



DISTRICT COUNCIL OF LOXTON WAIKERIE
ANNUAL BUSINESS PLAN 2026-27



CONTENTS

District Council of Loxton Waikerie Annual Business Plan

COMMUNITY ENGAGEMENT	3
INTRODUCTION	4
From the Mayor	5
From the CEO	6
YOUR COUNCIL	7
Elected Members	8
About the Council and Fast Facts	9
Vision and Values	10
Council Services	11
STRATEGIC DOCUMENTS	12
INFLUENCES, PRIORITIES AND OPPORTUNITIES OF INTEREST	13
FUNDING THE ANNUAL BUSINESS PLAN	15
Operating Income	16
Operating Expenditure	17
Capital Revenue	17
Capital Expenditure	18
Impacts on Council's Financial Position	18
CAPITAL PROJECTS	19
STRATEGIC PROJECTS	23
COMMUNITY SUPPORT	25
POST-CONSULTATION AMENDMENTS	29
RATES REVENUE	31
Method Used to Value Land	32
Capital Valuation Movements	33
Rating Methodology	34
BUDGETED FINANCIAL STATEMENTS	37
ESCOSA - LOCAL GOVERNMENT ADVICE	45
Management Response	46
ESCOSA Report	47

COMMUNITY ENGAGEMENT

MONDAY
12 JANUARY 2026

A community engagement campaign was launched, enabling community feedback from two separate activities (Community Survey & Pitch Your Project). The campaign received 45 submissions across the activities.

MONDAY
30 MARCH 2026

Results from the community engagement campaign were presented to Elected Members at the budget workshop held Monday 30 March 2026.

WEDNESDAY
13 MAY 2026

The 2026-27 Draft Annual Business Plan was released for public consultation, inviting written submissions from the community online, in person, via email or by post.

WEDNESDAY
20 MAY 2026

The community was invited to provide their feedback in person during the Council Meeting scheduled for Wednesday 20 May 2026, held at the Loxton Precinct.

WEDNESDAY
3 JUNE 2026

Public consultation concluded, with all community submissions on the 2026-27 Draft Annual Business Plan due by 5pm.

WEDNESDAY
17 JUNE 2026

An additional opportunity to hear community feedback occurred during the Council Meeting scheduled for Wednesday 17 June. A report containing all submissions on the Draft Annual Business Plan 2026-27, was also be presented for Elected Member consideration.

Council's community engagement activities play a vital role in shaping the Annual Business Plan, ensuring the voices, needs and priorities of the community are not only heard, but meaningfully considered in Council's decision-making processes.

Feedback gathered through initiatives such as the Community Survey and Pitch Your Project directly informs the development of key priorities and proposed projects outlined within the Plan.

Submissions received and reviewed, and presented to Elected Members to support informed budget discussions and strategic planning. This input helps to identify emerging community needs, validate existing priorities and, where feasible, influence the allocation of resources.

Following the public consultation period, all written and in-person submissions are formally considered by Council prior to the adoption of the final Annual Business Plan.

Outcomes of this process are reflected in the final document, demonstrating where community feedback has shaped decisions, as well as outlining areas where feedback may inform future planning where immediate implementation is not possible. This approach ensures transparency and accountability, clearly showing how community input has had, or will have, an impact on Council's decisions and long-term direction.

INTRODUCTION

Welcome to the District Council of Loxton Waikerie's Annual Business Plan for the 2026-27 financial year. This document outlines Council's strategic priorities, key initiatives, and operational focus for the year ahead, providing a clear framework to guide decision-making, resource allocation, and service delivery across our district.

At the core of local government is the responsibility to support and enhance community wellbeing through the provision of essential services, infrastructure, and programs that respond to local needs. The Annual Business Plan demonstrates how Council will continue to meet these needs while progressing the long-term objectives set out in the Community Plan, all within a framework of sound financial management, sustainability, and accountability.

The development of this Plan has been informed by feedback from community members, stakeholders, elected members, and Council staff through a

range of engagement activities. It reflects a shared vision for Loxton Waikerie as a connected, inclusive, and economically resilient region. The Plan sets out the specific actions Council will undertake in 2026-27, alongside measures to monitor progress and ensure transparency in delivering outcomes for our communities.

This document also highlights the key influences, opportunities, and fiscal considerations that have shaped Council's priorities for the 2026-27 period. It details the proposed capital works program and strategic initiatives for the coming year, supported by financial statements, the rate revenue strategy, and a summary of recent community engagement outcomes.

Council continues to operate within a financially responsible framework, balancing the delivery of current services with the long-term challenge of maintaining and renewing essential assets. As with many local governments, careful planning is required to ensure that infrastructure and service levels remain sustainable for future generations. This Annual Business Plan reflects Council's commitment to managing these challenges proactively and responsibly.

It is important to note that this Annual Business Plan does not include provision for several major capital projects that may be progressed during the 2026-27 financial year, including the proposed Waikerie Recreation and Sport Centre upgrade and the redevelopment of the Waikerie and Loxton swimming pools. These projects remain under active investigation and development, with their inclusion in Council's capital program subject to detailed planning, community consultation, funding confirmation, and formal Council endorsement. Council remains committed to progressing these significant community assets in a financially responsible and transparent manner, with further updates to be provided as these initiatives advance.

Council remains committed to the principles of good governance - transparency, accountability, and responsiveness. We welcome ongoing community involvement and encourage residents, businesses, and stakeholders to engage with Council throughout the year as we deliver on our commitments and work towards a strong and sustainable future for the district.

FROM THE MAYOR

It is my pleasure to present the District Council of Loxton Waikerie's Annual Business Plan for 2026-27. This Plan outlines Council's priorities for the year ahead and reflects our ongoing commitment to delivering practical outcomes that support our communities, strengthen our region, and prepare for the future.

The year ahead continues to present challenges for our district. Prolonged drought conditions, ongoing pressures in agricultural markets - particularly within the wine grape sector - and broader cost-of-living impacts continue to place strain on households, businesses, and primary producers across our region. These local pressures are further influenced by global economic uncertainty, highlighting the importance of resilience, adaptability, and sound decision-making at every level.

In response, Council remains focused on balancing responsible financial management with meaningful investment in the services, infrastructure, and initiatives that matter most to our communities. This Annual Business Plan demonstrates our commitment to maintaining essential assets, supporting economic development, and enhancing the liveability of our towns and surrounding areas.

We know that strong communities are built through collaboration, and this Plan reflects the voices and priorities of residents, businesses, community groups, and stakeholders who continue to engage with Council. Their input helps ensure our decisions remain grounded in local needs and aspirations.

As Mayor, I am proud of the work Council continues to undertake in advocating for our district, securing external funding opportunities, and progressing projects that will deliver long-term benefit for current and future generations. While some major developments remain subject to further

planning and consultation, our focus remains on ensuring that every investment is carefully considered and aligned with the broader interests of the community.

I encourage all members of our community to review this Plan and continue to be involved in shaping the future of the Loxton Waikerie district. Together, we can navigate current challenges and build a region that remains strong, connected, and sustainable.

Thank you for your ongoing support and commitment to our district.



Trevor Norton
Mayor

FROM THE CEO

The 2026–27 Annual Business Plan has been developed in a challenging operating environment for the Loxton Waikerie district.

Factors including, drought conditions, pressure on regional agricultural markets especially wine grapes and elevated cost-of-living impacts continue to affect our community. These pressures have been compounded by global geopolitical instability, including the conflict involving Iran, which has contributed to volatility in fuel prices. As a major fuel user, Council is directly exposed to these costs, particularly in delivering road maintenance, waste services and capital works across a geographically large area and understands the effect these shortages impact our farming community.

This Plan reflects a disciplined and responsible approach to managing these risks while continuing to deliver essential services and maintain critical infrastructure. Council's financial position remains sound, supported by prudent budgeting, careful cost control and a strong focus on asset renewal - especially across roads, wastewater systems and community facilities.

Significant effort continues to be directed toward maximising State and Commonwealth funding to reduce pressure on ratepayers, while sustaining priority projects that improve safety, accessibility and community wellbeing. Council also remains committed to supporting local organisations, economic development, arts and culture and initiatives that strengthen social connection and resilience. This budget is focussed on supporting the community through supplying

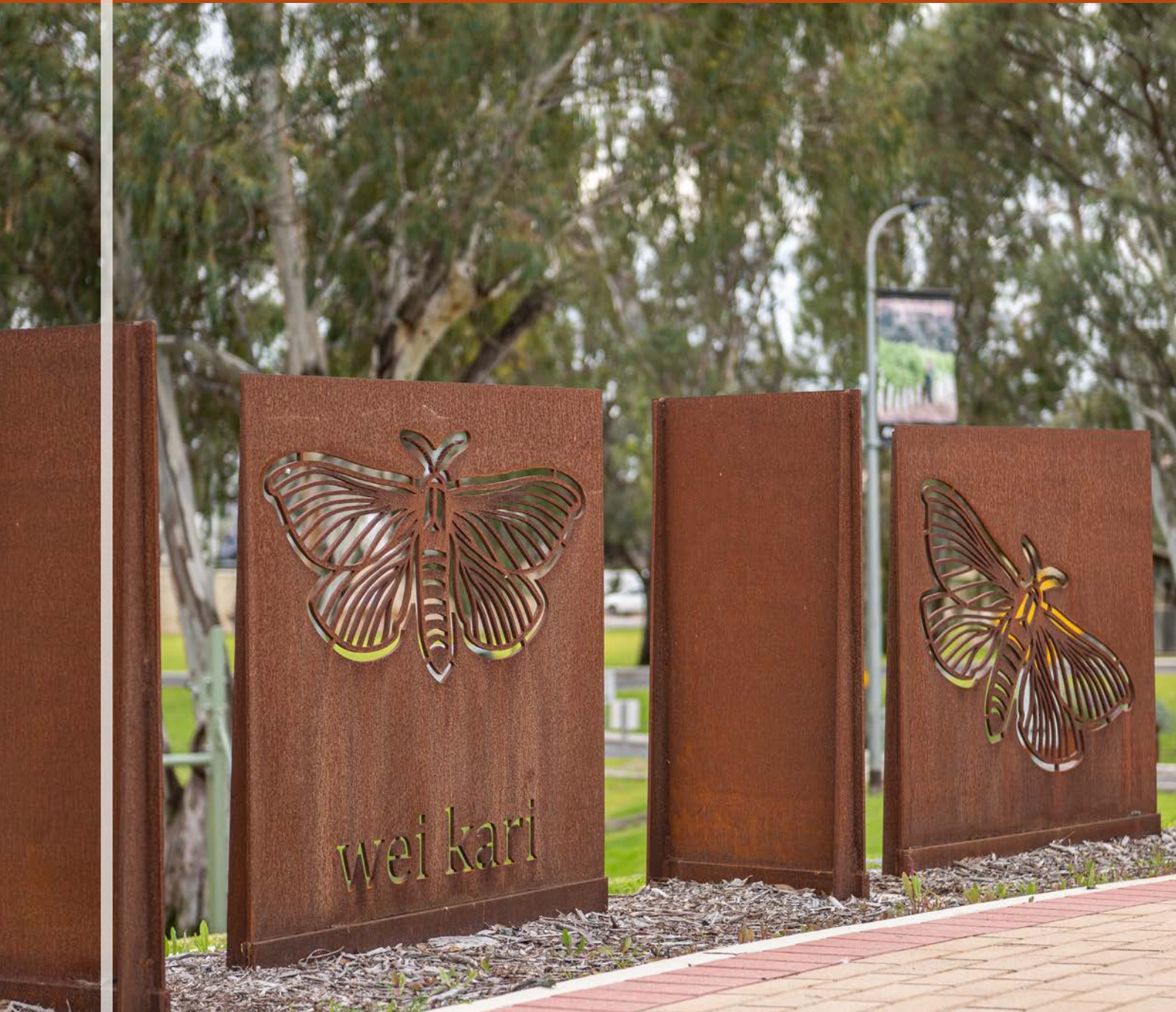
services and events that enhance the liveability of the region but restrain placing too much additional financial pressure on residents.

Community feedback has informed this Plan and will continue to be carefully considered prior to the adoption of the final Annual Business Plan. Council remains focused on delivering value, transparency and responsible governance while positioning the district for a sustainable future.



David Beaton
Chief Executive Officer

YOUR COUNCIL



ELECTED MEMBERS

Our Elected Members are responsible for policy making and decisions that impact on our district, community, businesses, and environment.

The roles of our Elected Members are to:

- Participate in the deliberations and civic activities of our Council.
- Keep the Council's objectives and policies under review to ensure appropriateness and effectiveness.
- Keep the Council's resource allocation, expenditure and activities and the efficiency and effectiveness of its service delivery under review.
- Represent the interests of residents and ratepayers, provide community leadership and guidance, and facilitate communication between the community and the Council.



Trevor Norton
Mayor



Cr Jody Flavel
Deputy Mayor



Cr Sonya Altschwager



Cr Kent Andrew



Cr Craig Ferber



Cr Sonia Fowler



Cr Michelle Hill



Cr Ian Light



Cr Clive Matthews



Cr Gary Pfeiler



Cr Michael Vowles

ABOUT THE COUNCIL

The District Council of Loxton Waikerie is located on the River Murray in the Riverland of South Australia, spanning from the Blanchetown bridge in the west to the Victorian border in the east.

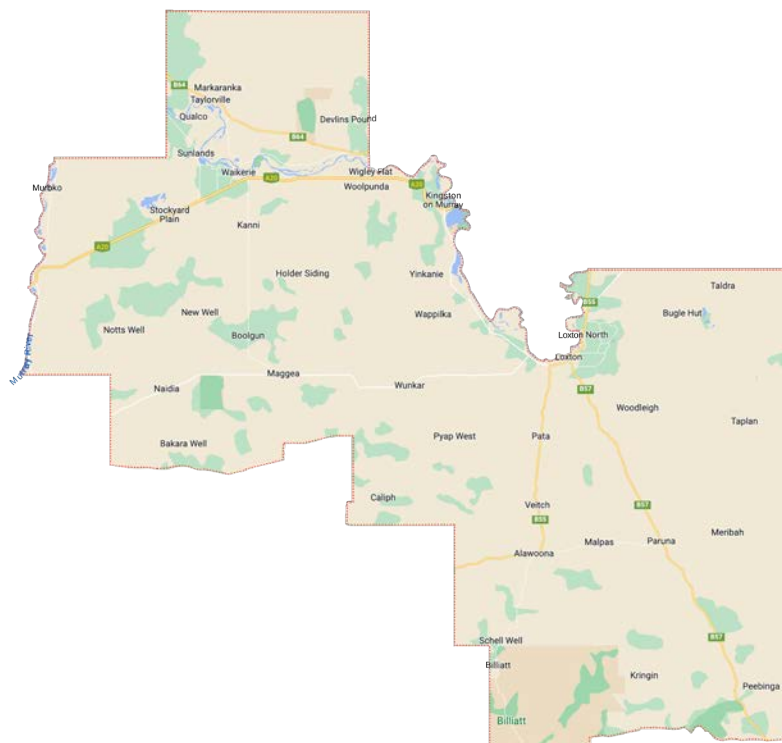
The townships of Loxton and Waikerie are our main service centres and our district also

contains many smaller towns and communities.

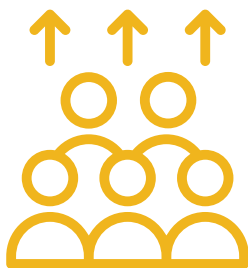
Our main industries include agriculture and horticulture, with the district contributing significantly to the national output of food and beverage. Important value-adding activities also occur locally, with food and beverages

being processed; packaged; stored; and distributed within and from the local area.

Tourism also plays an important part in the mix of our local economy, with an increasing and coordinated effort evident in this sector in recent years.



FAST FACTS



Population - 11,949
(estimated resident population)
(ABS statistics as at 2024)

Main Towns -
Loxton (3,947)
Waikerie (1,670)



Area - 7,767km²

Road Network -
Sealed (433km)
Unsealed (1,873km)



Rateable Properties -
8,252

VISION AND VALUES

Our Vision

Our vision statement is our inspiration and provides us with purpose, strategic direction, motivation, and purpose.

In 2035, with a population of 15,000, we are a vibrant, productive, connected community with outstanding facilities, lifestyle and environment.

Our Mission

Our mission aligns with our strategic objectives and indicates how we will achieve our vision. It provides an indication of how we are going to get to where we want to be.

