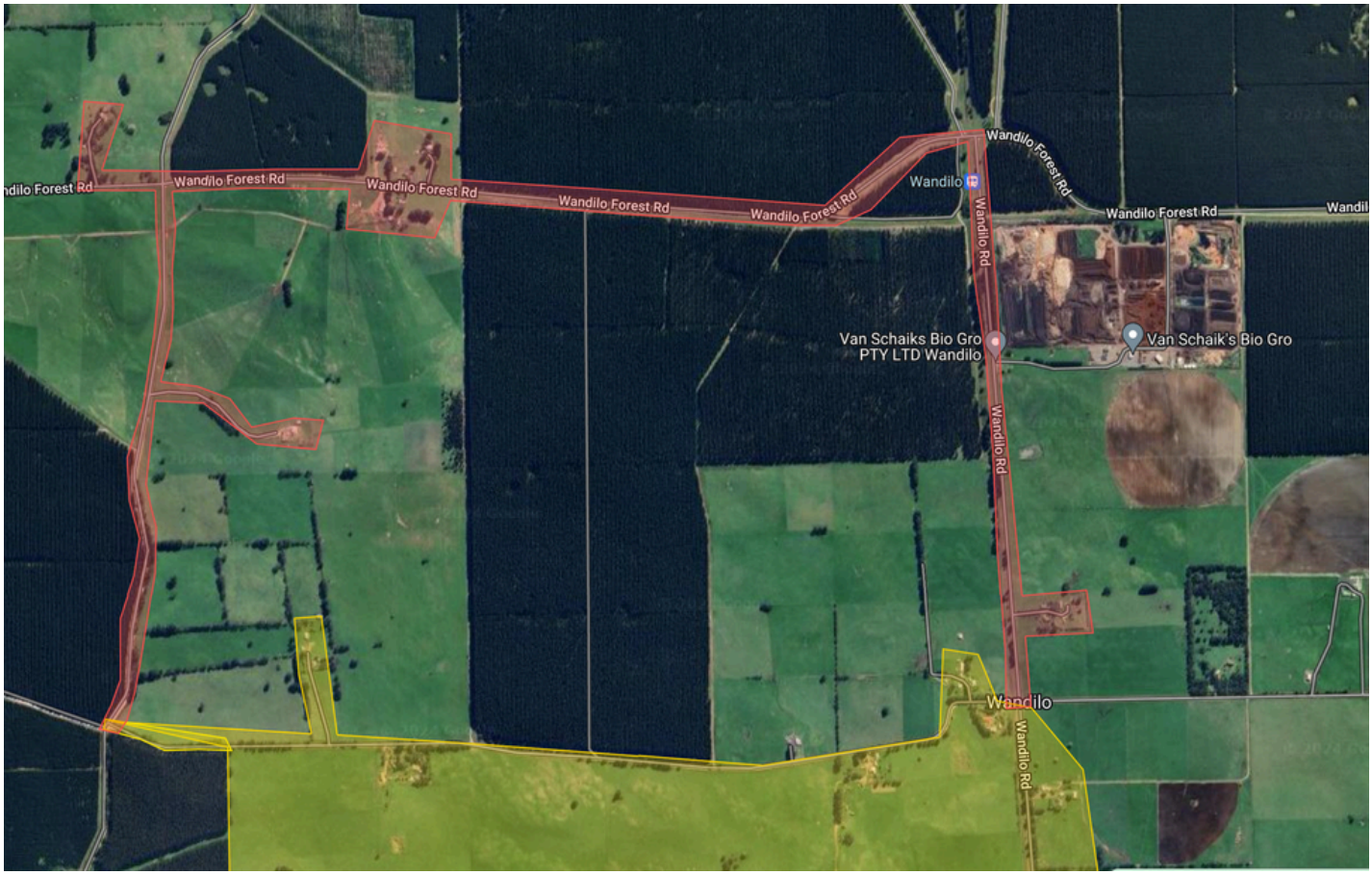
Suttontown (new zone: Sunnybrae Road)



Tarpeena (new zone: Avondale Road & Rust Road)



Wandilo (new zone: Wandilo Forest Road)





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