

# 2023-2024 ANNUAL BUSINESS PLAN

Yorke Peninsula Council



[www.yorke.sa.gov.au](http://www.yorke.sa.gov.au)



# ACKNOWLEDGEMENT OF COUNTRY

Yorke Peninsula Council respects the fundamental role of Narungga (traditionally spelt Nharangga) people as the First Nation custodians of the Country now known as Yorke Peninsula and the surrounding seas. We pay respect to Narungga Elders past and present, to Country, and to their rich and vibrant culture.

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# MAYOR'S FOREWORD

It is my pleasure to present Yorke Peninsula Council's (Council's) 2023-24 Annual Business Plan (ABP) and Budget.

Council has given much thought to this year's budget to ensure ratepayers receive the services they deserve, and have come to expect, despite cost pressures Council is facing from inflation.

We know many of our residents and ratepayers are feeling the pinch from rising costs in their day-to-day lives, from groceries to fuel to utilities bills. Our 2023-24 ABP and Budget has been developed with those considerations front of mind.

Council is not immune to these rising costs.

A rate rise is needed to ensure services such as road maintenance and rubbish collection can continue, and our infrastructure does not fall into disrepair.

Budgeting money now for asset upkeep means we will not be faced with much higher costs due to failing infrastructure in the future.

For these reasons, this year's rate rise has been set at 8% which is in line with recent CPI, plus 3% for primary production ratepayers which will all go directly toward our rural roads.

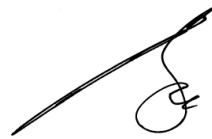
It is important to note that:

- Rate rises are driven primarily by property valuations (assessed independent from Council) which this year have increased dramatically, Council has actually eased the burden on ratepayers rather than pass on the full valuation increase
- Council has continually ensured our ratepayers do not bear the full brunt of property value rises over many years
- 3% of the total rate rise is being borne by farmers, for farmers, to be used on improving rural roads
- Your Council rates make up less than 4% of the total taxes you pay

How have we kept rate rises so far below property valuation increases?

1. Frugal spending. Council has been careful with how it spends money across the next 12 months.
2. Grants. Council staff have worked hard to attain grant funding for local projects and initiatives.

3. Common sense. We know that just because the average house is now worth 17% more than it was last year, and the average farm 22% more, it does not mean people can afford rate rises of 17% or 22% on average. Through sensible and professional budgeting, we can keep rate rises far below those levels while still delivering for our community and achieving a healthy financial result for Council.



**Darren Braund**  
**MAYOR**





# EXECUTIVE SUMMARY

This ABP and Budget outlines Yorke Peninsula Council's services and projects to be delivered across the 2023-24 financial year.

The document was developed in close consultation with Elected Members and key staff, and with due consideration given to Council's Long-Term Financial Plan (LTFP) and Asset Management Plans (AMPs).

The upcoming budget delivers on Council's key objectives of achieving an operating surplus and continuing our focus on asset renewal.

## Key parameters used in developing the Annual Business Plan and Budget

- Inflation (CPI) 7.9% (Adelaide City Annual March Quarter 2023)
- Service levels maintained
- Emphasis on achieving financial sustainability in accordance with Council's recently updated LTFP
- Spending on asset renewal in line with existing AMPs and funding in accordance with Council's LTFP to maintain and upgrade infrastructure
- Property valuation increases of approximately 17.4% for residential and 21.8% for primary production
- Rate rise of 8%, with an additional 3% for primary production (this additional 3% will be spent on improving rural roads)

Due to the large number of assets requiring maintenance and upgrades, and cost pressures associated with electricity, fuel and more, Council has limited its spending on new projects for 2023-24. The focus is instead on maintaining services to meet community expectations, and looking after existing assets, including our extensive rural road network which will be the single biggest beneficiary of this year's budget.

All asset renewal efforts are consistent with Council's AMPs. The rate model will result in Council collecting \$22.49m which is higher than projected in the LTFP due to efforts made to keep pace with inflation.

This year's capital budget of \$16.85m is consistent with the LTFP and is primarily devoted to renewing

assets. \$6.96m is being allocated to new assets for our community.

As is the case each year, staff have utilised zero-based budgeting to develop this ABP. This means all budgets start at \$0 and are then formulated using historical known costs, anticipated increases and quotations. This method ensures all aspects of the budget are scrutinised for maximum value to ratepayers, as opposed to Council simply doing what has worked in the past.



**Andrew Cameron**  
**Chief Executive Officer**





# PUBLIC CONSULTATION & REVIEW

The draft 2023-23 Yorke Peninsula Council Annual Business Plan and Budget was exhibited for public consultation as prescribed by the Local Government Act 1999 from 31 May, 2023, to 5pm on 21 June, 2023.

A minimum of one hour was allocated for verbal submissions at an Ordinary Council Meeting on 28 June, 2023. During the public consultation period, Council received 11 written submissions and one verbal address, which were considered at the Ordinary Council Meeting.

In accordance to section 123(6a) of the Local Government Act 1999 the following significant changes made to the advertised draft ABP and reasons for these changes are provided below:

## Operating Statement Adjustments

- A \$202,557 increase road maintenance expenditure budget based on increased rate revenue generated by selection of rate model 4 (over rate model 2) as the preferred option for 2023-2024 rate generation by the elected body; and
- A \$10,000 increase to expenditure to match Country Arts SA offer, made during the Public Consultation period, to support the Arts and Cultural Facilitator position till the end of June 2024.

## Capital Works Program Adjustments

- A \$202,557 increase to the capital road renewal expenditure budget based on increased rate revenue generated by selection rate model 4 (over rate model 2) as the preferred option for 2023/2024 rate generation by the elected body.

## Minor Amendments to the Draft Annual Business Plan

The publicly advertised draft 2023-2024 ABP has also been adjusted to reflect the final property valuations that will be adopted and their subsequent impact on the rating model endorsed by Council. The total

general rate revenue to be raised remains unchanged at \$22.49m.

The minor changes made to the advertised draft ABP are:

- 'Public Consultation and Review' section of the Plan updated (page 6);
- 'Setting The Rates' section on page 18 updated to reflect the latest rates modelling impacted by final valuation data;
- 'Rating Strategies' section (pages 19 and 20) updated to reflect final valuations as at 26 June 2023 and recalculation of the Council endorsed rating model. The following changes have been made to the publicly advertised draft ABP:
  - Update to valuations table on page 18:
    - ◊ Overall valuation increase to total rateable properties is now 19.9% compared to 19.7%. Note, draft ABP reported 19.2% increase in error.
    - ◊ Residential property valuations increased a further 0.6% or \$17.6m due to properties previously classified as vacant or other, now classified as residential and revalued accordingly;
    - ◊ Primary Production property valuations increased 0.02% (\$1.3m); and
    - ◊ Vacant land valuations dropped by 4.9% (\$10.7m) while other land use valuations increased by 18% (\$8.2m). Both were a result of completed dwellings reclassified as Residential land use.
  - Rates in the dollar recalculated considering final valuations and updated on page 19 as follows:
    - ◊ Primary Production: 0.120004 cents in the dollar (0.1% decrease to advertised draft ABP and 2.1% less than 2022-2023); and
    - ◊ All other land use categories: 0.263238 cents in the dollar (1.0% less than advertised draft ABP and 5.0% less than 2022-2023).
- Minor corrections, formatting and alignment changes have also been made.