We are committed to:

- Actively enhancing the quality of life of our communities by encouraging health, wellbeing and safety.
- Encouraging and supporting a strong diverse economy that will provide prosperity, growth and employment opportunities for our community.
- Responsibly managing our built and natural environment.
- Providing genuine and accountable leadership that inspires confidence within our community and ensures the responsible management of our resources.
- Being an organisation that has a constructive culture and the capacity to be innovative.
- Effective and efficient delivery of quality services to the community.

Our Core Values

Our core values are the principles, attributes and qualities we hold as important that we will display in the way we go about our business.

We are **GENUINE**

Adhering to moral and ethical principles, being honest, accountable, trustworthy and authentic.

We are **UNITED**

Working as a team in an inclusive, co-ordinated and collaborative manner to achieve our common goals.

We will aim for **EXCELLENCE**

Consistently delivering quality service outcomes and endeavouring to be a high performance organisation.

We will **LISTEN**

Communicating as well as engaging the community in an open, honest and constructive manner at all times.

We will be **INNOVATIVE**

Seeking out and making use of new ideas and opportunities, showing initiative and being progressive, proactive and creative.

We are **CARING**

Showing respect, compassion and empathy and being supportive of each other and our community.

COUNCIL SERVICES

Like all Councils, the District Council of Loxton Waikerie has mandatory responsibilities under the Local Government Act, the Planning, Development and Infrastructure Act, the Public Health Act, the Landscape South Australia Act and other relevant legislation.



Regulatory Activities

- Maintaining the voters' roll
- Property ownership data
- Supporting Elected Members



Finance and Governance

- Setting rates
- Preparing an annual budget
- Determining longer term strategic management plans for our district



Infrastructure Management

- Community buildings, roads and footpaths
- Parks and public open spaces
- Stormwater drainage



Maintenance

- Street cleaning
- Kerbside waste collection
- Recycling



Development

- Development planning and policy
- Building control
- Building fire safety assessment



Environment

- Health standards inspections
- Waste control application assessment
- Dog and cat management
- Bushfire management

Council also delivers a raft of discretionary services which further enhance the health, wellbeing and prosperity of our community.



Community

- Recreation centres and sporting facilities
- Community swimming pools
- Public libraries
- Community funding programs
- Arts and culture



Tourism

- Visitor Information Centres
- Event support
- Online tourism presence



Other

- Community Wastewater Management Systems (CWMS)
- On street parking management to maximise use of kerbside spaces
- Waste education

Council operates several facilities on behalf of the community. These facilities provide important community benefits and include the stand-alone business units of the Loxton Riverfront Holiday Park and the Loxton Retirement Village. It is noted these two business units require no support from rates.

STRATEGIC DOCUMENTS

Council has a number of strategic plans that shape the structure and content of each Annual Business Plan. These are reviewed in the development of the ABP, guiding the included projects and ensuring they are prioritised accordingly.

More information on each of Council's strategic documents has been outlined:

ANNUAL BUSINESS PLAN

Council's Annual Business Plans set out our key directions and projects for the coming year, what these projects are aiming to achieve, their cost, and how they will advance the overall strategic direction for our district.

ANNUAL REPORT

The Council must prepare and adopt an annual report relating to the operations of the council for the financial year ending on the preceding 30 June.

COMMUNITY STRATEGIC PLAN

The Community Strategic Plan has been developed to provide our community with a clear picture of what Council's strategic direction will be for the next fifteen years. This is a robust plan that provides direction for achieving the aspirations and goals of the community for the future of the district.

CORPORATE PLAN

The Corporate Plan is a short-term plan that outlines the priorities and actions of Council within its current term, to achieve the Community Strategic Plan's strategies and provide operational direction.

LONG TERM FINANCIAL PLAN

The purpose of a Long Term Financial Plan is to express, in financial terms, the activities Council intends to undertake over the next 10 years to achieve its objectives. It guides the future planning of Council's financial operations in regard to key components such as rate increases, service levels to our community, infrastructure asset replacement/renewal.

ASSET MANAGEMENT PLAN

The Asset Management Plan is a key component of Council's strategic planning framework. It outlines the service levels and renewal strategies needed to ensure the sustainable management of Council's infrastructure assets, supporting long-term community needs and financial responsibility.

OTHER

- Growth Strategy
- Community Land Management Plan *
- Boating and Riverfront Facilities Plan *
- Houseboat Management Plan
- Arts and Culture Strategic Plan
- Regional Disability Access & Inclusion Plan *

* Currently under review.



INFLUENCES

Several significant factors have influenced the preparation of Council's Annual Business Plan and Budget 2026-27.

COST OF LIVING PRESSURES

The current cost of living pressures have a broad impact on a range of community groups including residents and businesses. To alleviate this, council aims to keep rates low to ensure the burden on ratepayers remains manageable.

FINANCIAL PRESSURES

Financial factors have influenced the preparation of the Annual Business Plan including:

- Increase in the Consumer Price Index (CPI) of 4.9% for the year ending March 2026 (Adelaide all groups).
- A provision for an increase in salaries and wages in accordance with the relevant Enterprise Bargaining Agreements.
- Ongoing geopolitical conflict in the Middle East, contributing to increased fuel and energy costs and broader inflationary pressures impacting Council's operating and project delivery cost

ELECTION

The 2026–27 Annual Business Plan has been developed in consideration of the local government election cycle. Provision has been made within the budget to meet the statutory costs associated with conducting the election.

ENVIRONMENTAL PRESSURES

Recognising the growing environmental pressures across our district, Council has declared areas and properties impacted by frost, drought, and the wine grape surplus as experiencing exceptional circumstances. To support affected ratepayers, Council is offering the opportunity to apply for the Postponement of Rates and the waiving of Fines and Interest.

GRANT FUNDING

Through strategic partnerships with State and Federal Governments, Council secures significant funding to support the enhancement of community infrastructure, often requiring financial contributions from Council. The 2026–27 Budget includes several key grant-funded projects, such as major upgrades to the Community Waste Management System, the second stage of construction of an off-road shared paths in the townships of Loxton and Waikerie, and upgrades for Drogemuller and Henrich Road.

SUSTAINABLE ASSET MANAGEMENT

The requirement to maintain and improve ageing infrastructure assets to acceptable standards, including roads, footpaths, stormwater drainage, street trees, open space and Council properties is a key priority and responsibility. One of the greatest challenges for Council is maintaining its large asset base and prioritising capital works programs and determining what it can afford.

LONG TERM SUSTAINABILITY

Council needs to meet its current obligations without leaving a significant financial impost for future generations. Council is committed to being more efficient in its operations to ensure it is delivering the most important services to the community. Where possible council will identify cost savings and efficiencies to reduce increases in its operational expenditure.

STRATEGIC OBJECTIVES

Outlined in the Council's strategic documents, these objectives serve as a guiding framework for key initiatives and actions, shaping the Council's approach to planning for the district's future. The strategic objectives include *Our Community*, *Our Economy*, *Our Infrastructure* and *Our Environment*.

STATUTORY REPORTING REQUIREMENTS

There are several statutory matters that absorb significant amounts of staff time. In 2024-25, Council was part of the Local Government Advice scheme for Tranche 3. This review was completed by the Essential Services Commission of SA (ESCOSA). The revised legislation has benefits in terms of public transparency and accountability, but it does also add financial costs to Councils. A copy of the review has been attached at the end of this Annual Business Plan.

PRIORITIES AND OPPORTUNITIES OF INTEREST

In 2026-27 the Council will continue to work through projects already underway and projects that are prioritised from our strategic management plans and allocations from State or Federal Governments. In addition to this, Council also considers the following priorities and opportunities of interest:

ECONOMIC GROWTH AND PROSPERITY

Economic activity and growing the population are important for Council. Council has allocated funding to the following strategic activities:

Loxton Chamber of Commerce	\$25,000
Waikerie Business Alliance	\$25,000
Destination Riverland	\$70,000

In addition, for 2026–27 Council has allocated \$100,000 to support other economic activities that will help drive regional economic growth.



TOURISM SUPPORT AND DEVELOPMENT

Tourism will again be a focus for Council during 2026-27. Council works closely with Destination Riverland and the South Australian Tourism commission to promote the region.

In an effort to support growth within the arts and culture sector, Council will continue to resource the arts and cultural facilitator role, partner with organisations and neighbouring Councils, and look to attract funding. This investment will strengthen the community on a social and economic level, fostering creativity for individuals, groups, and the community as a whole.

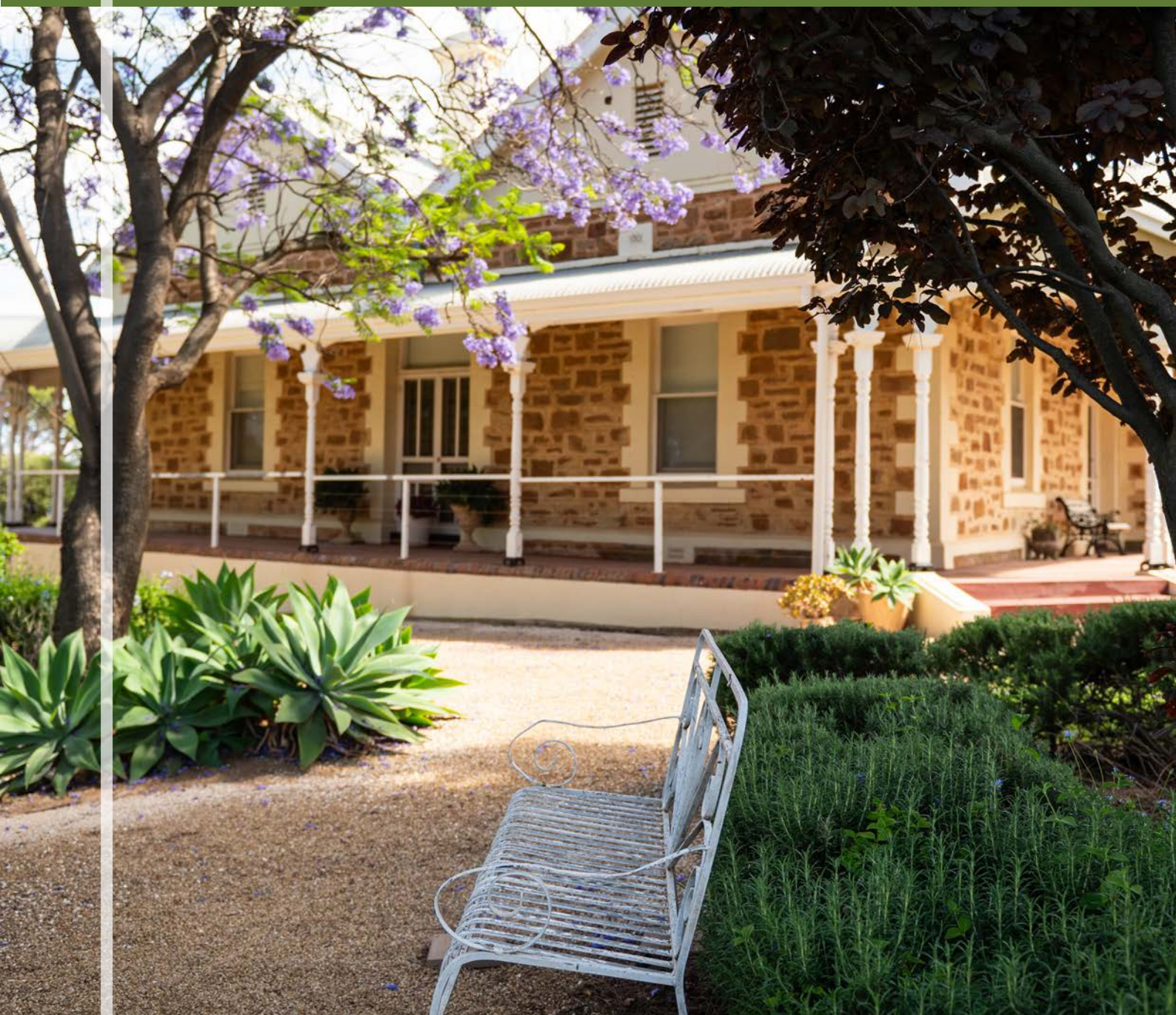
COMMUNITY DEVELOPMENT AND WELLBEING

Council will continue its investment to support community organisations during 2026-27 at a reduced figure of \$212,333. The approved list can be found on page 25, including the funding of various events and projects.

Council together with the Office for Recreation, Sport and Racing will continue to deliver the Connected and Active Communities Program, which will cease in December 2026 unless additional funding is secured. The Program is a place-based approach that leverages local strengths to increase physical activity participation and grow communities.

Council will also continue to partner with regional councils, the Murraylands and Riverland Local Government Association, and Preventive Health SA to co-fund a Preventative Health Project Officer. This role leads a proactive, evidence-based approach to key health priorities - obesity, substance use, tobacco and vaping, mental health, and suicide prevention - across the Riverland.

FUNDING THE ANNUAL BUSINESS PLAN



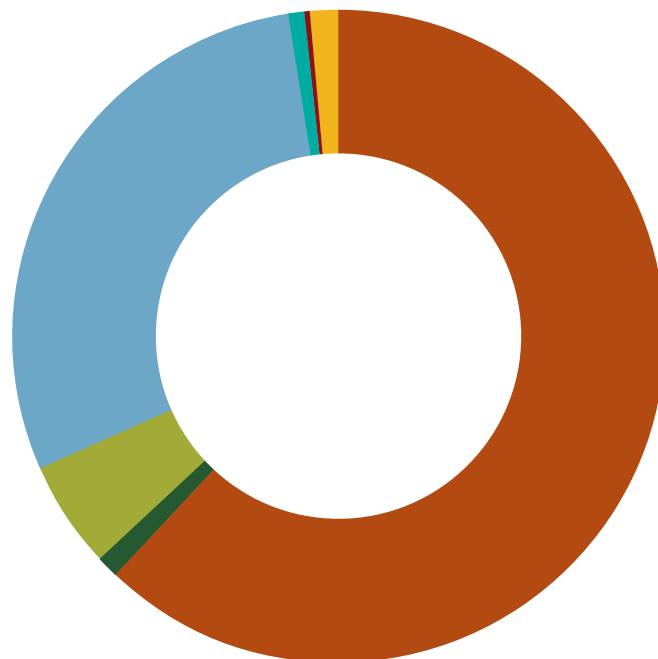
FUNDING THE ANNUAL BUSINESS PLAN

The 2026-27 budget forecasts an operating surplus of \$70,000. The operating surplus measures the difference between operating revenue and expenses for the financial year. Our long-term financial sustainability is dependent on ensuring that over time, our expenses are (on average) less than our revenue and a target of better than breakeven is strived for.

Operating Income

INCOME	\$'000
Rates Revenue	17,018
Statutory Charges	277
User Charges	1,480
Grants, Subsidies and Contributions	7,916
Investment Income	159
Reimbursements	135
Other Income	314
Total Income	27,299

- Rates Revenue 62.35%
- Statutory Charges 1.01%
- User Charges 5.42%
- Grants, Subsidies and Contributions 29.00%
- Investment Income 0.58%
- Reimbursements 0.49%
- Other Income 1.15%



RATES

Our rate revenue includes general rates and separate charges for Community Waste Management System (CWMS), Kerbside Waste Collection and Regional Landscape Levy.

USER CHARGES

These comprise charges for our fee-based facilities such as: Loxton Retirement Village, cemeteries, waste transfer stations, sundry sales and hall hire.

GRANTS AND PARTNERSHIPS

Each year Council receives significant contributions from Commonwealth Financial Assistance Grants which are administered and distributed by the South Australian Local Government Grants Commission. In addition, Council seek to attract as much external grant funding as possible from other levels of government. Major projects of wider state benefit are also usually jointly funded in partnership with the State Government and other relevant parties.

STATUTORY CHARGES

These are fees and charges for services set by regulation and collected by us for functions including: Planning Development and Infrastructure Act applications, rate searches, animal registration and fines, parking and expiation fees, health, environment control and litter control fines, waste control system fees and other licence fee/fines.

Operating Expenditure

EXPENDITURE	\$'000
Employee Costs	8,500
Materials, Contracts and Other	9,025
Finance Costs	41
Depreciation	9,733
Total Expenditure	27,299

- Employee Costs 31.14%
- Materials, Contracts and Other 33.05%
- Finance Costs 0.15%
- Depreciation 35.66%



EMPLOYEE COSTS

Employees are responsible for delivering Council services, including the ongoing maintenance of open spaces.

Increases in employee costs are due to provisions in existing Enterprise Agreements and the increase in the Superannuation Guarantee Contribution.

There is an increase of 2.09 in the number of employees, with the main reasons being the reinstatement of a separate GIS position and an admin trainee.

MATERIALS, CONTRACTS AND OTHER

Council's 'Materials, Contractors and Other' budget includes physical goods, purchases for consumables, utility payments, building costs, repairs and maintenance. This budget line includes services that are delivered by external providers and contractors engaged by Council to assist in the provision of major services such as waste collection.

FINANCE COSTS

Finance costs include costs, interest and other charges associated with Council's borrowings. Council has minimal borrowings, with all current loans taken on behalf of community groups. Council's 2026-27 annual business plan will be funded from grant funding and existing financial capacity without the need for borrowing.

DEPRECIATION

Depreciation forms a significant portion of Council's operating expenditure. Depreciation is an accounting treatment used to allocate the costs of an asset over its useful life. It represents how much of an asset's value has been used.

Capital Revenue

CAPITAL GRANTS AND CONTRIBUTIONS

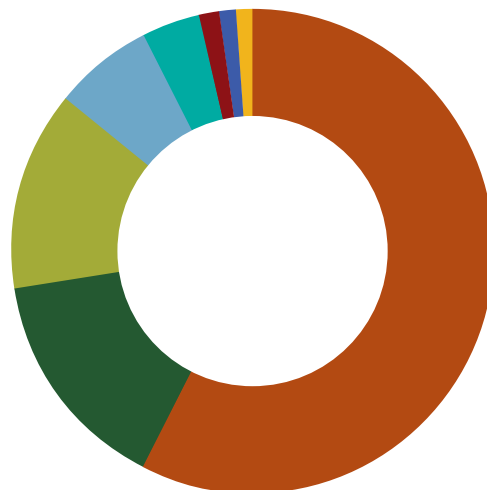
Council has incorporated \$2.984m in capital grants and contributions towards new capital works planned in 2026-27.

Capital Expenditure

Council is responsible for a large portfolio of assets with a current value of approximately \$267m. In determining its capital works program Council has been mindful of the need to maintain and renew current assets. The proposed capital renewal program is \$7.224m, whilst the proposed new and upgraded assets capital projects total \$6.701m.

CAPITAL EXPENDITURE	\$'000	
■ Roads	7,996	57.4%
■ Footpaths, Kerbing & Walking Trails	2,029	14.6%
■ Plant	1,812	13.0%
■ Essential Council Services *	912	6.6%
■ Buildings	643	4.6%
■ Open Space (Recreation, Riverfront, Parks & Gardens)	257	1.8%
■ Other	139	1.0%
■ Organisational	136	1.0%
Total Capital Expenditure	13,925	

* Council's essential services include waste and community waste management systems



This Annual Business Plan excludes several major projects still under consideration, including the Waikerie Recreation and Sport Centre upgrade and the Waikerie and Loxton pool redevelopments. Their inclusion in the capital program depends on planning, consultation, confirmed funding, and Council approval. Council remains committed to progressing these projects responsibly and will provide updates as they evolve.

Impacts on Council's Financial Position

To assist Council in meeting its objective of financial sustainability a series of financial indicators are endorsed by the Local Government Association. The below table outlines the adopted key financial indicators and adopted targets.

Key financial ratios are forecast to be within their targeted ranges for the 2026-27 year.

The Operating Surplus Ratio is the operating surplus/(deficit) expressed as a percentage of total operating revenue.

Net financial liabilities are a key indicator of the Council's financial position. It measures total liabilities less financial assets (i.e., what the Council owes to others, less money the Council has or is owed).

The Asset Sustainability Ratio is the net capital expenditures on the renewal and replacement of existing assets and excludes new capital expenditure. This ratio indicates whether the Council is renewing or replacing existing assets at the rate of consumption. Council's long-term target of 100% ensures that Council aims to invest adequately in maintaining its asset base.

KEY FINANCIAL INDICATOR	ADOPTED TARGETS	2026-27 ADOPTED LONG TERM FINANCIAL PLAN	2026-27 ADOPTED BUDGET	2024-25 ADOPTED BUDGET
Operating Surplus Ratio	0%	0.06%	0%	0.03%
Net Financial Liabilities Ratio	0-100%	48%	41%	57%
Asset Sustainability Ratio	90-110%	97%	101%	190%

CAPITAL PROJECTS



CAPITAL WORKS PROGRAM

Project Name	Budget (\$)	Income (\$)	New/ Renewal/ Upgrade	Comment	Estimated Completion
--------------	-------------	-------------	-----------------------	---------	----------------------

OUR INFRASTRUCTURE - Providing the infrastructure the community needs now and into the future.

Drogemuller and Heinrich Road (Stage 1)	3,000,000	2,000,000	U	Upgrades through Safer Local Roads and Infrastructure Program (Stage 1), delivering a combined 35km of road sealing to improve safety, accessibility, and network reliability.	Qtr 4
Roads - Resheet	2,491,180		R	Resheeting as per council approved work program	Qtr 4
	512,499			Obst Road (6km)	
	645,638			Mindarie Road (6km)	
	425,415			Moonah Bore Road (4km)	
	425,415			Old Church Road (4km)	
	482,213			Dog Fence Road (4km)	
Plant Replacement	1,291,500	195,200	R	Replace various plant and fleet items in line with operational requirements.	Qtr 4
Roads - Resealing	1,054,955		R	Re-sealing as per Council approved work program	Qtr 4
Waikerie Ramco Shared Path (Stage 2)	565,714	282,857	N	Construction of an off-road shared path in the townships of Waikerie and Ramco	Qtr 2
Loxton Shared Path (Stage 2)	565,714	282,857	N	Construction of an off-road shared path in the township of Loxton	Qtr 2
Footpaths and Kerbing - Loxton and Waikerie	560,680		R	Footpath Program as per council approved work program	Qtr 3
Plant Aquisition	520,000		N	Purchase of new plant equipment in line with operational requirements	Qtr 1
Loxton Retirement Village Unit Refurbishment + Contingency	442,837		R	General Refurbishment and changeover refurbishment	Qtr 4
LX4 Back Up Pump & Generator Trailer	100,000	100,000	N	Robertson Avenue submersible spare pump & Generator Trailer for Stormwater and CWMS	Qtr 2

Project Name	Budget (\$)	Income (\$)	New/ Renewal/ Upgrade	Comment	Estimated Completion
Playground Equipment Replacement + Installation	100,000		R	Reoccurring budget item to replace playground equipment in Loxton, Waikerie and surrounding areas that have reached their end of useful life.	Qtr 2
*Waikerie Bond Store Restoration	100,000		R	Restoration works at the Waikerie Bond Store	Qtr 1
Cornerstone Housing Development Roadwork & Kerbing	96,625		N	Roadworks for Tobruk Tce Cornerstone Housing development including spoon drain & flush kerb	Qtr 3
LX7 Chamber Upgrades	75,000		R	Emergency storage chamber expansion to increase capacity	Qtr 4
Obst Road	65,000		N	Intersection improvement at Obst and Bookpurnong Road	Qtr 4
*Loxton Precinct Outdoor Shelters	57,000	14,124	N	Construction of two outdoor shelters at the Loxton Precinct	Qtr 3
Playground Budget	50,000		R	Additional budget for the replacement of existing playground play ground items	Qtr 1
*Waikerie Community Sheds Car Park Sealing	40,000	20,000	N	Sealing of carpark areas at the Waikerie Men's Shed, Rotary Shed and Community Shed	Qtr 3
Pram Ramps	20,000		N	Continue pram ramp installations across the district to improve accessibility	Qtr 3
Paruna RV Park Fencing	10,000	2,000	U	Removal and erection of the fence between the RV Park and former bowling club.	Qtr

OUR ENVIRONMENT - Protecting and enhancing our environment for the future

Waikerie Wastewater Treatment Plan Upgrade Project (Stage 2)	233,040	116,520	U	Increase the capacity to accommodate an additional 628 domestic connections	Qtr 4
Loxton Wastewater Treatment Plan Upgrade Project (Stage 2)	362,000	165,750	U	Implement systems to treat wastewater for unrestricted use and reduce localised flooding around the showgrounds and sports fields.	Qtr 4

OUR COMMUNITY - Actively enhancing the quality of life of our communities by encouraging health, wellbeing, and safety.

Virtual Reality (VR) - Libraries	25,000		N	VR technology in Council libraries to support local history, accessibility, and digital literacy.	Qtr 1
----------------------------------	--------	--	---	---	-------

*Project added post-consultation. Refer to p.30 for further information.

Project Name	Budget (\$)	Income (\$)	New/ Renewal/ Upgrade	Comment	Estimated Completion
--------------	-------------	-------------	-----------------------------	---------	----------------------

CORPORATE SERVICES - Council services that support the governance of the Council and its efficient operation.

Capital Items to Reduce Operating Expenditure	100,000		N	Continued implementation of solar panels, batteries and automated irrigation to cut electricity costs and enhance efficiency	Qtr 4
IT Upgrades	84,200		R/N	Upgrade servers, hardware and update IT Assets where required	Qtr 2
Content Manager Upgrade	38,000		N	Upgrade to Council record management software to increase capability and enhance operational efficiency	Qtr 2

STRATEGIC PROJECTS



STRATEGIC PROJECTS

In 2026-27, Council will invest \$260,063 into strategic projects. These projects are considered 'one-off' and are funded through operating expenditure of Council.

Project Name	Budget (\$)	Income (\$)	New or Renewal	Comment	Estimated Completion
OUR COMMUNITY - Actively enhancing the quality of life of our communities by encouraging health, wellbeing, and safety.					
Connected and Active Communities Projects	108,563	110,637	R	Connected and Active Communities Officer and Project support - concluding December 2026.	Qtr 2
OUR ECONOMY - Encouraging and supporting a strong diverse economy that will provide prosperity, growth, and employment opportunities for our community					
Planning and Design Code Amendments	50,000		N	Code amendments aligned with the Regional Plan, supported by planning consultant services and technical investigations to inform statutory planning updates.	Qtr 4
CORPORATE SERVICES - Council services that support the governance of the Council and its efficient operation.					
*Efficiency and Operational Review	60,000		N	A whole-of-council review to identify and deliver sustainable efficiency.	Qtr 2
Safe T Cards to replace Spot Device for remote and isolated workers	15,000	13,000	N	Provision of Safe-T-Card devices for lone and remote workers, enabling distress alerts and GPS location monitoring.	Qtr 1
OUR INFRASTRUCTURE - Providing the infrastructure the community needs now and into the future.					
Riverfront Reserve Tree Assessments	10,000		N	Riverfront reserve tree assessments located at Paisley, Ramco Point, Waikerie, Kingston on Murrumbidgee, Moorook, Loxton	Qtr 2
Victoria Cross Finger Blade Signs	8,000		R	Removal and replacement of 60 VC Recipient fingerblade street signs in partnership with Rotary, supporting their safe removal and installation of updated signage.	Qtr 2
Loxton Cemetery Niche Walls	8,500		N	Modernisation of cremation niche walls through rendering and repainting to improve appearance and extend the life of the structure.	Qtr 1

*Project added post-consultation. Refer to p.30 for further information.

COMMUNITY SUPPORT



COMMUNITY SUPPORT

In 2026-27, Council is proposing an allocation of \$212,333 to support a range of community organisations, events and initiatives across the district. This funding assists groups to deliver activities that strengthen community wellbeing, participation and local vibrancy. The following table outlines the allocation of funding across approved applications.

Organisation	Budget (\$)	Description
2026 Auscycling Super Series	12,000	Financial support for event delivery
Christmas Wonderland Loxton	3,000	Funding for annual test and tagging and compliance of display infrastructure
Community Support - Youth Sport and Cultural Grants	3,000	Funding to support youth participation in sport and cultural activities
Event/General Permit	3,800	Assistance with permit costs for community events
Foodbank	5,000	Contribution under a five-year agreement to support food relief services
History Ain't Boring Event	1,000	Funding support for event delivery
Loxton Agricultural & Horticultural Society - Loxton Show	12,777	Support for temporary fencing hire, installation, and event delivery.
Loxton Australia Day	7,400	Funding and works support for Australia Day celebrations.
Loxton Chamber of Commerce	8,000	Arts on Terrace assistance for prize money, workshop fees and event management/program delivery
Loxton Chamber of Commerce	15,500	Reoccurring funding and works for annual Loxton Lights Up community event
Loxton Christmas Lights Committee	21,490	Ongoing funding and works support for community Christmas lighting initiatives.
Loxton Christmas Carols	1,000	Support for delivery of the community carols event.
Loxton Community Heritage Group	1,600	Funding for archival storage and digitisation.
Loxton High School	5,000	Contribution to the Ignite Program.
*Loxton Hockey Club	6,000	Funding support towards a kitchen upgrade.

*Project added post-consultation. Refer to p.30 for further information.

Organisation	Budget (\$)	Description
Loxton Horse & Pony Club	1,000	Assistance with ground maintenance.
Loxton Mardi Gras	7,500	Council works support including road closures.
Loxton Men's Shed MOU	5,453	Funding support under formal agreement.
*Loxton Rotary Satellite Club	4,000	Funding support for the purchase of a donut trailer.
Minor Support Funding - Quick Response Donation	10,000	Flexible funding for minor community initiatives.
Moorook Community Hall	1,400	Support for community Carols at Sunset event.
Moorook Community Hall	600	Assistance with insurance costs.
Moorook Kingston on Murray Community Association	1,000	Support for Kingston on Murray Australia Day community breakfast event.
Moorook Kingston on Murray Community Association	1,000	Assistance with insurance costs.
Nippy's Loxton Gift Carnival	4,500	Infrastructure and event support
Paruna Progress Association	500	Support for Paruna Australia Day community breakfast event
Riverland Brass Band	1,500	Contribution towards operational and facility costs
Riverland Rose Festival	3,000	Funding support for event delivery
Riverland School end of year presentation events	1,000	Support in partnership with Mayoral contribution
Riverland Youth Theatre	5,000	Annual program funding support
Riverland Christmas Appeal	2,000	Contribution towards community hardship support
Waikerie Australia Day Committee	6,500	Funding and works support for annual Waikerie Australia Day event
Waikerie Christmas Decorations	15,000	Funding for community Christmas infrastructure
Waikerie Christmas Pageant (Waikerie Rotary)	10,500	Funding and works support for Waikerie Christmas Pageant community event

*Project added post-consultation. Refer to p.30 for further information.

Organisation	Budget (\$)	Description
Waikerie District Community Flower Show	1,500*	Support for event promotion and advertising
Waikerie install and removal of Christmas decorations	5,860	Funding for installation and removal works
Waikerie Men's Shed MOU	5,453	Funding support under formal agreement
Waikerie Off Roaders	5,500	Support for Riverland Enduro event
Waikerie Rotary Club	4,500	Support for school Science and Engineering Challenge Program
Waikerie Santa's Cave	1,500*	Hire fee waiver and works support for event delivery

In addition to the financial contributions outlined above, Council also supports events that use Council-owned facilities. These donations form an important part of our overall community support, enabling local organisations to deliver events, programs and services in accessible and affordable spaces. The table below details the proposed donations for 2026-27.

Organisation	Donations (\$)	Description
Loxton & District Health Advisory Council	2,182	Support for delivery of the Aged Expo
Loxton SACWA	2,730	Support for community Christmas markets
Loxton Swimming Club	2,500	Support for Open and Point Swim events
Riverland Bridge Club	1,500	Support for 2026 Bridge Congress event
Waikerie District Community Flower Show	889	Support for event promotion and advertising
Waikerie Santa's Cave	10,795	Hire fee waiver for event delivery

POST-CONSULTATION AMENDMENTS



POST-CONSULTATION AMENDMENTS

Following the closure of public consultation for the Draft Annual Business Plan 2026-27 on Wednesday 3 June, Council considered all submissions received at its meeting held on Wednesday 16 June.

In response to community feedback and Council deliberations, the final endorsed Annual Business Plan includes three additional capital works projects, one strategic project and two community support funding requests.

These additions further strengthen Council's commitment to delivering infrastructure, services and initiatives that reflect the priorities and needs of the district while maintaining a balanced and financially sustainable budget.

A summary of the projects has been listed below for reference, with greater detail provided in previous tables.