# ELECTED MEMBERS

## MAYOR



Darren Braund

## KALKABURY WARD COUNCILLORS



Deputy Mayor Richard Carruthers



Roger Johns



Alan Headon



Tania Stock

## GUM FLAT WARD COUNCILLORS



Naomi Bittner



Scott Hoyle



Trevor Clerke

## INNES PENTONVALE WARD COUNCILLORS



Kylie Gray



Adam Meyer



Kristin Murdock



Michael O'Connell

# COUNCIL SUMMARY



## Operating Revenue

**\$28.4m**

Rates and service charges

**\$5.1m**

User pay charges

**\$4.2m**

Grants and subsidies

**\$0.4m**

Statutory charges

**\$0.46m**

Investment, reimbursements  
and other income



## Operating Expenditure

**\$15.1m**

Materials, contracts and other

**\$11.4m**

Depreciation

**\$11.3m**

Employee costs

**\$0.3m**

Finance costs

## Other Activities

**4**

Joint use libraries

**8**

Depot libraries

**5**

Swimming pools

**2**

Toddler Wading pools



## District Statistics



**11,922**

Estimated population



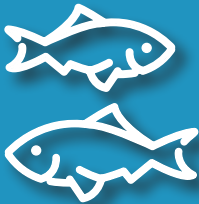
**2.0/km<sup>2</sup>**

Estimated population density



**5,900 km<sup>2</sup>**

Total Council area



**485km**

Council coastline



# MAJOR EXPENDITURE



## Council Statistics



**12**

Elected Members



**9,181**

Enrolled Electors



**14,150**

Total rateable properties



**116.54**

Full-time equivalent Council staff



## Roads

**3,890km**

of Council roads

**\$14.0m**

Road network improvements  
(Maintenance, renewals and sealing)



## CWMS & Water Schemes

**18**

CWMS Sites

**4**

Potable water sites

(Including Marion Bay Desal Plant)

**3**

Stormwater Reuse Sites

**\$1.7m**

To maintain these community assets



## Footpaths & Stormwater

**23km**

Constructed footpaths & sealed walking trails

**28km**

of pipes and drains

**\$0.7m**

To upgrade and maintain assets to a  
community standard



## Council Caravan Parks

**6**

Council owned and managed

**\$2.8m / \$3.5m**

Expenditure / Income

(Operations and capital upgrades)

# BUDGET HIGHLIGHTS



**\$14.0m**  
Roads



**\$0.8m**  
Environment



**\$2.9m**  
Waste Operations

**\$2.0m**

Parks & Gardens



**\$1.7m**

CWMS & Water Schemes

**\$0.5m**

Community Support



**\$0.4m**

Street Lighting

**\$0.7m**

Footpaths & Stormwater



**\$0.2m**

Tourism & Economic Development

**\$0.7m**

Cleaning of Council  
Buildings, Toilets Etc





# STRATEGIC DIRECTION

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The 2023-24 Annual Business Plan sets out the specific projects Council proposes to deliver for its community.

The Annual Business Plan, as required by Section 123 (2) (a) of the Local Government Act 1999, must include a summary of the Council's long-term objectives per its Strategic Management Plan (SMP).

The draft 2021-2025 SMP was adopted by Council on 14 October 2020. The most significant change from the earlier SMP was the development of a new vision.

A summary of the 2021-2025 strategic directions are provided on the following pages.

For a full copy of the 2021-2025 SMP, visit the corporate publications section of our website, [www.yorke.sa.gov.au](http://www.yorke.sa.gov.au). Please note, Council's Strategic Management Plan will be reviewed in the near future.



# STRATEGIC DIRECTION

## Goal 1

### **Economically Prosperous Peninsula**

Create an environment that encourages and supports a strong, diverse economy that attracts more businesses, residents and visitors. Success will mean revitalisation of our towns and retaining young, active and working future generations.

## Goal 2

### **Community Connected through Infrastructure**

Maintain and expand the connectivity of our community through a sustainable road network and planning for the necessary infrastructure that allows our multi-generational community to learn, work and live here.

## Goal 3

### **Valued & Restored Environment**

Council will be an investor, activator and custodian of our spectacular coastline and pristine environment. We will promote sustainable development and encourage the conservation of water, energy, the natural environment and minimise waste.

## Goal 4

### **Community Engaged & Supported**

Council will continually seek innovative ways to engage and support our community and improve the quality of life on Yorke Peninsula. Council will continue to work in partnership with progress associations and other key stakeholders to achieve this goal.

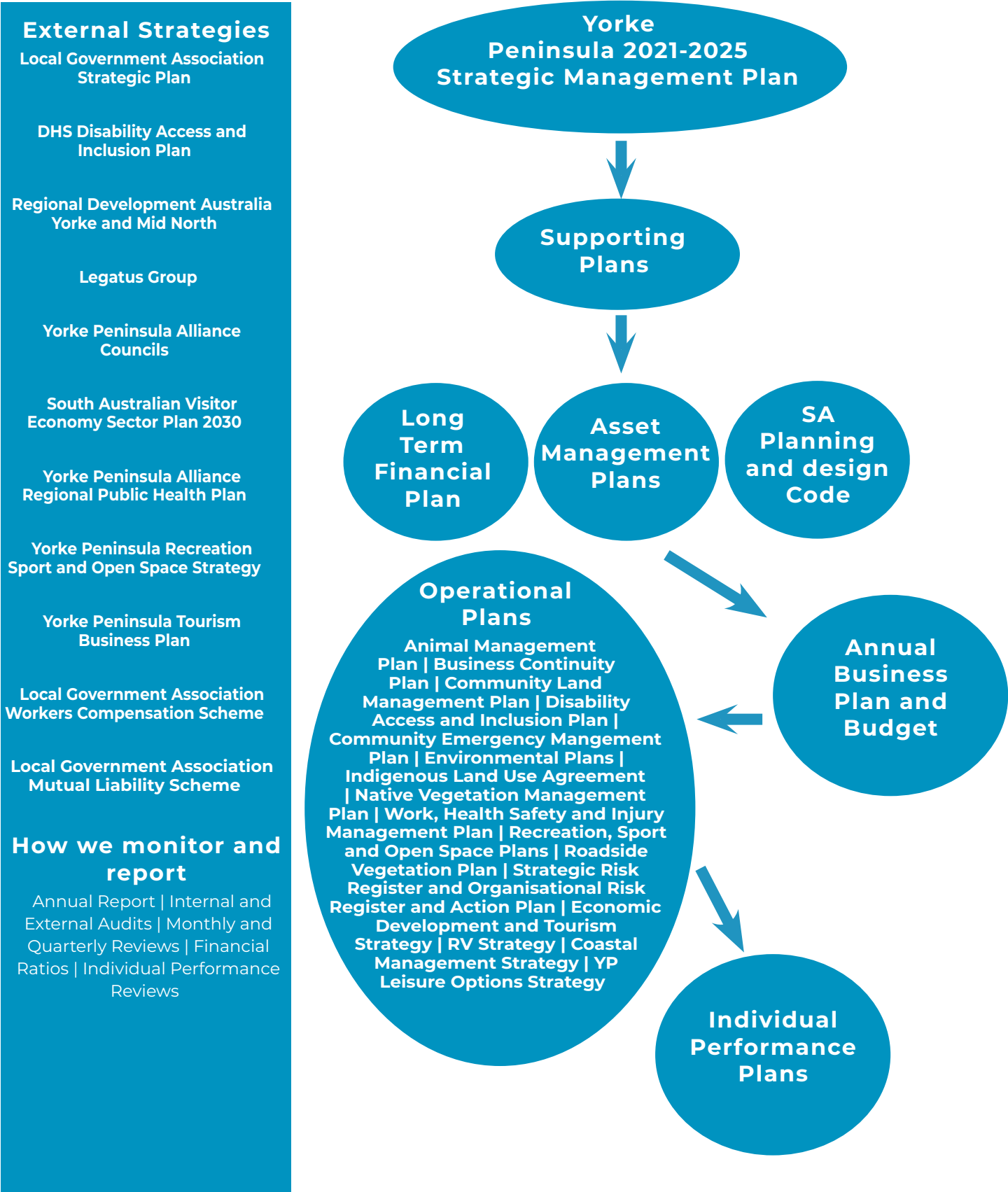
## Goal 5

### **Responsible Governance & Leadership**

Council will demonstrate leadership, improve service delivery and ensure its business is conducted in a compliant, transparent, accountable, sustainable and efficient way using technology as an enabler.