Capital Projects

- Waikerie Bond Store Restoration \$100,000
- Loxton Precinct Outdoor Shelters \$57,000
- Waikerie Community Sheds Carpark Sealing \$40,000

Strategic Projects

- Efficiency and Operational Review \$60,000

Community Support

- Loxton Hockey Club \$6,000
- Loxton Rotary Satellite Club \$4,000

RATES REVENUE



RATES IN 2026-27

In setting the rates for the 2026-27 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:

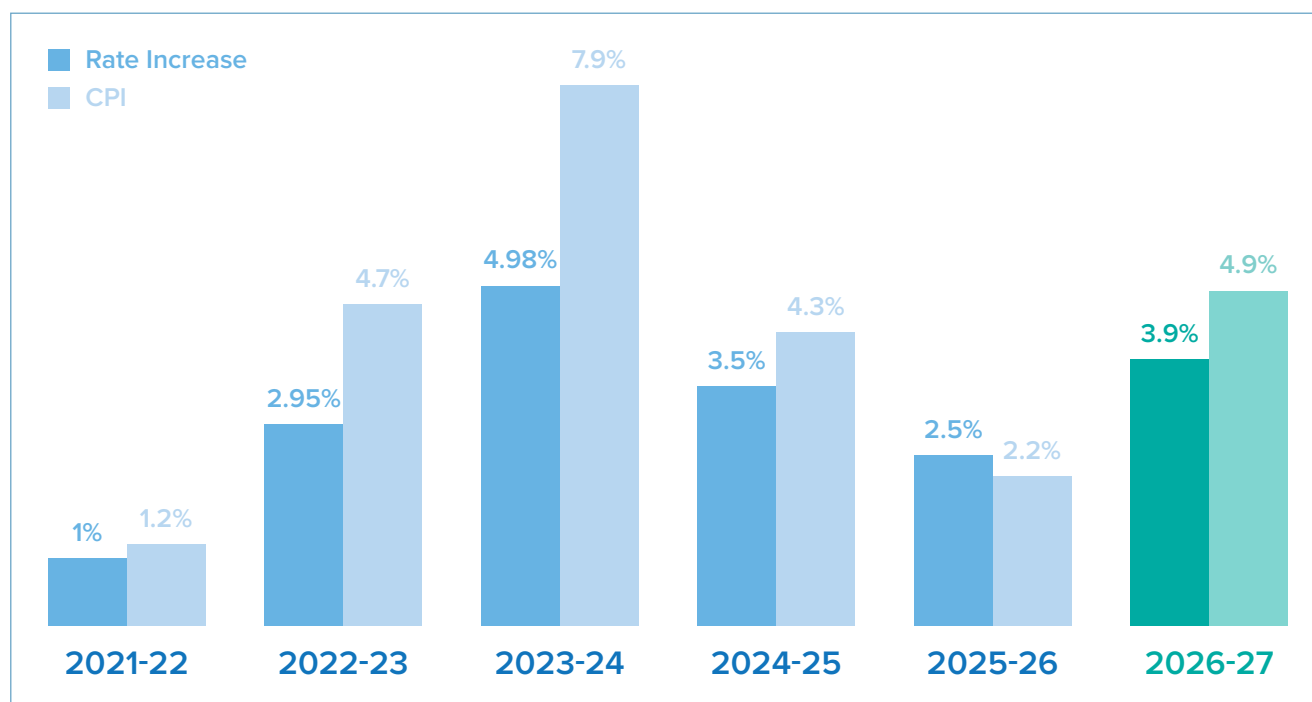
- Community Strategic Plan
- Corporate Plan
- Long Term Financial Plan
- Asset Management Plans
- Resources required to deliver Council services
- Changes in valuation
- Increased use of 'User Pays' cost recovery system.

Council has adopted a 3.9% general and fixed charge increase for the 2026-27 year. It is to be noted that the actual increase payable by any individual ratepayer may be more or less than this, depending on the movement in the capital value of their property (relative to the average).

General rates raised in 2026-27 will be \$12.670m. This equates to 46.41% of Council's operating revenue.

As part of setting the rates, a review of council's service charges was carried out. This has resulted in an increase of 3.9% for Council's Kerbside Waste Management Service charge and the Community Wastewater Management System (CWMS) will increase by 6%.

Council is aware of the impact rate increases have on the community. We are continually looking for opportunities that allow this cost to be minimised, support our community during uncertain times, and maintain the fiscal responsibility of council.



Method used to Value Land

Council decided to continue to use capital value as the basis for valuing land within the council area. Council considers that this method of valuing land provides

the fairest method of distributing the rate burden across all ratepayers. Property value is a relatively good indicator of wealth and capital value, which

closely approximates the market value of a property and provides the best indicator of overall property value.

Capital Valuation Movements

Proposed capital values across the whole district for 2026-27 have increased by \$348.426 million (9.62%) from last year.

Split by land use category values have changed as follows:

LAND USE CATEGORY	VALUATION 2025-26 (\$)	VALUATION 2026-27 (\$)	VALUATION MOVEMENT (\$)	VALUATION MOVEMENT (%)
Residential	1,817,221,600	2,069,891,500	252,669,900	13.90%
Commercial	133,829,700	153,121,920	19,292,220	14.42%
Industrial	50,636,580	54,423,100	3,786,520	7.48%
Primary Production	1,467,723,000	1,521,089,800	53,366,800	3.64%
Vacant Land	69,887,280	84,558,600	14,671,320	20.99%
Others	80,866,500	93,786,940	12,920,440	15.98%
TOTAL	3,620,164,660	3,976,871,860	356,707,200	9.85%

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 Kerbside Waste Management and CWMS service charges:

WITHIN TOWNSHIPS

LAND USE	YEAR	AVERAGE VALUATION (\$)	NUMBER OF PROPERTIES	AVERAGE RATES (\$)	AVERAGE INCREASE (\$)	AVERAGE INCREASE (%)
Residential	2025-26	330,978	2,571	1,282	51	3.9
	2026-27	381,442	2,581	1,333		
Commercial	2025-26	328,495	279	1,670	65	3.9
	2026-27	381,328	279	1,735		
Industrial	2025-26	492,937	48	1,710	67	3.9
	2026-27	567,456	48	1,777		
Primary Production	2025-26	139,000	3	1,218	48	3.9
	2026-27	205,000	1	1,266		
Vacant Land	2025-26	136,547	74	801	31	3.9
	2026-27	144,360	75	832		
Other	2025-26	239,050	65	1,381	54	3.9
	2026-27	282,183	68	1,435		

OUTSIDE TOWNSHIPS

LAND USE	YEAR	AVERAGE VALUATION (\$)	NUMBER OF PROPERTIES	AVERAGE RATES (\$)	AVERAGE INCREASE (\$)	AVERAGE INCREASE (%)
Residential	2025-26	428,961	2,195	1,426	56	3.9
	2026-27	481,928	2,240	1,482		
Commercial	2025-26	281,980	87	1,764	69	3.9
	2026-27	301,640	87	1,833		
Industrial	2025-26	413,173	49	1,982	77	3.9
	2026-27	439,853	49	2,059		
Primary Production	2025-26	678,040	2,158	2,147	84	3.9
	2026-27	705,792	2,147	2,231		
Vacant Land	2025-26	124,238	520	724	28	3.9
	2026-27	117,806	495	752		
Other	2025-26	52,781	181	534	21	3.9
	2026-27	61,932	180	555		

*Figures utilised were the valuations of the Valuer-General available to Council as at 18 April 2026. Average valuation has been calculated by dividing the total capital value for land use by the number of properties.

Rating Methodology

Council is proposing to utilise differential rating according to the land use and locality of the property, pursuant to the Local Government Act 1999 s156(1)(c) together with a fixed charge component on properties within the council area.

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 locality and use of the land. Differential general rates imposed by Council are separate and distinct from service charges imposed for the CWMS and Kerbside Waste Management. Details of service

charges are provided further in this document. For the 2026-27 year, Council is proposing to raise differential general rate revenue of \$9.790m. The proportion of differential general rates raised by category of land use and location is displayed in the table on the following page.

FIXED CHARGE

The fixed charge is levied against the whole of an allotment (including land under a separate lease or licence) only one fixed charge is levied against two or more pieces of adjoining land (whether intercepted by a road or not) if they are owned by the same owner and occupied by the

same occupier. The reasons for imposing a fixed charge is the Council considers it appropriate that all rateable properties contribute to the cost of creating and maintaining the physical infrastructure that supports each property.

Council proposes a fixed charge of \$405. Expected revenue to be raised by the fixed charge component is \$2.880 million. The proposed fixed charge, revenue generated, and percentages of total general rates are shown compared against the 2025-26 year as below.

PROPORTION OF GENERAL RATES RAISED (DIFFERENTIAL/FIXED CHARGE)

	2025-26 \$'000	% OF TOTAL GENERAL RATE	2026-27 \$'000	% OF TOTAL GENERAL RATE
Differential	9,364	77.2	9,790	77.2
Fixed Charge	2,768	22.8	2,880	22.8
Total	12,132	100	12,670	100

SERVICE CHARGES

A total of \$4.476m is proposed to be raised from separate rates (NRM Levy, CWMS, Kerbside Waste Management).

COMMUNITY WASTEWATER MANAGEMENT SYSTEM SERVICE CHARGE

A total amount of \$2.184m will be raised as a CWMS service charge to cover the operation, maintenance, and renewal of Council's respective community wastewater management systems across the district.

CWMS service charges will be \$625 for occupied connections within the Loxton and Waikerie townships and \$602 for vacant land connections.

Similarly, CWMS service charges will be \$550 for occupied connections within the Moorook and Kingston on Murray townships (\$527 for vacant land connections).

WASTE SERVICE CHARGE

A total amount of \$1.746m will be raised as a Kerbside Waste Service charge to cover the cost of providing this service.

To cover collection and disposal, Kerbside Waste Management service charges will be as follows:

- 3 bin collection - \$350 per collection
- 2 bin collection - \$285 per collection
- Retirement village's collection - \$233 per collection

REGIONAL LANDSCAPE LEVY

The Landscape South Australia Act 2019 requires Council to collect a levy on all rateable properties within its area on behalf of the Murraylands and Riverland Landscape Region. The Act further provides a range of options as the basis for calculating the regional levy. Based on the principles

established by the Board, the value of rateable land was used to determine the regional levy.

For the 2026-27 financial year the Council is required to collect, on behalf of the Murraylands and Riverland Landscape Region an amount of \$546,035.

Council recovers this amount as a separate rate based on the capital value of all rateable land within the Council area along with a cap of \$100 for such rateable land.

RATE REBATE

Council has determined that rebates of rates will be granted when the applicant satisfies the requirements for mandatory rebates under the Local Government Act ss159 to 165. Applications for discretionary rebates lodged under s166 of the Act will be considered under Council's Rate Rebate Policy and assessed against guidelines prepared by the Local Government Financial Management Group.

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.

Each year we develop a Rate Rebate Policy which provides the full details regarding rate rebates permissible under the Act. This policy document supports our Strategic Rating Policy. The purpose of granting discretionary rebates is to assist organisations to maintain their facilities which are predominantly on Council land.

RATE RELIEF

Under Section 182 of the Local Government Act, Council is able to completely or partially remit or postpone rates on the basis of hardship.

To be considered, ratepayers who are experiencing hardship must submit an application form, allowing Council to assess eligibility criteria.

Due to the current economic conditions, Council is also accepting applications for the waiving of fines and interest for properties affected by the adverse conditions of frost, drought and wine grape surplus.

Ratepayers are also encouraged to contact Council's Rates Officer to discuss instances of

hardship in paying rates, with the confidence that such matters are dealt with confidentially.

BUDGETED FINANCIAL STATEMENTS



STATEMENT OF COMPREHENSIVE INCOME

(Year ending 30 June 2027)

	2026-27 ADOPTED BUDGET \$'000	2025-26 ADOPTED BUDGET \$'000	2024-25 AUDITED ACTUAL \$'000	NOTE
INCOME				
Rates	17,018	16,193	15,802	1
Statutory charges	277	253	279	
User charges	1,480	1,497	1,618	2
Grants, subsidies, and contributions	7,916	7,531	10,157	3
Investment income	159	245	276	
Reimbursements	135	115	298	4
Other income	314	1,031	1,047	5
Total Income	27,299	26,865	29,477	
EXPENSES				
Employee costs	8,500	8,005	6,851	6
Material, contracts, and other expenses	9,025	9,659	10,808	7
Finance costs	41	55	385	
Depreciation, amortisation, and impairment	9,733	9,138	9,898	8
Total Expenses	27,299	26,857	27,942	
OPERATING SURPLUS (DEFICIT)	0	8	1,535	9
Asset disposal and fair value adjustment	2,000		(10,855)	10
Amounts received specifically for new or upgraded assets	2,984	3,103	4,687	11
NET SURPLUS	4,984	3,111	(4,633)	

STATEMENT OF COMPREHENSIVE INCOME NOTES

1.
 - a. A 3.9% increase in general rates is proposed for 2026-27.
 - b. Council is legally obligated to levy ratepayers on behalf of the Department for Environment and Water and then remit that amount back to the Department. Council has been informed that it will be required to collect, on behalf of the Murraylands and Riverland Regional Landscape Board an amount of \$546,035 in 2026-27.
 - c. CWMS is proposed to increase by 6% and Kerbside Waste Service Charge is proposed to increase by 3.9% in 2026-27.
2. User charges are proposed to decrease by \$17,000 from the 2025-26 financial year.
3. Grant income is projected to increase by \$385,000 from 2025-26. The contributing factor is the additional roads to recovery funding and Council's allocation of Federal grant assistance.
4. Reimbursement are proposed to increase by \$20,000 from the 2025-26 financial year.
5. Other income is proposed to decrease by \$717,000. This is largely driven by the upcoming sale of the Loxton Holiday Park.
6. Employee costs are proposed to increase by \$495,000 in 2026-27. Salaries and wages will increase wages in accordance with the relevant Enterprise Bargaining Agreements. Council's overall FTE will be 86.24.
7. Materials, contractors, and other expenses are proposed to decrease by \$634,000.
8. Depreciation expenses are proposed at an amount of \$9.733m.
9. An operating surplus of \$0 is forecast for 2026-27.
10. This amount is the gain on the asset disposal and fair value of the Loxton Riverfront Holiday Park.
11. This amount is representative of grant funding proposed for new capital projects and capital contributions.

STATEMENT OF FINANCIAL POSITION

(Year ending 30 June 2027)

	2026-27 ADOPTED BUDGET \$'000	2025-26 ADOPTED BUDGET \$'000	2024-25 AUDITED ACTUAL \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	5,259	1,505	4,783
Trade and other receivables	1,631	1,371	1,943
Inventories	600	95	508
Total Current Assets	7,490	2,971	7,234
Non-Current Assets			
Financial assets	612	606	839
Investment property	19,791	19,596	18,653
Infrastructure, property, plant and equipment	310,566	290,391	279,413
Other non-current assets	10,000	10,500	9,810
Total Non-Current Assets	340,969	321,093	308,715
TOTAL ASSETS	348,459	324,064	315,949
LIABILITIES			
Current Liabilities			
Trade and other payables	16,638	16,939	16,154
Provisions	1,600	1,300	1,986
Borrowings	11	14	14
Total Current Liabilities	18,249	18,253	18,154
Non-Current Liabilities			
Provisions	221	215	118
Borrowings	171	194	194
Total Non-Current Liabilities	392	409	312
TOTAL LIABILITIES	18,641	18,662	18,466
NET ASSETS	329,818	305,402	297,483
EQUITY			
Accumulated Surplus	121,180	109,129	89,583
Asset revaluation reserve	207,991	196,213	206,191
Other reserves	647	60	1,709
TOTAL EQUITY	329,818	305,402	297,483

STATEMENT OF CASH FLOWS

(Year ending 30 June 2027)

	2026-27 ADOPTED BUDGET \$'000	2025-26 ADOPTED BUDGET \$'000	2024-25 AUDITED ACTUAL \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Rates - general and other	16,676	15,895	15,709
Fees and other charges	267	253	282
User charges	1,428	1,422	1,618
Investment receipts	159	245	276
Grants utilised for operating purposes	7,818	7,551	10,188
Reimbursements	135	115	344
Other revenues	231	995	1,975
Payments			
Employee costs	(8,245)	(7,761)	(6,846)
Materials, contracts and other expenses	(8,867)	(9,172)	(12,765)
Finance payments	(5)	(5)	(6)
Net cash provided by (or used in) Operating Activities	9,597	9,539	10,775
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts			
Amounts specifically for new or upgraded assets	2,984	3,103	7,780
Sale of replaced assets	195	531	549
Sale of surplus assets	3,500		250
Repayment of loans by community groups	62	53	28
Payments			
Expenditure on renewal/replacement of assets	(6,404)	(10,321)	(7,303)
Expenditure on new/upgraded assets	(6,098)	(4,308)	(10,229)
Purchase of investment property	(443)		(416)
Loans made by community groups			
Net cash provided by (or used in) Investing Activities	(6,204)	(10,942)	(9,341)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts			
Proceeds from aged care facility deposits	698	1,122	997
Payments			
Repayment of borrowings	(16)	(14)	(16)
Repayments of bonds and deposits			(18)
Repayment of aged care facility deposits	(236)	(759)	(689)
Net cash provided by (or used in) Financial Activities	446	349	274
Net increase (decrease) in cash held	3,839	(1,054)	1,708
Cash and cash equivalents at beginning of period	1,420	2,560	3,075
Cash and cash equivalents at end of period	5,259	1,506	4,783

STATEMENT OF CHANGES IN EQUITY

(Year ending 30 June 2027)

	2026-27 ADOPTED BUDGET \$'000	2025-26 ADOPTED BUDGET \$'000	2024-25 AUDITED ACTUAL \$'000
ACCUMULATED SURPLUS			
Balance at end of previous reporting period	116,117	104,992	95,627
Net surplus (deficit) for year	4,984	3,111	(4,633)
Transfers between reserves	79	1,026	(1,411)
Balance at end of period	121,180	109,129	89,583
ASSET REVALUATION RESERVE			
Balance at end of previous reporting period	207,491	194,913	194,913
Additional revaluations			10,752
Intangible asset - water rights	500	1,300	500
Other movements			26
Balance at end of period	207,991	196,213	206,191
OTHER RESERVES			
Balance at end of previous reporting period	726	1,086	298
Transfers between reserves	(79)	(1,026)	1,411
Balance at end of period	647	60	1,709
Total reserve balances	208,638	196,273	207,900
TOTAL EQUITY AT END OF REPORTING PERIOD	329,818	305,402	297,483

PRESENTATION OF FINANCES

(Year ending 30 June 2027)

	2026-27 ADOPTED BUDGET \$'000	2025-26 ADOPTED BUDGET \$'000	2024-25 AUDITED ACTUAL \$'000	NOTE
OPERATING ACTIVITIES				
Operating Income	27,299	26,865	29,477	1
/less Operating expenses	27,299	26,857	27,942	2
Operating Surplus/deficit	0	8	1,535	3
CAPITAL ACTIVITIES				
Capital exp. on renewal and replacement of existing assets	7,224	11,310	7,303	4
/less Depreciation, amortisation and impairment	9,733	9,138	9,898	
/less Proceeds from sale of replaced assets	195	531	549	
Net Outlays on Existing Assets	(2,704)	1,641	(3,144)	5
NET OUTLAYS ON NEW AND EXISTING ASSETS				
Capital expenditure on new and upgraded assets	6,701	4,722	10,645	6
/less Amounts received for new and upgraded assets	2,984	3,103	7,780	
/less Proceeds from sale of surplus assets			250	
	3,717	1,619	2,615	7
Net Lending/(Borrowing) for Financial Year	(1,013)	(3,251)	2,064	8

PRESENTATION OF FINANCE NOTES

1. Income available for delivery of services includes all grants except those received specifically for new or upgraded assets.
2. Cost of services, including depreciation expense.
3. Extent to which income is sufficient or insufficient to fund the cost of services. Operating surplus / (deficit) is the key measure of a Council's financial performance.
4. Expenditure which returns the service potential of existing assets to original condition.
5. Consistent negative outlays on existing assets indicates that, overall, existing assets may be deteriorating at a greater rate than expenditure on their renewal or replacement.
6. Expenditure to acquire new assets or upgrade existing assets to provide expanded, or a higher level of service.
7. Net cost of acquiring or upgrading assets.
8. Net lending reduces a Council's accumulated level of net financial liabilities. Net borrowing adds to the level of net financial liabilities. Net financial liabilities are the key measure of a Council's financial position and are calculated by deducting financial assets from its total liabilities.

ESCOSA - LOCAL GOVERNMENT ADVICE



MANAGEMENT RESPONSE

As part of the Local Government Advice Scheme, the Essential Services Commission of South Australia (ESCOSA) reviewed Council's long-term financial and asset management planning. While ESCOSA assessed Council's past performance as "Mostly Sustainable," it identified future risks and classified Council's projected financial performance as "Potentially Unsustainable," primarily due to long-term rate projections and the need for enhanced financial forecasting and asset condition data.

Council acknowledges the importance of regular updates to the Long-Term Financial Plan (LTFP) and Asset Management Plans (AMPs), noting that a one-year delay in LTFP preparation occurred only during major strategic planning alignment. ESCOSA's critique of rate projections did not reflect

Council's historically restrained rate increases - below CPI for five consecutive years - and overlooked Council's strong financial position, including debt-free status and significant investment holdings.

Council also challenges the validity of relying solely on RBA CPI forecasts, given their inaccuracy over the past decade. Cost control and investment in community infrastructure remain Council priorities, and future spending forecasts include temporary recovery costs following the 2023 River Murray flood, not permanent structural increases.

Council notes that the ESCOSA process did not allow for meaningful engagement, limiting feedback to factual corrections within a restricted response window. This constrained process failed to reflect the

breadth of Council's recent reform measures, which include workforce restructuring, service integration, and the community-led management of Loxton Historical Village—resulting in substantial and ongoing cost savings.

The Audit and Risk Committee have endorsed this response and recommended that the above initiatives undertaken by Council (recent cost reductions), and AMP updates for roads and Community Wastewater Management Systems be highlighted in this management response. Council remains committed to continuous improvement in financial sustainability while balancing the service needs of a geographically large district with over 2,300km of roads and \$330 million in assets.

ESCOSA REPORT

OFFICIAL



Advice

Local Government Advice

District Council of Loxton Waikerie

February 2025

OFFICIAL

ESCOSA REPORT

OFFICIAL

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

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.

ESCOSA REPORT

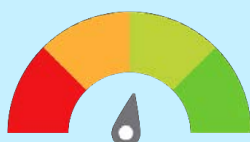
OFFICIAL

District Council of Loxton Waikerie AT A GLANCE

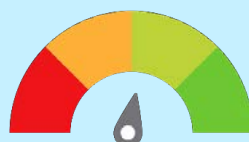
OVERVIEW

The Essential Services Commission finds the District Council of Loxton Waikerie's current and projected financial performance **potentially unsustainable**, considering the Council's planned average rate increases of **3.8** percent per annum per property over the forecast period and the need to strengthen asset management and long-term financial planning.

FINANCIAL PERFORMANCE



Past 10 years
Mostly Sustainable



Current
Mostly Sustainable



Projected
Potentially Unsustainable

RISKS IMPACTING SUSTAINABILITY

- ⚠ If the Council does not prepare a long-term financial plan annually and undertake forecasts more rigorously, it may not effectively manage competing financial priorities.
- ⚠ If the Council does not update its asset management plans with asset condition data, its forecasts will not be sufficiently comprehensive and accurate for effective asset management and the Council may risk asset failure or a decrease in customer service levels.
- ⚠ The forecast revenue relies on rates increasing above inflation for 10 years, which might not be acceptable to ratepayers.
- ⚠ Operating expenditure will require effective controls to achieve planned cost constraint.

KEY FACTS

- ▶ Population in 2023 was **11,897** residents
- ▶ Council covers **7,764 square kilometres**
- ▶ **8,167** rateable properties in 2023-24
- ▶ **\$15 million** of rate income in 2023-24
- ▶ Value of infrastructure assets held in 2023-24 equals **\$267.9 million**

OFFICIAL

ESCOSA REPORT

OFFICIAL

Table of contents

District Council of Loxton Waikerie AT A GLANCE.....	i
1 Executive summary.....	1
1.1 Summary of observations.....	1
1.2 Summary of Recommendations	2
2 About the advice.....	3
2.1 Background.....	3
2.2 The Commission's approach.....	3
3 Council profile	6
4 Material plan amendments in 2024-25.....	7
4.1 Key points.....	7
4.2 Changes to operating performance	7
4.3 Indexation adjustments.....	8
4.4 Increase to capital expenditure estimates.....	8
4.5 Changes between 2023-24 LTFP and annual business plan.....	9
5 Financial sustainability.....	10
5.1 Operating performance.....	10
5.2 Net financial liabilities	14
5.3 Asset renewals expenditure.....	17
6 Advice on current and projected rate levels.....	21
6.1 Key points.....	21
6.2 Proposed rate increases for 2024-25	22
6.3 Projected further rate increases	22
6.4 Affordability risk	23
7 The Commission's next advice and focus areas	24
8 Appendix: Glossary of terms	25

OFFICIAL

ESCOSA REPORT

OFFICIAL

1 Executive summary

1.1 Summary of observations

In general, the Essential Services Commission of South Australia finds the District Council of Loxton Waikerie's (Council) projected financial performance to be **potentially unsustainable**. Risks for the Council include continuing to increase rates above inflation (in line with its assumptions), poor forecasting and ineffective management of its assets.

The Council's main source of income over both the historical and forecast periods is rates revenue, which is increasing as a percentage of total income. The Council has managed its operating surplus conservatively during the 10-year historical period from 2013-14 to 2022-23 achieving an average annual operating surplus ratio of 6.2 percent. It has forecast a declining annual operating surplus ratio for the period from 2024-25 through to 2033-34 of 1.5 percent on average, which is reliant on increased rate income and contained expenses (excluding depreciation).

Over the historical period, the main contributor to expenses (at 41.0 percent per annum on average) was 'materials, contracts and other' expenses, which increased at an annual average rate of 8.9 percent per annum. Looking forward, 'materials, contracts and other' and 'depreciation' expenses are expected to be the highest costs. Depreciation expenses are forecast to increase from an average of 29.9 percent in the historical period to 33.1 percent of total expenses in the forecast period. The Long-Term Financial Plan appears to increase annual depreciation by applying the Council's inflation assumption and may not factor in the impact of additional depreciation for new assets.

The Council prepared its Long-Term Financial Plan based on increasing most variables by the Council's inflation estimates. The general forecasting approach taken does not account for likely differences across variables and does not appear to take other strategic plans and forecasts into account. The Council appears to operate primarily on a cash basis which may appear sustainable, but may be increasing operational risk, and has potential implications for its community of increased rates or decreased levels of service if this approach continues. The Council's capital expenditure forecasts fall short of capital expenditure required (under the latest Asset Management Plan).

The Council's strategic management documents indicate that it may not have a robust understanding of the condition of its assets. Not all assets are included in the Asset Management Plans, and little is included in terms of asset condition. While the Council has undertaken asset revaluations, most are desk-top reviews undertaken by consultants which did not necessarily review asset condition on the ground. Asset management plans have not been updated regularly which creates a risk that asset renewals are not managed effectively and efficiently. This situation will persist until the updated Asset Management Plans account for asset conditions and translate this information into comprehensive Long-Term Financial Plans.

OFFICIAL

ESCOSA REPORT

OFFICIAL

1.2 Summary of Recommendations

The Essential Services Commission recommends that the District Council of Loxton Waikarie:

1. **Publish** a comprehensive version of the Long-Term Financial Plan annually to:
 - a. better inform its decision-making
 - b. provide transparent information for ratepayers, and
 - c. meet the *Local Government Act 1999* legislated requirements.
2. **Review** its inflation forecasts in its budget and forward projections each year and clearly identify these and other assumptions underlying revenue and cost estimates in the Annual Business Plan and Long-Term Financial Plan.
3. **Use** a credible independent source for inflation assumptions and identify any variations in assumptions from that source.
4. **Continue** to monitor cost growth in its budgeting, where possible.
5. **Report** any actual and projected 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.
6. **Consider** adopting a policy for cash reserves that balances out the need for asset renewal spending and reasonable rate increases with prudent cash balances.
7. **Include** all major asset groups in Asset Management Plans to provide a comprehensive view of capital renewal requirements and incorporate this information into annual budgets and Long-Term Financial Plans.
8. **Update** asset management plans regularly and at least every four years with annual indexation in the intervening years, including consideration of service levels required by the community, and ensure an accurate alignment between renewal expenditure forecasts in the Asset Management Plans and the latest Long-Term Financial Plans projections.
9. **Undertake** condition assessment and revaluation of all asset classes to validate forecast renewal costs and develop more reliable Asset Management Plans.
10. **Review** the assumptions underpinning its Asset Management Plans including the estimates for asset lives and valuations feeding into the forecast rates of asset consumption, to enable accurate assessment of required asset expenditure, and to reduce depreciation expenses if appropriate.
11. **Continue** to provide more funding for the renewal of its assets, rather than prioritising initiatives involving new or upgraded infrastructure, to reduce the need for higher contributions from ratepayers arising from an expanded asset base.
12. **Review** and **consider** limiting any further average rate increases above inflation, to help reduce any emerging affordability risk in the community.

OFFICIAL

2 About the advice

2.1 Background

The State Parliament has tasked the Essential Services Commission of South Australia (**Commission**), South Australia's independent economic regulator and advisory body, 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, that underpin those plans.¹

A primary purpose of the Local Government Advice Scheme (**Advice or the Scheme**) is to support councils to make financially sustainable strategic decisions in their annual business plans and budgets, in the context of their Long-Term Financial Plans (**LTFP**s) and Infrastructure and Asset Management Plans (**IAMP**s). IAMPs are commonly referred to as Asset Management Plans (**AMP**s). The LTFP and the IAMP are both required as part of a council's SMP.² Financial sustainability encompasses intergenerational equity,³ program (service level) and rates stability in this context.⁴ The other main purpose is for the Commission to consider ratepayer contributions in the context of all revenue sources, as outlined in the LTFP.⁵ 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.⁶

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 third year (2024-25) of the Scheme, including the District Council of Loxton Waikerie (**Council**).

This report provides the Local Government Advice for the council in 2024-25.

The Council is obliged under the *Local Government Act 1999* (**LG Act**) to publish this advice and its response, if applicable, in its 2025-26 Annual Business Plan (including any draft Annual Business Plan) and in subsequent plans until the next cycle of the Scheme.⁷ The Council is not compelled under the LG Act to follow the advice.

The Commission thanks the Council for meeting with Commission staff and for providing information to assist the Commission in preparing this Advice.

2.2 The Commission's approach

In providing its Advice for the Council, the Commission has followed the approach it previously explained in the Framework and Approach – Final Report (**F&A**).⁸

The Commission has considered the Council's SMP documents (set out in the box below), with a particular focus on its performance and outlook against three financial indicators: the operating surplus

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 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.

³ 'Intergenerational equity' relates to fairly sharing services and the revenue generated to fund the services between current and future ratepayers.

⁴ Commission, *Framework and Approach – Final Report*, August 2022, pp. 2-3, available at www.escosa.sa.gov.au/advice/advice-to-local-government.

⁵ LG Act s122(1f)(a) and (1g)(a)(ii).

⁶ LG Act s122(1f)(b) and (1g)(b).

⁷ LG Act s122(1h).

⁸ Commission, *Framework and Approach – Final Report*, August 2022, available at www.escosa.sa.gov.au/advice/advice-to-local-government.

ESCOSA REPORT

OFFICIAL

ratio (**OSR**), the net financial liabilities ratio (**NFLR**) and the asset renewal funding ratio (**ARFR**).⁹ Analysis of these three indicators captures financial and service sustainability, in addition to cost control and affordability risk.¹⁰

Table 1: District Council of Loxton Waikerie Strategic Management Documents

- ▶ District Council of Loxton Waikerie Endorsed Asset Management Plan 2026-2035 (adopted 16 October 2024)
- ▶ District Council of Loxton Waikerie Growth Strategy, (adopted September 2023)
- ▶ 2024-25 Long-Term Financial Plan (adopted 21 August 2024)
- ▶ District Council of Loxton Waikerie Annual Business Plan 2024-25 (adopted June 2024)
- ▶ District Council of Loxton Waikerie Annual Report 2023-24 (adopted 20 November 2024)

Given that the Commission must, in providing its advice, have regard to the objective of councils maintaining and implementing their IAMPs and LTFPs,¹¹ it has also considered the Council's performance in that context. Findings regarding the content of the Council's AMPs, and the alignment between its LTFP and AMPs,¹² are discussed in section 5.