# STRATEGIC DIRECTION FRAMEWORK





# LEGISLATIVE COMPLIANCE

Section 123 of the Local Government Act 1999 states each Council must have a plan for each financial year. The Annual Business Plan must be adopted by Council between 31 May and 31 August for the ensuing year and must undergo a minimum of 21 days public consultation.

In addition, Council must at least provide for:

- A public notice in a local newspaper informing the public of the preparation of the Draft Annual Business Plan and inviting interested persons to make written submissions in relation to the matter

The Council must also ensure copies of the Draft Annual Business Plan are available:

- For inspection at the principal office of the Council
- For purchase at a fee fixed by Council from its principal office
- On the Council's website
- 

Section 123 requires the Yorke Peninsula Council Annual Business Plan includes the following:

- An outline of Council's objectives for the year
- The activities Council intends to undertake to achieve those objectives
- The measures (financial and non-financial) Council intend to use to assess its performance
- An assessment of the financial requirements of Council for the financial year
- A summary of its proposed operating expenditure, capital expenditure and sources of revenue
- The rates structure and policies for the financial year
- The impact of the rates structure on the community, based on the modelling used

The Annual Business Plan must also take into account Council's Long Term Financial Plan and relevant issues relating to the management and development of infrastructure and major assets by the Council.



# ONGOING SERVICES

All Councils have basic responsibilities under the Local Government Act 1999, and other relevant legislation. These include:

- Regulatory activities (maintaining voters' rolls and supporting elected members)
- Setting rates, preparing an annual budget and determining longer-term strategic management plans for the area
- Management of basic infrastructure including roads, footpaths, parks, public open space, street lighting and stormwater drainage
- Street cleaning and rubbish collection
- Development planning and control, including building safety assessment
- Various environmental health services
- Protection of natural resources
- Animal management

Yorke Peninsula Council provides further services and programs to support the community, including:

- Beach access facilities
- Boat ramps
- Camping reserves
- Cemeteries
- Civic and community halls
- Community events
- Fire prevention
- Leasing of various other Council-owned assets
- Leisure Options
- Library services
- Recreational reserves and open spaces
- Recycling facilities
- Sporting facilities
- Support for youth services
- Tourist facilities
- Walking trails
- Six Council-owned and managed caravan parks on a fee for service basis
- Art and cultural initiatives



# INFLUENCES, PRIORITIES & CHALLENGES

## Current Economic Climate

Council seeks to ensure the Annual Business Plan and Budget delivers financial sustainability in accordance with the adopted targets within the 2024-33 Long Term Financial Plan (LTFP) and Council's Asset Management Plans (AMPs). A key focus of the LTFP is to ensure there is appropriate spending on asset renewal in line with these AMPs.

Council's LTFP is based on a "business as usual" model as far as practicable, including any impacts of completed service level reviews, increased inflation, variations to current levels of service and Council's current asset stock. Based on the most recent ABS Census results for the Council area, it has been assumed growth in the area will be minimal.

Funding from State and Federal Governments has been inconsistent over the years and cannot be relied upon as a consistent substitute for other income streams. As an example, Council's general purpose grant allocation from the Local Government Grants Commission was reduced by \$191,546 (15%) in 2022-23 and Council anticipates that further cuts are likely in future years.

Council has reduced costs in some areas through service level reviews and retendering of major contracts. Renewal of Information Technology hardware and telecommunications contracts are also likely to result in savings in the short to medium term.

Cleaning of Council facilities has increased due to cleaning requirements of bush camping toilets; Council has received funding to install additional toilets at bush camping sites so this needs to be factored into future site cleaning. A significant increase in bush camping, while generating more revenue, has also meant increased costs for rubbish collection, repairs and maintenance.

Increases in inflation trending in line with LTFP projections continue to impact Council operations, in particular the cost of fuel, salaries and wages, cost of construction materials, etc. Further, insurance costs continue to rise due to increased adverse weather events and revaluation of Council's land, building and other structures' asset class.

Council will continue to undertake reviews during the coming financial year and budgets will be updated to reflect any further cost savings or increases. Some of the above cost pressures and impacts are factored into Council's LTFP which is available on Council's website.

In addition, Council faces several key challenges and has some opportunities available which will impact its short to medium term financial position.

As detailed in the current LTFP these include:

- Ensuring ongoing financial sustainability of Council
- Meeting ongoing expectations of our community for increased or new services

- Maximising funding for renewal and replacement of ageing assets in line with improved asset management principles and practices
- Improved data for Council's asset base and ongoing review of asset inventory
- Managing the impact of cost shifting from other levels of Government
- Managing political and legislative changes and their impact
- Minimising the impact of economic instability
- Monitoring the impact of decisions made outside the LTFP
- Rationalisation of underutilised or surplus assets to provide one-off capital injections and reduce maintenance and other operating costs
- Responsible use of debt to leverage funding for asset renewal and acquisition of assets
- Review of services to reduce expenditure, increase efficiency and effectiveness and increase value for money to ratepayers
- Investment in new technology to reduce costs, increase productivity, efficiency and effectiveness
- Explore ways to increase existing revenue streams and find new ones by taking a commercial approach to Council business
- Environmental impacts.

# INFLUENCES, PRIORITIES & CHALLENGES

## Budget Strategy

Council's LTFP guides the development of the Annual Business Plan and Budget. The key goal of the LTFP is to ensure Council achieves and maintains financial sustainability over the life of the plan while ensuring at least the current levels of service and infrastructure are maintained for the community.

Council's LTFP has been reviewed in detail and many factors considered such as current income and expenditure trends, forecast data, CPI and indexation factors, updated asset information, current environment, etc.

After community consultation, the LTFP was adopted by Council in April 2023.

Continuing with the increased focus on renewal of existing assets, Council over the life of the LTFP proposes to allocate \$146.9m towards renewal and replacement of existing assets, with 76.3% or \$112.2m specifically for transport assets (mainly roads). An additional \$8.7m over 10 years is allocated for upgrades to existing assets and acquisition of new assets.

This plan represents Year 1 of the LTFP. It should be noted there have been some variations from the LTFP, to address recently identified inflationary cost pressures and priorities. It reflects current information and take up of recently announced grant funding opportunities.

Council's forecast operating surplus in 2023-2024 is \$0.5m compared to a \$0.3m deficit in Council's LTFP. This is an improvement of \$0.8m and can be explained as the net impact of Council's operating expenditure being \$0.7m (1.9%) greater than the LTFP forecast while income is \$1.5m (4.1%) more.

The primary reason for this is the net difference between increased rates and grant income less increased expenditure on various one-off operating projects not included in the LTFP.

Detailed reasons for these variations are in the Key Financial Measures section on pages 24-26.

The LTFP is scheduled to be reviewed annually in October and will include strategies to continue to achieve the objectives of the LTFP.