The Commission has also reviewed the Council's template data, which contain its 2024-25 LTFP forecasts for 2024-25 to 2033-34, as well as its 2022-23 LTFP forecasts, historical financial data, the number of rateable properties and Council staff (Full Time Equivalent or **FTE**) numbers from 2013-14 onwards.¹³ The Council did not prepare and adopt a LTFP for 2023-24 and therefore, the material amendments comparison between the current plan and former plan only compare the eight overlapping years (2024-25 to 2031-32). This is in breach of the LG Act requirements and creates a risk for the Council that current strategic financial information is not available. The charts and tables in the Advice are primarily sourced from these datasets. In addition, the Commission has reviewed the Council's 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 2013-14, and then projections of this series from 2024-25 based on the Reserve Bank of Australia (**RBA**) (Australia-wide) inflation forecasts to the December quarter 2026, and the midpoint of the RBA target range (2.5 percent) thereafter.

Having a long-term financial focus at the forefront of a council's strategic planning is critical for local governments, as they have a very large value of infrastructure assets relative to their income base. It assists with funding asset renewals and upgrades when required, ensures ongoing service delivery, and

⁹ The three financial 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).

¹⁰ 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.

¹¹ LG Act s122(1g)(a)(i).

¹² As required under s122(1b) of the LG Act.

¹³ The Council's estimates for the 2023-24 financial year, relied on at the time of preparing this advice, were unaudited.

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

ESCOSA REPORT

OFFICIAL

determining and achieving affordable service level objectives. A LTFP is an essential consideration when generating, spending, and investing future income and raising and repaying borrowings as appropriate. It enables a long-term strategy to balance competing priorities with the available finance.

The Commission recommends that the Council:

1. **Publish** a comprehensive version of the LTFP annually to:
 - a. better inform its decision-making
 - b. provide transparent information for ratepayers, and
 - c. meet the *LG Act 1999* legislated requirements.

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 regional council,
- ▶ its income level (\$21.6 million in 2023-24¹⁴) (unaudited), and
- ▶ the size of its rates base (around 8,167 ratepayers¹⁵).

Throughout this Advice, the Commission has identified several key points and assigned the following risk category to those points:

Legend:  Low-risk  Moderate-risk  High-risk

¹⁴ District Council of Loxton Waikerie Annual Report 2023-24, p. 75.

¹⁵ Based on the estimated number of property assessments in 2023-24, in the Council's Financial Reporting template provided to the Commission.

3 Council profile

The District Council of Loxton Waikerie is classified by the Commission as a 'Rural Agricultural Large and Very Large' council and is one of 19 in this category in South Australia.¹⁶ The Council is in the Murray Mallee region of South Australia, north-east from Adelaide and the Council's seat is at Loxton, with a branch office in Waikerie. The Council has an area comprising 7,764 square kilometres.¹⁷ It has an estimated resident population of 11,897¹⁸ (30 June 2023) and approximately 8,167 rateable properties¹⁹ (1 January 2024).



The Council region also has the following attributes:

- ▶ stable number of rateable properties, with historical growth of approximately 0.6 percent per annum²⁰
- ▶ population density of 1.5 persons per square kilometre²¹
- ▶ 2,306 kilometres of roads and laneways, of which 81.2 percent are unsealed roads²²
- ▶ it is predominantly an agricultural producer, including dryland farming with other significant activities including food and beverage processing and tourism,²³ and
- ▶ has a median population age of 47.9 years.²⁴

¹⁶ Commission, *Fact Sheet - Local Government Advice Scheme – Schedule of Councils*, May 2023, available at <https://www.escosa.sa.gov.au/ArticleDocuments/21947/20240731-Advice-ScheduleOfCouncils-FactSheet.pdf.aspx?Embed=Y>.

¹⁷ Refer to Australian Bureau of Statistics, *Data by region*, available at: <https://dbr.abs.gov.au/region.html?lyr=lga&rgn=43790>.

¹⁸ Refer to Australian Bureau of Statistics, *Data by region*, available at: <https://dbr.abs.gov.au/region.html?lyr=lga&rgn=43790>.

¹⁹ Based on the Council's Financial Reporting template provided to the Commission.

²⁰ Based on the Council's Financial Reporting template provided to the Commission.

²¹ Refer to Australian Bureau of Statistics, *Data by region*, available at: <https://dbr.abs.gov.au/region.html?lyr=lga&rgn=43790>.

²² Refer to the Department of Infrastructure and Transport - Local Government Grants Commission, *2022-23 Database Reports*, available at: https://www.dit.sa.gov.au/_data/assets/pdf_file/0008/1404728/2022-23-Database-Report.pdf.

²³ Refer to District Council of Loxton Waikerie website and documents, available at: <https://www.loxtonwaikerie.sa.gov.au/>.

²⁴ Refer to Australian Bureau of Statistics, *Data by region*, available at: <https://dbr.abs.gov.au/region.html?lyr=lga&rgn=43790>.

4 Material plan amendments in 2024-25

4.1 Key points

-  Only eight years of comparison data is available as the Council did not prepare an LTFP for 2023-2024.
-  The Council forecasts an improved operating surplus between 2024-25 and 2031-32.
-  Council assumes a rate of inflation that is higher than the RBA's forecast average inflation rate.

The Council has made various amendments to its 2024-25 draft budget and forward projections, for revenue and spending initiatives. The material amendments to some of its main financial forecasts are listed in Table 2 (in nominal terms).²⁵ To ensure a comparable analysis of estimates between the 2022-23 LTFP and 2024-25 LTFP, the Commission has reviewed the eight overlapping years' statistics: 2024-25 to 2031-32 and identified material amendments accordingly.

Table 1: Historical and forecast financial items

Selected Financial Item	Sum of 2024-25 to 2031-32 estimates in 2022-23 LTFP (\$ million)	Sum of 2024-25 to 2031-32 estimates in 2024-25 LTFP (\$ million)	Change in 2024-25 estimates (\$ million)	Change in 2024-25 estimates (%)
Total operating income	204.5	240.1	+35.6	17.4
Total operating expenses	202.3	236.8	+34.5	17.1
Operating surplus / (deficit)	2.2	3.3	+1.1	51.6
Capital expenditure on renewal of assets ²⁶	41.9	73.8	31.9	76.0
Capital expenditure on new and upgraded assets ²⁷	10.1	19.8	9.7	95.7

4.2 Changes to operating performance

The Council has forecast (in its 2024-25 LTFP) an improvement in its operating performance, with a cumulative surplus of \$3.3 million for the overlapping eight years of 2024-25 to 2031-32, compared to a surplus of \$2.2 million in the 2022-23 LTFP.

In the 2024-25 LTFP, the improvement in the cumulative eight years of operating surplus (compared to the 2022-23 LTFP) reflects a 17.4 percent increase (\$35.6 million) in income and a 17.1 percent

²⁵ This table shows only selected financial items to demonstrate the material amendments made by the Council in its 2022-23 estimates. It excludes various financial items, and individual items do not sum to totals.

²⁶ The capital expenditure estimates are based on the 2022-23 LTFP estimates provided by the Council to the Commission (in an Excel template).

²⁷ The capital expenditure estimates are based on the 2022-23 LTFP estimates provided by the Council to the Commission (in an Excel template).

(\$34.5 million) increase in operating expenses. Some of the amendments, compared to the 2022-23 LTFP, include:

- ▶ increased grant income related to renewed *Roads to Recovery* funding
- ▶ increased rates income
- ▶ increased employee expenses, and
- ▶ increased depreciation costs resulting from capital works and revaluation of assets.

The Council's historical and projected operating performance is discussed further in section 5.1.

4.3 Indexation adjustments

The Council applies CPI-based inflation adjustments to its cost and revenue estimates, applying an inflation rate of 3.94 percent in the 2024-25 LTFP.²⁸ The Council notes that its previous inflation assumption was 2.38 percent, however, as no LTFP was prepared in 2023-2024, it is not possible to compare current indexation assumptions with previous assumptions. The RBA currently forecasts the CPI (Australia-wide) to increase by 2.8 percent in the year to the June 2025 quarter and by 3.2 percent in the year to June 2026 and thereafter, 2.6 percent.²⁹

The Commission notes that the Council's assumptions are based on its review of inflation. However, the Council's assumption of an inflation rate greater than the average CPI of 2.6 percent per annum creates risks for its income and expense outcomes relative to the forecast. The Council has determined its inflation factor, then applied it broadly, without considering its impact on specific income and expense items or its long-term plans. The Council's estimate of inflation provides it with a buffer against rising costs, however its forecasts indicate that some growth in costs will be less than its inflation forecast (see section 5.1 for further discussion).

The Commission recommends that the Council:

2. **Review** its inflation forecasts in its budget and forward projections each year and clearly identify these and other assumptions underlying revenue and cost estimates in the ABP and LTFP.
3. **Use** a credible independent source for inflation assumptions and identify any variations in assumptions from that source.

4.4 Increase to capital expenditure estimates

The Council's 2024-25 LTFP indicates changes in capital expenditure for asset renewals, and for new and upgraded assets, compared to the LTFP for 2022-23 to 2031-32. Over the comparable eight-year projections in the 2024-25 LTFP, the Council has factored in a total of \$73.8 million in capital renewal and replacement works and \$19.8 million in new and upgraded capital works, accounting for 78.9 percent and 21.1 percent of the total capital expenditure program respectively. Renewal expenditure increased by 76.0 percent between 2022-23 LTFP and 2024-25 LTFP estimates reflecting the Council's revision of the AMPs.³⁰

The Council's roads and transport assets represent the largest asset class and is a major focus of its renewal investment, projected to account for \$4.8 million per annum (in real terms – 2024-25 estimates) of asset renewal budgets for the next 10 years from 2026-2035.³¹ The Council estimates

²⁸ Financial Reporting template, material amendment notes (supplied to the Commission in an Excel spreadsheet)

²⁹ RBA, Forecast Table – August 2024, p57, available at <https://www.rba.gov.au/publications/smp/2024/aug/>.

³⁰ District Council of Loxton Waikerie Asset Management Plan 2026-2035, endorsed August 2024.

³¹ District Council of Loxton Waikerie Asset Management Plan 2026-2035, endorsed August 2024, p. 62.

ESCOSA REPORT

OFFICIAL

that there will be a \$3.4 million (in real terms) shortfall in budget funding for renewal over the 10-year projections from 2026 to 2035.³² The Council's capital expenditure outlook is discussed further in section 5.3.

4.5 Changes between 2023-24 LTFP and annual business plan

The Council adopted its ABP and budget in June 2024, two months prior to adopting its LTFP 2024-25 in August 2024. The ABP and LTFP are aligned³³ and the IAMP was adopted in October 2024. However, there is no discernible relationship between capital renewal expenditure forecasts in the IAMP and the LTFP as required under the *LG Act 1999* (s122,1b). See further discussion on assets in section 5.3.

The Commission notes that neither the Council's LTFP nor ABP identify any risks to its estimates after adoption, for example, due to economic and environmental factors.

³² District Council of Loxton Waikerie Asset Management Plan 2026-2035, endorsed August 2024, p. 40.

³³ District Council of Loxton Waikerie Annual Business Plan 2024-2025 and 2024-25 LTFP estimates provided by the Council to the Commission (in an Excel template).

5 Financial sustainability

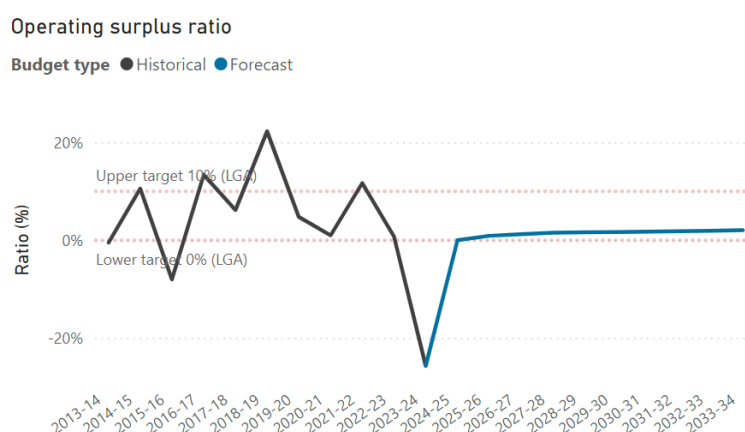
5.1 Operating performance

5.1.1 Key points

- ✓ The Council predominantly achieved operating surpluses in the period 2013-14 to 2022-23.
- ⚠ Forecast 'materials, contracts and other' expenses average growth per annum of 3.4 percent is less than historical growth per annum at 8.9 percent (which included some flood related expenditure).
- ⚠ Forecast operating surpluses may not be achieved if total expenses and particularly 'materials, contracts and other' costs are not constrained, or unforeseen events occur that impact achieving the forecast surpluses.

5.1.2 Operating Surplus Ratio

Figure 1: Operating surplus ratio – historical and forecast



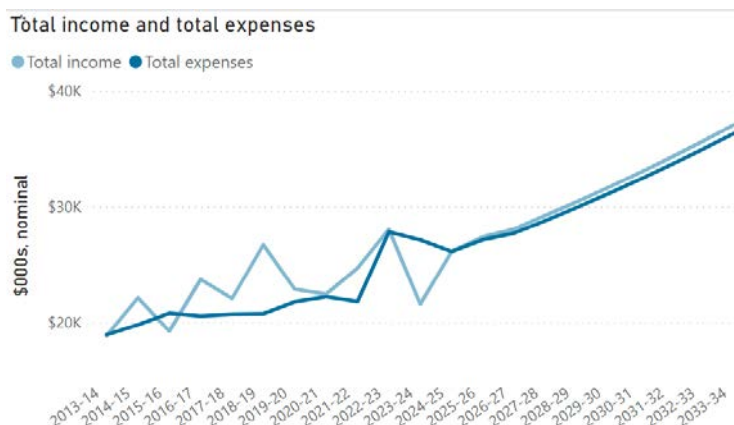
The Council has predominantly achieved operating surpluses from 2013-14 to 2022-23. Despite volatility, its operating surplus has averaged \$1.6 million during that period, with an average OSR³⁴ of 6.2 percent. The deficits that occurred in 2013-14 and 2015-16 may be attributable to the timing of grant funding, which was inconsistent over the period between 2013-14 and 2015-16.

The Council has forecast an average annual operating surplus of \$0.5 million. This generates an average OSR of 1.5 percent per annum, which is within the LGA target range of 0-10 percent³⁵. As seen in Figure 1, the Council forecasts that the OSR will be more consistent in future years.

³⁴ 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).

³⁵ See Footnote 34.

Figure 2: Total income and expenses – historical and forecast



5.1.3 Income

Rates revenue increased on average by 3.0 percent per annum from 2013-14 to 2022-23³⁶ (when rateable property growth averaged 0.6 percent and CPI growth averaged 2.6 percent).

Over the same period, 'user charges' (6.3 percent of total operating income) increased by an average of 3.6 percent per annum, and 'grants, subsidies and contributions' (28.4 percent of total operating income) increased by an average of 7.7 percent per annum. While grants income has been inconsistent from year to year, the three-year average of \$690 per ratepayer from 2013-14 to 2015-16 compares with the three-year average of \$979 from 2021-22 to 2022-23, which reflects a small increase in value in real terms.

Forecast income for the period 2024-25 to 2033-34 is expected to grow by 4.0 percent per annum on average. The Council forecasts that 'user charges and reimbursements' will grow in line with its inflation forecast of 3.9 percent per annum. It expects 'other income' to be an average of \$0.6 million per annum compared to the historical period's average growth of \$1.1 million per annum. This decrease in income is due to the forecast sale of a Council asset.³⁷

Forecast growth in rates revenue is 4.4 percent per annum on average, which is above the RBA's forecast long-term inflation,³⁸ and also higher than the average annual growth of 3.0 percent over the historical period. The average growth in annual rates revenue is also higher than expected growth in total expenses. Rates are discussed in more detail in section 6.

Most categories of income, as a percentage of total income, are forecast to remain consistent with historical trends. However, rates will rise from average of 55.6 percent of income over the historical period to an estimated average of 61.5 percent of income over the forecast period, while user charges will decline from an average of 6.4 percent of income historically, to an estimated average of 5.4 percent of income.

³⁶ 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).