## Key Long Term Financial Plan Targets



### Positive Operating Surplus Ratio

Positive Operating Surplus Ratio (OSR) i.e. operating surplus, in the medium term.



### Asset Renewal

Spending on asset renewal consistent with Asset Management Plan (AMP) identified needs and LTFP set Asset Renewal Funding Ratio (ARFR) minimum (100%) target.



### Net Financial Liabilities Ratio

Net Financial Liabilities Ratio (NFLR) to be below Council's LTFP target of 100% of Operating Income.



### Long Term Financial Plan

No new services or assets or increases to existing services to be introduced without consideration of the impact on the LTFP.

# INFLUENCES, PRIORITIES & CHALLENGES

## Setting the Rates

Consistent with previous years, rates income continues to be the major source of revenue for Council making up approximately 73.6% of operating income.

Each year the impact of rate increases is reviewed in line with Council's Strategic Management Plan and LTFP. In 2023-24 the increase to total general rate income will be 11% to deliver approximately \$22.49m in total general rate revenue to enable Council to provide services and infrastructure as detailed in this plan. This is an increase of approximately \$2.23m compared to 2022-23 and is 4.0% or approximately \$0.8m greater than that forecast in Council's LTFP. Council's LTFP forecast a total rate income increase of 7.0%.

A rate increase of 8.0% will be funded by all ratepayers, with the additional 3.0% paid entirely by Primary Production ratepayers. The full amount of the 3.0% additional increase (\$0.6m) will be allocated to maintenance and capital works on rural roads and intersections within the Council area. Due to significant reductions in Financial Assistance Grants, which are largely driven by the increasing value of Primary Production land, expansion of this rate loading has become essential to Council's financial sustainability. Further, any additional rate increase for Primary Production ratepayers will go some way

towards reducing the inequity between the proportion of overall rates paid by Primary Production ratepayers when compared to all other rate payer categories (refer to Valuation v Rate Contribution on page 20 for a detailed discussion).

The structure of the rating system will remain consistent with previous financial years and includes:

- Continued use of a fixed charge of \$410 (unchanged since 2017-18);
- Differential rates for various land use categories which have been set based on modelling, to raise the budgeted total general rates revenue of approximately \$22.49m to provide the various Council services and infrastructure spend detailed in this plan. This has resulted in residential ratepayers paying approximately 51.8% of total general rates revenue, with primary production ratepayers paying approximately 39.5% which is 2.3% more than 2022-23;
- Reduction in differential rates (cents in the dollar) to adjust for increasing capital valuations to generate the required total general rate revenue;
- A comprehensive set of rebates.

A detailed explanation of the rates structure is described on the following page.

VALUATION INCREASES				
Land Use	2023-24	2022-23	Variance (\$)	Variance (%)
Residential	\$3.03b	\$2.58b	+\$0.45b	+17.4%
Commercial	\$153m	\$142m	+\$11m	+7.7%
Industrial	\$22m	\$21m	+\$1m	+4.8%
Primary Production	\$7.03b	\$5.77b	+\$1.26b	+21.8%
Vacant Land	\$208m	\$194m	+\$14m	+17.2%
Other	\$54m	\$39m	+15m	+38.5%
<b>TOTAL</b>	<b>\$10.49b</b>	<b>\$8.75b</b>	<b>+1.75b</b>	<b>+19.9%</b>

NOTE: Totals above may not add due to rounding.



# RATING STRATEGIES

Capital property value (value of land plus capital improvements) is the major determinant of how much each individual ratepayer contributes to general rates. Rates paid do not directly relate to the services used by each ratepayer. In general, the higher the value of the property, the higher the rates paid.

Council uses capital values provided by the Valuer General (VG) to value all properties. The table on page 18 shows the change in capital valuations by land use category for all rateable properties as at 25 June 2023. These will be used to adopt and set valuations and rates for 2023-24. The valuations in the table on the previous page show that once again primary production valuations and now residential valuations are forecast to increase significantly.

While capital valuations do not influence the total amount of rates that need to be raised, they do impact the amount of rates contributed by individual ratepayers and various land use categories.

In determining how rates are applied, Council uses a differential rating system with a fixed charge. Differential rates are applied depending on the use to which the land is put, whether it be residential, commercial, primary production etc. The fixed charge is a declared amount

all ratepayers contribute in addition to differential rates which are applied directly against the property capital value.

The rate-in-the-dollar to be applied each year is determined during the annual budget process. Put simply, the differential rate is calculated by dividing the required rates revenue by the total rateable capital value for the Council area, after accounting for the total fixed charge contribution from all properties.

Based on the principal use of each property, Council rates properties in six different land use categories.

The key components of the rating model for 2023-24 are:

- To raise \$22.49m in total general rates (before rebates and remissions) excluding the Landscape levy, waste management, CWMS and water service charges;
- No change to the fixed charge of \$410;
- Compared to 2022-23, total rate contribution by ratepayers in the residential land use category to decrease by 1.6% while primary production will increase by 2.3%, with all other land use categories to remain almost unchanged;
- Adjustments to the 2022-23 differential rates to accommodate the variances in capital values to

ensure the required amount of general rate revenue is raised;

While rate increases for individual ratepayers will vary due to differing capital values, compared to 2022-2023 residential properties can expect to pay on average an extra \$93 (\$1.79/week) per assessment, primary production an extra \$472 (\$9.08/week) per assessment, vacant land an \$10 less (9 cents/week) per assessment and other land use an extra \$175 (\$3.37/week) per assessment. Commercial and industrial properties are likely to see either a very small increase or a decrease per assessment;

Differential rate of 0.263238 cents in the dollar (5% less than 2022-23) for residential, commercial, industrial, vacant land and other land use categories;

Differential rate of 0.120004 cents in the dollar (2.1% less than 2022-23) for primary production;

14,181 total rateable assessments of which 12,053 pay the fixed charge.

Mandatory and discretionary rebates for general rates (as specified in the Local Government Act 1999) totalling approximately \$0.15m have been provided for in the 2023-24 budget.

# RATING STRATEGIES

## Fixed Charges

Council has set a fixed charge for the 2023-24 year. The fixed charge has remained at \$410 (unchanged since 2017-18) and will be levied uniformly on all non-contiguous assessments.

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

The reasons for imposing a fixed charge include:

- It is appropriate that all rateable properties make a base contribution to the cost of administering the Council's services;
- It is appropriate that all rateable properties make a contribution to the cost of creating and maintaining the physical infrastructure that supports each property;
- A fixed-charge system generally creates a lesser burden on lower valued properties than a minimum rate system would.

## Valuation v Rate Contribution

While capital valuations do not influence the total amount of rates that need to be raised to fund Council's budget to provide services and infrastructure to the community, they do impact the amount of rates contributed by individual ratepayers and various land use categories i.e. residential, primary production etc. Therefore, for the purposes of equity it is important that the total rates contributed by ratepayers in a particular land use category are generally consistent with the capital valuations for that land use category. This has not been the case over the last decade or so, due to the significant increase in primary production capital valuations.

While primary production valuations have seen on average double-digit growth over the last decade, the share of total rates paid by ratepayers in the primary production category has remained relatively constant. This has resulted in ratepayers in the residential category, and to a lesser extent other land use categories, paying more than their fair share of annual rates. This is demonstrated by the increasing gap between valuations as a percentage of total Council valuations versus total rates paid by individual land use categories. The gap and resultant inequity for 2023-24 is demonstrated in the table below.

VALUATION V RATE CONTRIBUTION				
Category	Assessments	Rates Contribution	Valuations (% of Total)	Gap
Residential	9,051	51.8%	28.9%	+22.9%
Commercial	470	2.6%	1.5%	+1.1%
Industrial	62	0.4%	0.2%	+0.2%
Primary Production	2,879	39.5%	66.9%	-27.4%
Vacant Land	1,440	4.6%	2.0%	+2.6%
Other	279	1.1%	0.5%	+0.6%
TOTAL	14,181	100%	100%	



# RATING STRATEGIES

## **Valuation v Rate Contribution (cont.)**

Since 2016-17 the value of the general-purpose component of the financial assistance grant has reduced by an average of 4.5% year on year. In 2022-2023 the value of the general-purpose component of the financial assistance grant was 15% (or \$190,546) less than the prior year. The South Australian Local Government Grants Commission (SALGGC), which administers the financial assistance grants, has previously indicated that Council's future General Purpose Financial Assistance grant will reduce annually. This is primarily due to Council being paid more than their share in previous years and Council's primary production valuations being relatively greater than the State average, hence its increased ability to raise additional rates from primary production ratepayers.

## **Hardship and Postponement of Rates**

In accordance with provisions of the Local Government Act 1999, Section 182A, persons who hold a current seniors card could be eligible to postpone any amount in excess of \$500 (\$125 per quarter). Interest will accrue on postponed balances as per Section 182A (12) of the Local Government Act 1999.

Any ratepayer experiencing difficulties in meeting rates payments, or experiencing financial hardship, may be able to access payment plans tailored to meet their particular circumstances. All arrangements are strictly confidential.

Council's PO060 Rates Relief Policy details the specific situation of when rebates or postponements can be applied.



# RATING STRATEGIES

## Waste Collection and Recycling

In May 2012, the state government introduced regulations that determine how Council charges for its waste collection service based on distance from collection points. These regulations impact only on the rural two-bin service offered by Council. The regulations state:

- A property which has a collection point within 500 metres of their primary access point will be charged the full service charge;
- Properties whose collection point is more than 500 metres but no more than two kilometres from their primary access point will pay 75% of the full service charge;
- Properties whose collection point is more than two kilometres but no more than five kilometres from their primary access point will pay 50% of their full service charge;
- Properties whose collection point is more than five kilometres to their primary access point will not pay a service charge unless

a service is requested, and an appropriate service charge has been negotiated with Council.

For the purpose of the regulations a collection point is defined as the point on a waste collection route closest to the property's primary access point. The primary access point is defined as the same point as the rural property address for a property.

The service charge is set to recover the full cost of providing the waste and recycling service. The three-bin service is not offered to rural ratepayers.

These charges are driven by detailed modelling undertaken by Council based on a variety of costs such as fuel, labour, materials, collection and disposal, state government levies and taxes in particular the Solid Waste Levy etc.

Council completed this modelling and determined the annual charges for 2023-24 will need to increase in order to recover the full costs of delivering this service. These service charges have not increased since 2019-20, when Council was able to

apply a significant decrease from previous years.

The annual service charges in 2023-24 are set out in the table below.

## Community Wastewater Management Schemes

Council operates 18 Community Wastewater Management Systems (CWMS) that are situated in townships and holiday settlements throughout the district.

Income received via the CWMS annual service charges is based on full-cost recovery calculations which seek to ensure that the costs of operating the schemes are recovered by its users alone.

The CWMS annual service charges for 2023-24 are: \$635 (compared to \$547 in 2022-23) for occupied land and \$471 (compared to \$406 in 2022-23) for vacant land.

The annual service charges are set with reference to external requirements regulated by the Essential Services Commission of SA (ESCOSA) using an LGA SA supplied pricing model.

Service	Distance from rural collection point	2023-24 Charges (\$)	2022-23 Charges (\$)
3 Bins	(not applicable)	\$265.00	\$235.00
2 Bins	Up to 500m	\$226.00	\$187.00
2 Bins	Greater than 500m-2km	\$169.50	\$140.25
2 Bins	Greater than 2km-5km	\$113.00	\$93.50



# RATING STRATEGIES

## Northern and Yorke Landscape Region

The Yorke Peninsula Council falls within the Landscape South Australia Northern and Yorke region and as such Council is required, pursuant to the Landscape South Australia Act 2019, to raise funds by way of a Regional Landscape Levy (previously known as the NRM levy). The levy is imposed as a separate rate upon all properties within the area.

Council remits all revenue collected under this Act to the Landscape SA Northern and Yorke Board. The amount to be raised in 2023-24 is \$1.15m representing a \$44,000 or 3.6% decrease from 2022-23.

Council effectively operates as a revenue collector for the board, as the revenue from the levy is not retained by Council and Council does not determine how the revenue is spent.

## Water Charges

To enable communities to have access to a secondary water supply, Council maintains water supply services to three communities.

The annual service charges are set with reference to external requirements regulated by the Essential Services Commission of SA (ESCOSA) using an LGA

SA supplied pricing model. Income received via the water scheme annual service charge is based on full-cost recovery calculations which seek to ensure that the costs of operating the schemes are recovered by its users alone.

Fees for the Water Services operated by Council for 2023-24 are displayed in the table.

Location	2023-24
Balgowan	\$230
Black Point	\$230
Hardwicke Bay	\$230
Marion Bay desal	User Charge Only
Port Rickaby	User Charge Only





# KEY FINANCIAL MEASURES

Council has adopted a set of key financial indicators (ratios) in line with the targets set in its recently adopted 2024-2033 LTFP.

These financial ratios are a key measure in assessing Council's performance and financial sustainability. They have been calculated in accordance with Information Paper 9 – Local Government Financial Indicators prepared as part of the LGA Financial Sustainability Program for the Local Government Association of SA.

The LTFP, adopted by Council in April 2023, is based on a 'business as usual' model, as far as practicable in the current economic climate. The plan includes known impacts of completed service level reviews, variations to current levels of service and Council's current asset stock.

## Operating Surplus Ratio (OSR)

The OSR is the operating surplus (deficit) expressed as a percentage of operating income. A positive ratio indicates the percentage of operating income available to help fund proposed capital expenditure. A negative ratio indicates the percentage increase in operating income, or approximate decrease in operating expenses, required to

achieve a breakeven operating result.

Council's forecast operating surplus in 2023-24 is \$0.5m compared to a deficit of \$0.3m in Council's LTFP. This is \$0.8m better than the LTFP and is the net impact of Council's operating expenditure being \$0.7m (1.9%) greater than the LTFP forecast while income is \$1.5m (4.1%) more.

The primary reason for this is the difference between additional grant and rates income not forecast in Council's LTFP, various one-off operating projects and other factors outside Council's direct control which were not included in the LTFP.

In 2023-24 this ratio is proposed to be 1.3% which compared to Council's LTFP is 2.1% better. Council's LTFP target for this ratio is between 0% (breakeven) and 10%. This is based on SA Local Government recommended sector targets.

The improvement in this ratio is a combination of various one-off and recurrent income and expenditure items not factored into Council's LTFP, adjustments required based on recent Council decisions and information made available to Council during the budget development process.