³⁷ Council forecasts the sale of the Loxton Riverfront Holiday Park in year 3 of its forecast LTFP, correspondence with D Beaton 6 February 2025.

³⁸ The forecast average annual growth in the CPI from 2024-25 to 2033-34 is estimated to be 2.6 percent based on the RBA forecasts for the CPI (Australia-wide) to December 2026 (and the Commission's calculations of average annual percentage growth) and the midpoint of the RBA's target range (2.5 percent) from 2026-27.

ESCOSA REPORT

OFFICIAL

5.1.4 Expenditure

Figure 3: Expenses by category – historical and forecast



The Council's operating expense growth (from 2013-14 to 2022-23) of an average of 4.4 percent per annum, was primarily due to an average annual increase of 8.9 percent in 'materials, contracts and other' expenses and 1.9 percent in 'depreciation'. As a proportion of operating expenses, depreciation expenses are higher than average compared with all councils in 2021-22³⁹ (see further discussion in asset renewals expenditure section 5.3). Employee expenses grew at 0.6 percent historically as staff FTE numbers declined over the period.

Forecast total expenses are anticipated to grow on average at 3.7 percent per annum, which is lower than the Council's past performance (with average annual growth of 4.4 percent per annum over the 10 years to 2022-23), indicating an intent for stronger cost control.

The Council's template data (provided to the Commission) shows that employee numbers are assumed to remain constant at 85 FTEs between 2024-25 and 2033-34 and employee costs are forecast to grow by an average of 3.9 per cent per annum in this period.

'Materials, contracts and other' expenses are forecast to increase by an average of 3.4 percent per annum, which is significantly less than in the historical period discussed previously. The Council has stated that it will achieve the planned reduction in cost growth for this category by using financial controls, budget monitoring and reporting to optimise resources and maintain cost efficiency,⁴⁰ but has not provided any specific details or cost savings targets. The Council notes it will incur less expenditure as some 'materials, contracts and other' expenses were related to flooding.⁴¹

Council forecasts growth in depreciation expenses at 3.9 percent growth per annum, in line with its inflation estimates, rather than reflecting depreciation expenses arising from revision of its AMPs or growth in new/upgraded capital expenses over the forecast period. Capital expenditure and its implications are further discussed below in section 5.3.

³⁹ SA Local Government Grants Commission Report 3 – Operating Expenses Information by Council for 2021-22 Financial Year, pp. 9-10, available at: <https://www.dit.sa.gov.au/local-government/grants-commission/publications>.

⁴⁰ District Council of Loxton Waikerie – Annual Business Plan 2024-2025, p. 5.

⁴¹ Council notes an unspecified quantum of flood related and recovery expenditure in correspondence from Council, 6 February 2025, and Financial Statements Year Ended 30 June 2023 note 2g records \$1.9 million of River Murray Flood Assistance.

OFFICIAL

ESCOSA REPORT

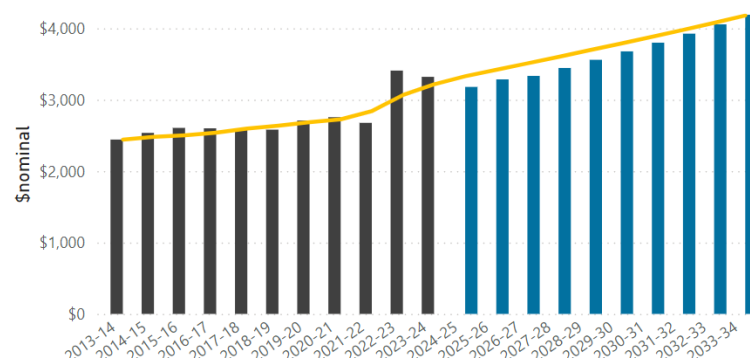
OFFICIAL

The forecast reduction in total expense growth is a positive trend and if achievable, will enable the Council to meet its forecast operating surpluses. However, the Council's forecast average annual growth in total expenses is less than the Council's own inflation forecast, and more than the average annual rate of 2.6 percent forecast by the RBA. If costs are not contained, there is a risk to the Council's sustainability.

Figure 4: Expense by rated property - historical and forecast

Expenses per property

Budget type ● Historical ● Forecast ● CPI (Adelaide)



Operating expenses per property (a metric which also accounts for growth) increased by an average of 3.8 percent per annum between 2013-14 and 2022-23. Expenses per property are forecast to grow by an average of 3.1 percent per annum over the next 10 years, reflecting the Council's planned expenditure constraints, noting comments above relevant to cost forecasts.

5.1.5 Commission's recommendations on operating performance

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

4. **Continue** to monitor cost growth in its budgeting, where possible.
5. **Report** any actual and projected cost savings in its annual budget (and LTFP, as appropriate), to provide evidence of constraining cost growth and achieving efficiency across its operations and service delivery.

OFFICIAL

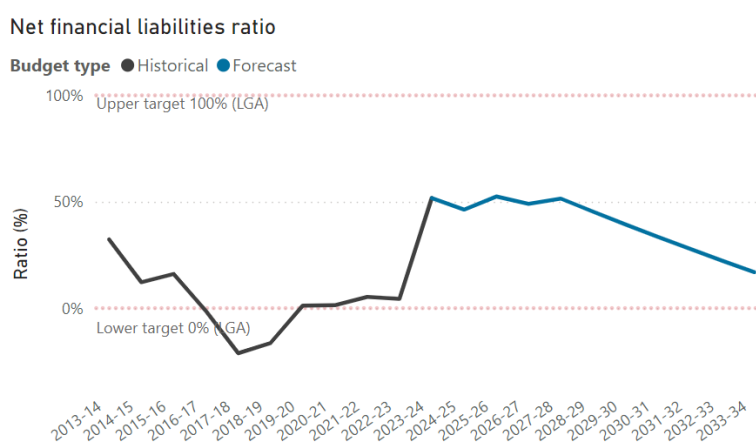
5.2 Net financial liabilities

5.2.1 Key points

Key Points:

- ✓ Between 2013-14 and 2021-22, the NFLR averaged 3.4 percent.
- ✓ Between 2024-25 and 2033-34, the NFLR is forecast to average 38.5 percent.

Figure 5: Net financial liabilities ratio – historical and forecast



The Council's net financial liabilities decreased between 2013-14 and 2022-23 due to the Council achieving operating surpluses in eight of the 10 years, together with decreases in borrowings (average decline of 12.5 percent per annum) and provisions (average fall of 1.5 percent per annum).

Between 2013-14 and 2022-23, the Council's NFLR ranged from 32.3 percent to negative 21.2 percent. This is within (or below) the suggested LGA target range for the indicator of between zero and 100.0 percent and demonstrates that the Council's operating income can reasonably service its liabilities.⁴²

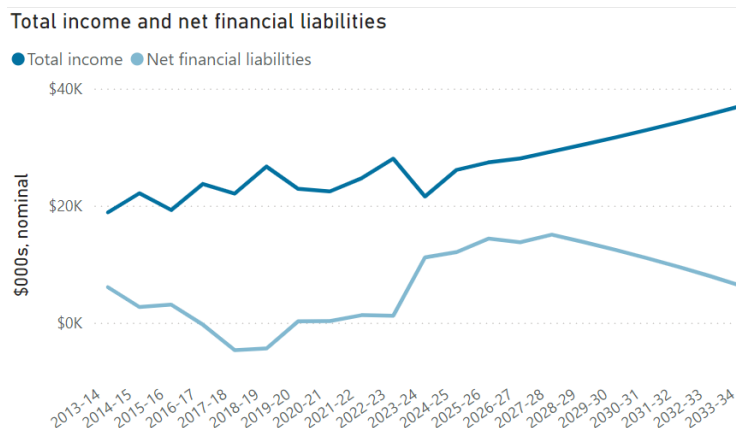
Looking forward, the Council has estimated that the NFLR will peak at 52.5 percent in 2025-26 and average 38.5 percent, remaining within the LGA target range.

⁴² The net financial liabilities ratio is defined as: Net financial liabilities ÷ Total operating income. This ratio measures the extent to which a council's total operating income covers, or otherwise, its net financial liabilities. The suggested LGA target range is between zero and 100 percent of total operating income, but possibly higher in some circumstances (LGA SA Financial Indicators Paper, pp. 7-8).

ESCOSA REPORT

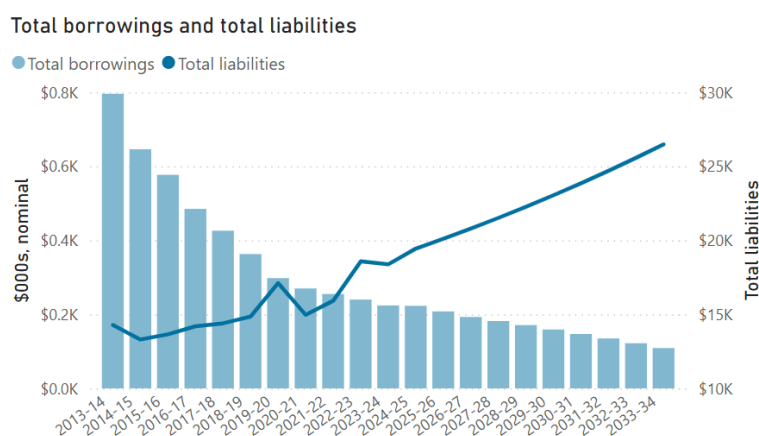
OFFICIAL

Figure 6: Total income and net financial liabilities – historical and forecast



Income is forecast to increase relative to net financial liabilities between 2024-25 and 2033-34, improving the Council's capacity to borrow further if required. As previously stated, the Council is relying predominantly on further rates revenue growth and lower growth in operating expenses to improve its overall financial sustainability.

Figure 7: Total borrowings and total liabilities – historical and forecast



As seen in Figure 7, borrowings declined sharply in the historical period. No new borrowings are forecast despite the Council's forecast indicating that the value of its existing borrowings will increase. The Council's Financial Reporting template for 2024-25, provided to the Commission, increases long-term borrowings by its inflation assumptions, which is unlikely to be accurate and demonstrates the general approach the Council has taken to forecasting. Total Liabilities are rising due to the increases in Council's Retirement Village Facility Deposits. The forecast total liabilities on average comprise trade (including deposits, 89.8 percent) and provisions (9.5 percent) and borrowings (0.7 percent).

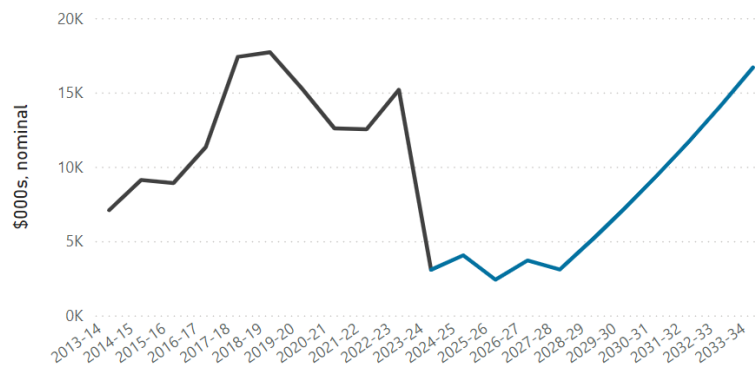
The Council appears to be operating on a cash budget basis, with reserves that it calls on, when necessary. While this might appear to be a sustainable practice, it does not imply that the Council is operating cost-effectively, nor giving due regard to longer term strategic planning. It may be increasing operational risk which has implications for its community such as declining service levels (see asset section 5.3 below for further discussion).

OFFICIAL

Figure 8: Cash and cash equivalents at year end – historical and forecast

Cash and cash equivalents at year-end

Budget type ● Historical ● Forecast



The Council's net cash flows after operating and investing (that is, capital-related) activities averaged \$0.6 million annually between 2013-14 and 2022-23.

Over the historical period, cash held at year end increased from \$7.1 million in 2013-14 to a maximum of \$17.7 million in 2018-19 before declining to \$15.2 million in 2022-23. The Council advised it used cash for major projects in 2023-24,⁴³ decreasing cash held to \$3.1 million (unaudited).

Forecast cash reserves are expected to average \$7.7 million per annum, which is 60.9 percent of the historical average. Council forecasts rebuilding its cash reserves from 2028-29, to reach \$16.7 million by 2033-34. This level of cash accumulation suggests that the Council could consider alternatives such as funding its forecast \$3.4 million (in real terms) shortfall in budget funding for renewal over the 10-year projections from 2026 to 2035,⁴⁴ (see asset renewal section 5.3) or reductions in forecast rates.

5.2.2 The Commission's recommendations on financial liabilities

The Commission recommends that the Council:

6. **Consider** adopting a policy for cash reserves that balances out the need for asset renewal spending and reasonable rate increases with prudent cash balances.

⁴³ Responses to ESCOSA questions, 30 May 2024.

⁴⁴ District Council of Loxton Waikerie Asset Management Plan 2026-2035, endorsed August 2024, p. 40.

5.3 Asset renewals expenditure

5.3.1 Key points

-  Between 2012-13 and 2022-23, the net ARFR averaged 108.3 percent but may not be reliable as the IAMP renewal expenditure was based on 2016-17 AMPs that were not updated.
-  The net forecast ARFR over the next 10 years is projected to average 94.6 percent.
-  The data on which the AMP is based are limited and may not provide an adequate basis for credibly forecasting renewal expenditure.
-  Depreciation expenses may be higher than necessary.
-  The Council forecasts increased expenditure on renewal of assets and less expenditure on new assets, however, it intends to focus on replacing/upgrading assets whenever grant funding is available.

The Commission's review of the AMPs has found that, on balance, the Council's strategic planning processes do not align well with good practice for a council of its size and complexity. This is for the reasons outlined in this section.

The Council has a new IAMP, adopted in October 2024, replacing the prior plan (adopted 2016). The IAMP covers the Council's asset base comprising buildings, CWMS, stormwater and transport assets, which include roads, kerbing, and footpaths. The plan includes operational, maintenance and capital renewal/new forecasts, with limited information about the basis of calculation. The IAMP acknowledges its limitations, as it was undertaken via a desktop analysis, using existing data without field-based condition assessments (and noting that existing asset registers/datasets were primarily developed for valuation purposes without the other data required for AMPs).⁴⁵ The Council has medium to low confidence in the data on which the IAMP is based.⁴⁶ Customer service levels are set at basic levels for renewal intervention⁴⁷ and are expected to decline based on the planned budgets.⁴⁸ Some information is included about future demand and the plan indicates that future reviews, studies and plan upgrades will be required.⁴⁹

Transport assets comprise 49.2 percent of the Council's total infrastructure assets,⁵⁰ and the Council forecasts renewal expenditure that will yield an average ARFR of 93.4 percent for this class of asset,⁵¹ indicating that a planned level of deferred asset renewal will arise in the forecast funding period. Technical service levels are not defined for these assets,⁵² which may also impact required expenditure once defined. The Council plans to undertake condition assessments and revaluation of this asset class in 2025-26⁵³ as noted in their detailed plan improvement schedule.

⁴⁵ District Council of Loxton Waikerie Asset Management Plan 2026-2035, p. 6, p. 33.

⁴⁶ District Council of Loxton Waikerie Asset Management Plan 2026-2035, p. 6, p. 65.

⁴⁷ District Council of Loxton Waikerie Asset Management Plan 2026-2035, p. 6.

⁴⁸ District Council of Loxton Waikerie Asset Management Plan 2026-2035, p. 14.

⁴⁹ District Council of Loxton Waikerie Asset Management Plan 2026-2035, pp. 24-27.

⁵⁰ District Council of Loxton Waikerie Financial Statements 2023-24 (audited), p. 20.

⁵¹ District Council of Loxton Waikerie Asset Management Plan 2026-2035, p. 57.

⁵² District Council of Loxton Waikerie Asset Management Plan 2026-2035, p. 22.

⁵³ District Council of Loxton Waikerie Asset Management Plan 2026-2035, p. 68.

ESCOSA REPORT

OFFICIAL

Building infrastructure is the next largest asset class, comprising 23.9 percent of the Council's total infrastructure assets.⁵⁴ A condition audit was undertaken in 2021 for this asset class, however, the Council plans to review buildings and their condition with a view to consolidation.⁵⁵

The known funding deficit for asset renewal spending is \$3.4 million, as noted in the IAMP.⁵⁶ The deficiencies in the IAMP are likely to impact the Council's capacity to optimally plan asset renewal needs into the future. As some of the data on which the IAMP is based are uncertain, it is possible that the Council will continue to experience fluctuating IAMP and ARFR ratios over the forecast period (from 2024-25 to 2033-34), in which capital renewal expenditure does not align well with the IAMP forecasts.