	2023-2024 BUDGET	2024-2033 LTFP
Operating Surplus Ratio	1.3%	(0.8%)
Net Financial Liabilities Ratio	23.7%	23.7%
Asset Renewal Funding Ratio	56%	53%



# KEY FINANCIAL MEASURES

## Operating Surplus Ratio (OSR) (cont.)

- ◇ \$0.81m additional general rates income based on Council's decision to increase rates by 11.0% compared to the LTFP forecast of 7.0% total. The additional rates income will fund increased expenditure not forecast in the LTFP but included in the draft 2023-24 budget;
- ◇ \$0.41m in Supplementary Local Road Funding not included due to notification not available at the time of LTFP update;
- ◇ \$0.17m in CWMS annual service charge income greater based on full cost recovery modelling; and
- ◇ \$0.39m additional expenditure of one-off projects identified as essential in 2023-24 and included in the budget which were not provided for in the LTFP:
  - \$50,000 towards plant and machinery maintenance contract;
  - \$18,000 for repainting exterior of Edithburgh Institute;
  - \$10,000 to undertake an intersection safety audit;
  - \$7,950 to address erosion to Jetty Road, Port Julia;
  - \$20,000 allocation for emergency works in Council's leased caravan parks;
- \$20,000 to fund mandatory playground audits;
- \$60,000 for sealed road pavement investigations;
- \$50,000 for engineering designs to assist in application for funding to renewal Clinton Road; and
- \$150,000 to fund CWMS capacity investigations.
- ◇ \$200,000 unallocated operating expenditure.
- ◇ \$0.18m net reduction to operating expenditure due to refinement of plant and machinery costs and internal recovery estimates for the 2023-24 financial year.
- ◇ \$24,000 reduction to operating expenditure due to reduced salaries and wages plus \$10,000 increase to contractual budget in relation to Council's Arts and Cultural Facilitator role.
- ◇ \$0.09m additional expenditure on waste collection and disposal costs based on full cost recovery modelling reflective of inflationary impact.
- ◇ \$0.2m additional road maintenance expenditure allocation provided for at the close of public consultation for the Annual Business Plan.

# KEY FINANCIAL MEASURES

## **Net Financial Liabilities Ratio (NFLR)**

The net financial liabilities ratio is calculated by expressing net financial liabilities at the end of a financial year as a percentage of operating income for the year. If the ratio falls, over time, this indicates that the Council's capacity to meet its financial obligations from operating income is strengthening.

Council's forecast for this ratio in 2023-24 is 23.7% which is well below Council's LTFP maximum target of 100% of total operating income. Compared to the LTFP it is 1.1% lower.

This ratio indicates Council has the capacity to borrow for capital projects especially for those focused upon renewal and replacement of existing assets which may be overdue as long as it can afford to pay back the loans and its operating bottom line is heading towards a surplus in the medium to long term.

One new loan for a total of \$0.76m is included to be drawn down in 2023-24, with repayments to commence in 2024-25 for a fixed ten-year term. This new loan is Council's contribution to the \$3.8m Marion Bay Boat Ramp project. The remaining portion is anticipated to be grant funded. This project was originally budgeted at

3.0m prior to cost revision and was set to commence in 2024-25 in the LTFP pending successful grant application. However, Council has since been able to apply for the grant funding with the result of its application to be determined in 2023-24.

## **Asset Renewal Funding Ratio (ARFR)**

This ratio indicates the extent to which existing assets are being renewed and replaced, compared with the asset renewal and replacement expenditure identified as warranted in Council's Asset Management Plans (AMPs).

It is calculated by measuring capital expenditure on renewal or replacement of assets for a period, divided by the level of such expenditure proposed in the AMPs. Alternatively where AMPs for all asset classes are not available or up to date, depreciation can be used as a comparison. Council currently uses levels of expenditure proposed in its AMPs as a measure. Council's LTFP minimum target is 100% assuming Council has no backlog of existing assets requiring replacement and renewal. The LTFP forecasts a 53% renewal ratio in 2023-24; however, in the 2023-24 budget the ratio is forecast to be slightly higher at 55%. Council's forecast of 55% is well

below its LTFP minimum target of 100%. This is because the required expenditure on asset renewal in 2023-24 determined by Council's AMPs is approximately \$17.5m of which transport assets account for \$11.7m. This required annual asset renewal expenditure is calculated through Council's asset management system and based on useful lives, condition and expiration of assets.

The ARFR is calculated using this annual asset renewal required expenditure target which tends to fluctuate significantly from one year to the next. Hence the ratio also tends to fluctuate significantly from year to year as there will be years when Council will not have enough funds to meet the asset renewal expenditure requirements of its AMPs and then in other years the required expenditure will be low, hence Council will spend more than is required that year.

In 2023-24 Council is proposing to spend \$16.9m on capital projects with \$9.9m of this to be spent on renewal and replacement of existing assets. The remaining \$7.0m is for upgrades to existing assets and acquisition of new assets.

Council's proposed total capital expenditure of \$16.9m in the 2023-24 budget is approximately \$2.2m more than provided for in the LTFP.



# ANALYSIS OF OPERATING BUDGET

## Operating Income

This section of the Annual Business Plan provides an analysis of the planned Council expenditure for the 2023-24 financial year and the sources of funding for the budget.

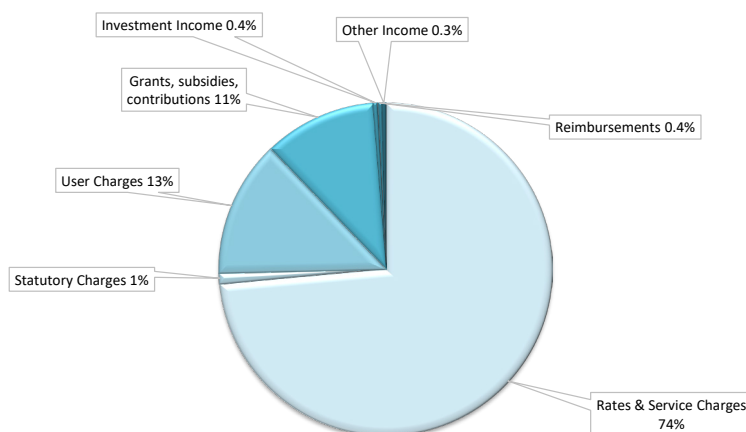
Council has budgeted for a total of \$38.6m in operating income. This is approximately \$1.5m or 4.1% more than projected in Council's LTFP. The variation can be attributed to the following significant items:

- \$0.81m additional general rates income based on Council's decision to increase rates by 8.0%, plus 3.0% for primary production, compared to the LTFP

forecast of 7.0%. The additional rates income will fund increased expenditure not forecast in the LTFP but included in the draft 2023-24 budget;

- \$0.41m in Supplementary Local Road Funding not included due to notification not available at the time of LTFP update;
- \$0.17m in CWMS annual service charge income greater based on full cost recovery modelling; and
- \$0.09m in waste collection and disposal annual service charge income greater based on full cost recovery modelling.

## Operating Income 23-24



## Totals

**Rates & service charges: \$28.4m**  
**Grants, subsidies & contributions: \$4.2m**  
**User charges: \$5.1m**  
**Statutory charges: \$0.4m**  
**Other income: \$0.1m**  
**Investment income: \$0.2m**  
**Reimbursements: \$0.2m**

## DESCRIPTOR

### General Rates and Service Charges

General rates on properties as well as service charges (i.e. sewerage, water and refuse/recycling charges).

### Statutory charges set by State Government

Fees and charges set by State Government regulation and received by the Council for regulatory functions undertaken such as assessment of development and building applications and animal control.

### User Pay Charges set by Council

Charges for the Council's fee-based facilities and services such as caravan parks, community halls, cemeteries, bush camping etc.

### Grants and Subsidies

Council seeks to attract as much grant funding from other tiers of government as possible, thereby reducing the reliance on other revenue streams.

### Investment, Reimbursements & Other Income

Interest received on Council's internal cash reserves and deposits. Reimbursements for work undertaken and other income.

# ANALYSIS OF OPERATING BUDGET

## Operating Expenses

Operating expenses of \$38.1m budgeted for in 2023-24 are summarised below by major category. This is \$0.7m or 1.9% greater than the projected operating expenses within the LTFP.

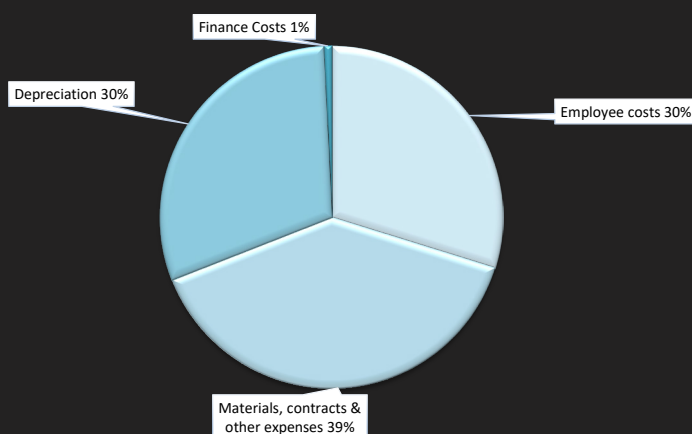
As detailed on page 25 of this Plan the additional \$0.7m in operating expenses is primarily due to the following significant items:

- \$0.39m additional expenditure of one-off projects identified as essential in 2023-24 and included in the budget which were not provided for in the LTFP. While reviewing the LTFP these one-off projects had not been individually identified, hence were not included;
- \$0.09m additional expenditure on waste collection

and disposal costs based on full cost recovery modelling;

- \$0.18m net reduction to operating expenditure due to refinement of plant and machinery costs and internal recovery estimates for the 2023-24 financial year;
- \$24,000 reduction to operating expenditure due to reduced salaries and wages plus \$10,000 contractual increase in relation to Council's Arts and Cultural Facilitator role;
- \$0.2m unallocated operating expenses.
- \$0.2m additional road maintenance expenditure allocation provided for at the close of public consultation for the Annual Business Plan.

## Operating Expenses 23-24



## Totals

**Employee Costs: \$11.3m**

**Materials, Contracts & Other Expenses: \$15.1m**

**Depreciation, Amortisation & Impairment: \$11.4m**

**Finance Costs: \$0.3m**

DESCRIPTOR	
Employee Costs	All labour related expenses such as wages and salaries, and on-costs such as allowances, leave entitlements, employer superannuation, workers compensation and income protection insurance.
Contractual Services	Payments for services provided by contractors i.e. waste collection and disposal, electrical and plumbing etc
Materials & Others	Payments for physical goods such as water, fuel, energy, road materials, office consumables, stationery, insurances, postage, telephone, government levies, contributions and donations.
Depreciation	Annual consumption of Council's fixed assets (e.g. infrastructure, equipment, buildings etc.) over their useful lives
Finance Costs	Costs of financing Council's activities through borrowings or other types of financial accommodation and merchant fees.



# CAPITAL WORKS PROGRAM

Council has developed a suite of Asset Management Plans for the various categories of assets such as Community Wastewater Management Systems, stormwater infrastructure, transport, water infrastructure, major plant and buildings and other structures.

These plans identify costs required to ensure assets will be maintained in a sustainable condition over the long term. There will always be a community desire for the provision of new and upgraded assets; however, it is important

that priority is given to the replacement and sustainable renewal of existing assets.

The following table provides a complete list of all capital projects funded through the 2023-24 Annual Business Plan. Council's performance will be assessed by the timely completion of these projects within the stated budget.

Note: The below totals represent total cost of projects exclusive of any external funding (e.g. grants, trade-ins).

CAPITAL WORKS PROGRAM 2023-24	RENEWAL/ REPLACEMENT	NEW/ UPGRADED
<b>CARAVAN PARKS</b>	<b>\$147,735</b>	<b>\$111,315</b>
Port Vincent Caravan Park Beach Wheelchair	\$0	\$6,100
Marion Bay Caravan park new mattresses	\$9,735	\$0
Point Turton Caravan Park Storage Shed	\$0	\$40,000
Marion Bay Caravan Park Mobility Mat	\$0	\$15,795
Port Rickaby Caravan Park Water Supply Upgrade	\$138,000	\$0
Port Rickaby Caravan Park Dump Point	\$0	\$49,420
<b>COMMUNITY WASTEWATER MANAGEMENT SYSTEMS</b>	<b>\$234,221</b>	<b>\$160,500</b>
Maitland wwtp Pump Station and Buffer tank odour control system install	\$0	\$26,500
Maitland wwtp new waste tank roofing	\$12,000	\$0
Maitland wwtp install new roller door to pump shed	\$0	\$10,000
Maitland wwtp AAT tank new Aerators	\$37,000	\$0
Point Turton wwtp replacement of AAT tank aerators	\$33,000	\$0
Yorke town Minlaton Road CWMS pump station switchboard renewal and flowmeter	\$28,000	\$12,000
Yorke town CWMS Warooka Road pump station switchboard renewal and new flowmeter	\$28,000	\$12,000
Maitland CWMS Gravity drain replacement	\$30,000	
Balgowan public toilets and camp ground connection to foreshore CWMS	\$0	\$20,000
Port Vincent caravan park main pump station monitoring system and valve replacement	\$10,625	\$0
Port Vincent marina pump station replacement of pump 2	\$7,986	\$0
Port Vincent Ventnor Street pump station valve replacement	\$1,660	\$0
Port Julia jetty pump station pump replacement	\$7,700	\$0
Stansbury Oyster Court pump station pump replacement	\$9,200	\$0
Port Victoria pump station 2 monitoring system and valve replacement	\$2,700	\$0
Chinamans wells pump station 1 replacement of monitoring system and plc	\$4,830	\$0
Port Vincent wwtp waste pump replacement	\$4,980	\$0

# CAPITAL WORKS PROGRAM

CAPITAL WORKS PROGRAM 2023-24	RENEWAL/ REPLACEMENT	NEW/ UPGRADED
Port Victoria wwtp waste pump replacement	\$4,980	\$0
Point Turton wwtp replacement of irrigation pump 2	\$5,790	\$0
Port Victoria wwtp chlorine dosing pump replacement	\$5,770	\$0
Point Turton wwtp Install pre-treatment filtration system	\$0	\$80,000
<b>FURNITURE AND FITTINGS</b>	<b>\$5,000</b>	<b>\$0</b>
Furniture purchases	\$5,000	\$0
<b>INFORMATION TECHNOLOGY</b>	<b>\$37,199</b>	<b>\$6,000</b>
Monitors refresh	\$6,600	\$0
DJI Mavic 3 drone - renewal	\$3,999	\$0
Laptop - video editing capable	\$0	\$6,000
Mobile phone refresh	\$3,500	\$0
Computers refreshing	\$23,100	\$0
<b>MAJOR PLANT, EQUIPMENT, FLEET VEHICLES AND MINOR PLANT</b>	<b>\$959,560</b>	<b>\$120,000</b>
Traffic counters	\$11,200	\$0
Vibratory roller	\$195,000	\$0
Patrol grader	\$515,000	\$0
Utes	\$66,000	\$0
Semi water tanker	\$0	\$120,000
Magnet frame	\$20,000	\$0
Annual replacement of program of Council vehicles for 2023-24.	\$152,360	\$0
<b>TRANSPORT INFRASTRUCTURE</b>	<b>\$8,445,687</b>	<b>\$0</b>
Extend the median strip 30 meters to the East, Edith Street Edithburgh	\$64,000	\$0
Remove and relay 32 meters of lifted kerb and reinstate adjoining road	\$28,000	\$0
Gleesons Rd - Marion Bay Rd to Liddiards Rd	\$123,511	\$0
South Coast Rd - Yorke Hwy to Meehan Hill	\$293,093	\$0
Heel Rd - Sheoak Beach Rd to Goldsmith Beach Rd	\$454,888	\$0
Town Rehabilitation South	\$659,522	\$0
New Honiton Rd - Troughbridge Hill Rd to Goldsmith Beach Rd	\$128,849	\$0
Corny Point Rd - Brutus Rd to Turton Rd	\$331,019	\$0
Dust suppression	\$50,000	\$0
Nalyappa Rd - Coopers Rd to Barnes Rd	\$406,199	\$0
Melton South Road - Upper Yorke Rd to Wayside Rd	\$676,013	\$0
Unallocated capital renewal of transport infrastructure	\$202,577	\$0