The Council's strategic asset management documentation does not show the extent to which its asset renewals funding history aligned with IAMP renewal targets. The forecast capital renewals in the IAMP do not align with the forecast capital renewal in the LTFP. The Council states that discrepancies between LTFP renewal forecasts and the AMP forecasts are because the AMP does not include all asset groups.⁵⁷ It states that its Retirement Village⁵⁸ operates as a separate business unit however, the financial transactions appear to be integrated with all the Council's transactions. Additionally, it notes that plant, irrigation and information technology assets are not included in AMPs. The Council has responsibility to ensure that it has made appropriate financial and asset management decisions for all assets, whether integrated or not.

The Council's depreciation expense as a proportion of total expenses was 29.9 percent on average from 2013-14 to 2022-23. This is higher than the average depreciation share of expenses for most councils (24.0 percent in 2021-22⁵⁹). Between 2013-14 and 2022-23, depreciation expenses outpaced renewal capital expenditure by \$25.9 million. Over time, there should be some convergence of depreciation expenses and capital expenditure, since ideally, a council is either renewing or replacing its assets consistent with their recorded useful lives, whilst also accounting for any growth needs and service level improvements. The disparity between capital renewal expenditure and depreciation expenditure may indicate that asset values may be overstated, or that estimated useful lives of assets may be understated. The shortcomings in the IAMP suggest that depreciation may be too high, too low, or correct by coincidence.

⁵⁴ District Council of Loxton Waikerie Financial Statements 2023-24 (audited), p. 20.

⁵⁵ District Council of Loxton Waikerie Financial Statements 2023-24 (audited), p. 67.

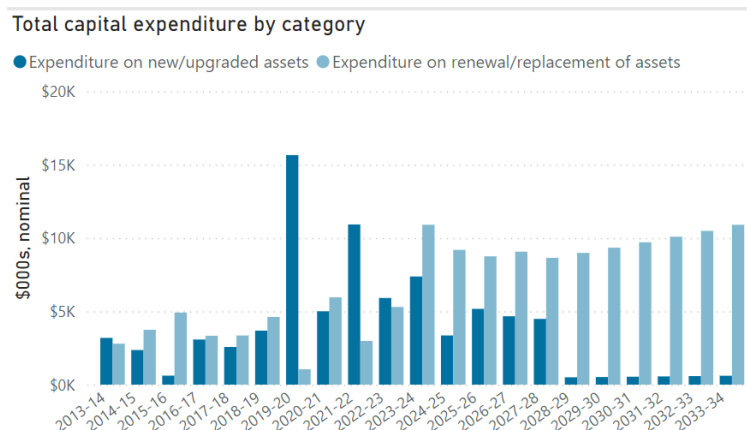
⁵⁶ District Council of Loxton Waikerie Asset Management Plan 2026-2035, p. 40.

⁵⁷ Correspondence with District Council of Loxton Waikerie, Chief Finance Officer, 30 January 2024.

⁵⁸ District Council Loxton Waikerie, Loxton Retirement Village Policy, 19 September 2023, p. 2, notes that The Loxton Retirement Village is owned and financially underwritten by the Council.

⁵⁹ SA Local Government Grants Commission Report 3 – Operating Expenses Information by Council for 2021-22 Financial Year, pp. 9-10, available at: <https://www.dit.sa.gov.au/local-government/grants-commission/publications>.

Figure 9: Total capital expenditure by category – historical and projected



Average annual spending on renewal or replacement of assets is forecast to increase from \$3.8 million between 2013-14 and 2022-23 to \$9.5 million between 2024-25 to 2033-34 (in nominal terms).

The Council's spending on renewal and replacement of assets totalled \$38 million between 2013-14 and 2022-23, while spending on new assets totalled \$53 million. Significant expenditure in 2019-20 on a new sports stadium, community centre and Waikerie riverfront upgrades utilising COVID stimulus funding contributed to the high expenditure in that year. Spending on new assets has been higher in the latter five years of the historical period. Some of this expenditure was due to disaster relief funding and recovery expenditure following flooding across the Council region in 2023, while construction of levee banks diverted capital funding from scheduled works.⁶⁰ In addition, upgrade of townships and unsealed roads to sealed roads contributed to high new/upgrade capital expenditure.⁶¹ The Council was successful in obtaining grants for capital works which led it to bring forward some proposed capital projects.⁶²

Looking forward, the Council forecasts average renewal capital expenditure to be \$9.5 million per annum, which represents an increase on historical expenditure (average of \$3.8 million per annum). Expenditure on new/upgraded capital expenditure is forecast to decline from an average of \$5.3 million in the historical period, to an average \$2.1 million between 2024-25 and 2033-34.

The Council needs to spend sufficiently on capital renewal to ensure that existing assets are maintained to the standard and service levels required by the community. This will require a change from the Council's historical approach of spending more on new assets than on the renewal and replacement of existing assets. The Council has forecast that it will spend more on renewal of assets than acquisition of new assets, however, the Council's strategic approach is to acquire new assets or upgrade existing assets whenever grant income for new capital projects and associated expenditure is available.⁶³

⁶⁰ Meeting with ESCOSA, 2 May 2024.

⁶¹ Meeting with ESCOSA, 2 May 2024 and Council's response to ESCOSA questions 30 May 2024.

⁶² Response to ESCOSA questions 30 May 2024.

⁶³ Correspondence with D Beaton, 6 February 2025.

ESCOSA REPORT

OFFICIAL

5.3.2 The Commission's recommendations re asset renewals expenditure

The Commission recommends that the Council:

7. **Include** all major asset groups in AMPs to provide a comprehensive view of capital renewal requirements and incorporate this information into annual budgets and LTFPs.
8. **Update** asset management plans regularly and at least every four years, with annual indexation in the intervening years, including consideration of service levels required by the community, and ensure an accurate alignment between renewal expenditure forecasts in the Asset Management Plans and the latest Long-Term Financial Plan projections.
9. **Undertake** condition assessment and revaluation of all asset classes to validate forecast renewal costs and develop more reliable AMPs.
10. **Review** the assumptions underpinning its AMPs including the estimates for asset lives and valuations feeding into the forecast rates of asset consumption, to enable accurate assessment of required asset expenditure, and to reduce depreciation expenses if appropriate.
11. **Continue** to provide more funding to the renewal of its assets, rather than prioritising initiatives involving new or upgraded infrastructure to reduce the need for higher contributions from ratepayers arising from an expanded asset base.

OFFICIAL

6 Advice on current and projected rate levels

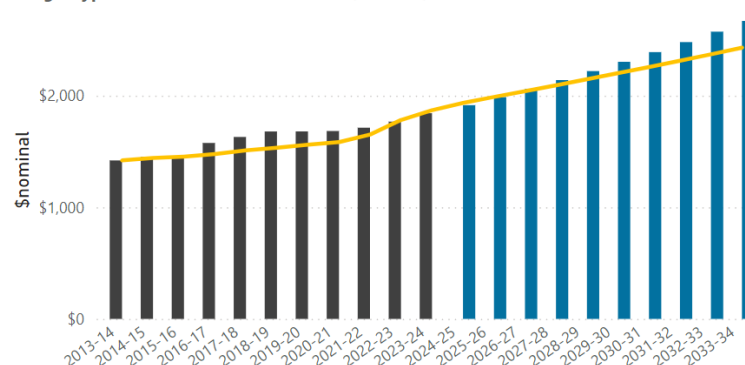
6.1 Key points

- ⚠ The forecast rate increase between 2023-24 to 2032-33 is 3.8 percent per property per annum, which is above the average RBA-Inflation forecast of 2.6 percent over the period.
- ⚠ Affordability risk among the community for the further rate increases may occur.

Figure 10: Average rates revenue per property – historical and projected

Average rates revenue per property

Budget type ● Historical ● Forecast ● CPI (Adelaide)



The Council's growth in rate revenue per property has averaged 2.5 percent or \$39 per annum on average for each property over the past 10 years,⁶⁴ to reach an average of \$1,767 per property in 2022-23. This growth has aligned closely with CPI growth of an average of 2.6 percent per annum over this period and included 0.6 percent average annual growth in rateable property numbers.⁶⁵ Current rate levels reflect the Council's recent history of aligning income and expenditure growth, but do not reflect the growth in capital expenditure (on renewals, and new and upgraded assets) which has mostly been enabled by increased grant funding.

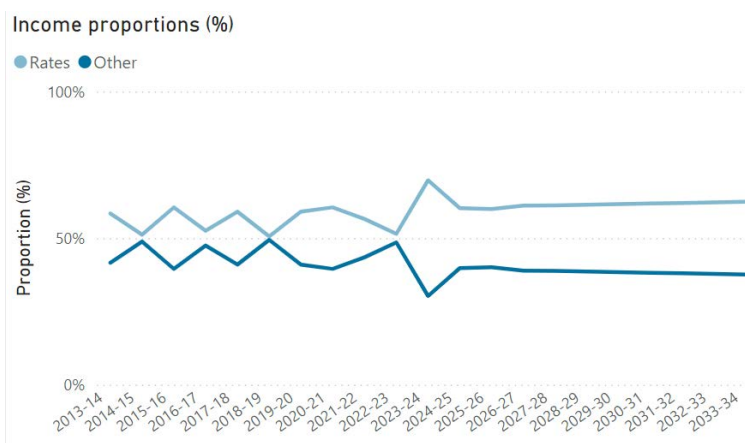
The Commission notes that the Council has average rates aligning with similar councils.⁶⁶

⁶⁴ From 2013-14 to 2022-23.

⁶⁵ CPI Adelaide historical time series, available at: <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/jun-quarter-2024>.

⁶⁶ Refer to Councils in Focus rates data for 2019-20, available at https://councilsinfocus.sa.gov.au/councils/district_council_of_loxton_waikerie. 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.

Figure 11: Income proportions (%)



The Council remains reliant on its rate base for its operating sustainability. As Figure 11 indicates, rates revenue is forecast to account for 60.2 percent of budgeted operating income in 2024-25 with an average of 61.5 percent between 2024-25 and 2033-34. This is an increase compared with the historical average of rates accounting for 55.6 percent of income between 2013-14 and 2022-23.

6.2 Proposed rate increases for 2024-25

The Council has budgeted for an average rate increase of 3.5 percent for general and fixed charges in 2024-25.⁶⁷ While differential general rates are applied by the Council, all classes of ratepayers will incur a rate increase of 3.5 percent on their general rate.⁶⁸ In addition to general rates, the Council collects fixed charges, service-based charges and levies.

Based on its financial reporting template, in 2024-25, rates per property (including growth in the number of rateable properties) will increase by 3.9 percent over 2023-24 rates or approximately \$72 per property.⁶⁹ Total rate revenue is forecast to be \$15.7 million in 2024-25 and to average \$19.2 million over the 10-year forecast period. The Council has also assumed that the growth in the number of rateable properties within the district will continue at 0.6 percent per annum.⁷⁰

6.3 Projected further rate increases

Over the forward years of its LTFP, the Council is projecting average rates increases for its existing ratepayers of approximately 3.8 percent per property per annum from 2024-25 to 2033-34.

In total, the LTFP effectively projects an average annual increase of \$84.0 per existing ratepayer (to an average \$2,669 per annum) by 2033-34, which is consistent with the Council's assumed inflation growth over this period (an average of 3.94 percent per annum) but is above the RBA-based inflation forecast of an average of 2.6 percent per annum⁷¹ (see Figure 10).

⁶⁷ District Council of Loxton Waikerie – Annual Business Plan 2024-25, p. 26.

⁶⁸ District Council of Loxton Waikerie – Annual Business Plan 2024-25, pp. 27-28.

⁶⁹ Based on the estimated number of property assessments in 2023-24, in the Council's Financial Reporting template provided to the Commission.

⁷⁰ Based on the estimated number of property assessments in 2023-24, in the Council's Financial Reporting template provided to the Commission.

⁷¹ The forecast average annual growth in the CPI from 2024-25 to 2033-34 is estimated to be 2.6 percent based on the RBA forecasts for the CPI (Australia-wide) to December 2026 (and the Commission's calculations of average annual percentage growth) and the midpoint of the RBA's target range (2.5 percent) from 2026-2027.

ESCOSA REPORT

OFFICIAL

As a result of further rates increases, the percentage of the Council's total income contributions from ratepayers is projected to average 61.4 percent, compared to a historical average of around 56.0 percent.

6.4 Affordability risk

Affordability risk among the community for these further rate increases may occur, when considering:

- ▶ the Council's relative average socio-economic indexes for areas (SEIFA) economic resources ranking for the Loxton Waikerie area⁷²
- ▶ risks of cost escalation
- ▶ rate levels in comparison to other similar councils, and
- ▶ whether a revised approach to sustainability is implemented.

6.4.1 The Commission's advice re affordability risk

As the current economic environment is putting more pressure on most communities' capacity to pay for further rate increases, including those of the Council, the Commission recommends that the Council:

12. **Review** and **consider** limiting any further average rate increases above inflation, to help reduce any emerging affordability risk in the community.

⁷² The District Council of Loxton Waikerie area is ranked 30 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 (2016), 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#:~:text=Socio-Economic%20Indexes%20for%20Areas%20%28SEIFA%29%20is%20a%20product,the%20latest%20version%20of%20SEIFA%20follow%20this%20link.>

ESCOSA REPORT

OFFICIAL

7 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 current LTFP estimates
- ▶ the identification and reporting of opportunities for cost savings, and the planned reductions in cost growth
- ▶ the alignment of strategic asset management plans with other strategic documents (LTFP and ABP)
- ▶ the updating and implementation of IAMPs
- ▶ the planned asset renewal and replacement expenditure versus actual expenditure, and
- ▶ the Council's efforts to minimise any emerging affordability risks.

OFFICIAL

ESCOSA REPORT

OFFICIAL

8 Appendix: Glossary of terms

ABS	Australian Bureau of Statistics
AMP	Asset management plan (also called an IAMP)
ARFR	Asset Renewal Funding Ratio Since 2013, the asset renewal funding ratio has been defined as: $\text{Asset Renewal Expenditure} \div \text{IAMP Renewal Expenditure}$ Where IAMP Renewal Expenditure is that required according to the IAMP.
Commission	Essential Services Commission, established under the <i>Essential Services Commission Act 2002</i>
CPI	Consumer Price Index (Adelaide, All Groups)
Council	District Council of Loxton Waikerie
CWMS	Community Wastewater Management System
ESC Act	<i>Essential Services Commission Act 2002</i>
F&A	Local Government Advice: Framework and Approach – Final Report
FTE	Full Time Equivalent
IAMP	Infrastructure and asset management plan (also called an AMP)
LG Act	<i>Local Government Act 1999</i>
LGA SA Financial Indicators Paper	Local Government Association of South Australia, Financial Sustainability Information Paper 9 - Financial Indicators Revised May 2019
LTFP	Long-term financial plan
NFLR	Net Financial Liabilities Ratio Net Financial Liabilities are defined as: Total Liabilities LESS Current Assets (Cash and Cash Equivalents) LESS Current Assets (Trade and Other Receivables) LESS Current Assets (Other Financial Assets) LESS Non-Current Assets (Financial Assets - excluding equity accounted investments in council businesses) The net financial liabilities ratio is: $\text{Net financial liabilities} \div \text{Total Operating Income}$
OSR	Operating Surplus Ratio The Operating Surplus (Deficit) is defined as: $\text{Total Operating Income} \text{ LESS } \text{Total Operating Expenses}$

OFFICIAL

ESCOSA REPORT

OFFICIAL

ABS	Australian Bureau of Statistics
	The Operating Surplus Ratio is defined as: Operating Surplus (Deficit) ÷ Total Operating Income
Regulations	<i>Local Government (Financial Management) Regulations 2011</i>
RBA	Reserve Bank of Australia
SEIFA	Socio-Economic Indexes for Areas
SMP	Strategic management plan
The scheme or advice	Local Government Advice Scheme

ESCOSA REPORT

OFFICIAL



The Essential Services Commission
Level 1, 151 Pirie Street Adelaide SA 5000
GPO Box 2605 Adelaide SA 5001
T 08 8463 4444
E escosa@escosa.sa.gov.au | W www.escosa.sa.gov.au

OFFICIAL