# CAPITAL WORKS PROGRAM

CAPITAL WORKS PROGRAM 2023-24	RENEWAL/ REPLACEMENT	NEW/ UPGRADED
Sandy Church Rd - Spencer Hwy to 3.45 Km	\$501,229	\$0
Patch Work North - various rds	\$791,981	\$0
Patch Works South - various rds	\$476,670	\$0
Dowlingville Slant Rd - Yorke Hwy to Cook Rd	\$200,421	\$0
Reseal allocation	\$1,700,000	\$0
Intersection upgrades	\$607,716	\$0
Rubble raising	\$500,000	\$0
Sealed road rehabilitation stabilisation works	\$250,000	\$0
<b>WATER INFRASTRUCTURE</b>	<b>\$6,150</b>	<b>\$80,000</b>
Hardwicke Bay water scheme increased storage capacity	\$0	\$80,000
Marion Bay desal plant distribution pumps repairs	\$6,150	\$0
<b>STORMWATER DRAINAGE</b>	<b>\$62,000</b>	<b>\$50,000</b>
Edithburgh - Gillerton terraces drainage works stage 3	\$62,000	\$0
Maitland Western stormwater dam spillway installation stage 2	\$0	\$50,000
<b>GRANT FUNDED ONE-OFF PROJECTS</b>	<b>\$0</b>	<b>\$6,431,000</b>
Stansbury seawall	\$0	\$331,000
Marion Bay boat ramp	\$0	\$3,800,000
North Coast Road upgrade stage 2	\$0	\$2,300,000
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>\$9,897,552</b>	<b>\$6,958,815</b>

# ANALYSIS OF TOTAL BUDGET

The following table provides a breakdown of total expenditure (operating and capital) by function (excluding depreciation).

%	FUNCTION	DESCRIPTION
32.1%	Road Maintenance	Expenses relating to the cost of maintaining and renewing Council's road network, including materials, labour related expenses, patrol grading and vegetation management.
10.7%	Community Asset Maintenance	General maintenance costs, including materials and labour related expenses related to assets such as sporting ovals, swimming centres, halls, airstrips, public conveniences, cemeteries and war memorials.
6.6%	Caravan Park Operation	Expenses relating to the cost of running Council owned caravan parks, including capital expenditure and labour related expenses.
6.6%	Refuse Collection & Disposal	Contractual and local expenses, including materials and labour related expenses.
3.1%	Finance, Business, Corporate and Community Relations	Expenses relating to financial administration, business and community relations and corporate services, including labour related expenses.
4.5%	Parks and Gardens	Expenses relating to the maintenance of all open space parks and gardens, including materials and labour related expenses.
11.4%	Governance	Expenses relating to governing the organisation, including organisational compliance and Elected Member related expenses and cost of office furniture.
0.4%	Information Services	Expenses incurred in providing information technology, including projects and labour related expenses.
1.4%	Development Services	Expenses relating to the cost of planning and development, including labour related expenses.
1.9%	People and Culture	Expenses relating to Human Resources, Payroll, Staff Training, Work Health & Safety and Risk Management.
3.9%	CWMS and Water Schemes	Expenses relating to the cost of running water and waste-water management schemes, including materials and labour related expenses.
2.7%	Regional Landscape Levy	A compulsory levy payable to the Northern and Yorke Landscape Region Board. Refer page 23.
1.6%	Street Cleaning and Cleaning Council Buildings	Contractual and local expenses to clean all streets and Council buildings across the district including public conveniences.
1.8%	Environmental Management	Expenses relating all foreshore maintenance plus maintenance of walking trails, contribution to Northern and Yorke Landscape Region Board projects, protection of crown lands and land rehabilitation.



# ANALYSIS OF TOTAL BUDGET

%	FUNCTION	DESCRIPTION
1.1%	Community Support	Expenses relating to youth services, libraries, Leisure Options and other community support programs (e.g. YP Community Transport, grants and donations), including materials and labour related expenses.
1.6%	Footpaths and Stormwater	Capital expenses relating to maintenance of existing footpaths and stormwater systems, including materials and labour related expenses
0.6%	Tourism and Economic Development	Expenses relating to tourism including the Visitor Information Provision and other economic development expenses (e.g. Regional Development Australia, Art Exhibition etc.), including labour related expenses.
4.9%	Regulatory, Animal and Fire Control Services	Includes expenses relating to fire safety and prevention, health inspections, dog control and impounding and other regulatory functions, including labour related expenses.
0.9%	Street Lighting	Expenses relating to maintenance of street lighting, including materials and labour related expenses.
0.9%	Asset Management	Asset Management Systems, Asset Management Plans and Asset Condition Assessments, including labour related expenses.
1.3%	Plant and Equipment	Includes all expenses related to purchase/replacement of all plant and equipment, including fleet vehicles – offset by all trade-in income.





# 2023-24 BUDGETED FINANCIAL STATEMENTS

## A. Budgeted Statement of Comprehensive Income

### This statement outlines:

- All sources of Council's income (revenue)
- All operating expenses. These expenses relate to operations and do not include capital expenditure although depreciation of assets is included.

The net operating surplus/(deficit) for the year is a measure of Council's financial performance. This figure is determined by deducting total operating expenses from total operating revenue.

## B. Budgeted Statement of Financial Position

The statement of financial position outlines what Council owns (assets) and what it owes (liabilities) at a point in time.

Council's net worth is determined by deducting total liabilities from total assets – the larger the net equity, the stronger the financial position.

## C. Budgeted Statement of Cash Flows

This summarises the actual flows of cash for a period and explains the change in the cash balance held from the start of the period through to the end of the reporting period. This shows where Council received its cash from and then what it was spent on.

## D. Budgeted Statement of Changes in Equity

A statement of changes in equity shows the movements of equity in addition to accumulated earnings and losses for a reporting period. This statement summarises the change in Council's real worth throughout the financial year. Council's net worth can change as a result of:

- The net result as recorded in the Statement of Comprehensive Income; or
- An increase or decrease in the net value of non-current assets resulting from a revaluation of those assets.

## E. Budgeted Uniform Presentation of Finances

This is a high level summary of both operating and capital investment activities of the Council prepared on a simplified Uniform Presentation Framework basis. All councils in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis. The arrangements ensure all councils provide a common 'core' of financial information, which enables meaningful comparisons of each Council's finances.

Budgeted financial statements for 2023-24 can be found on the following pages.



## A. BUDGETED STATEMENT OF COMPREHENSIVE INCOME

	2023-2024 Budget	2023-2024 LTFP	2022-2023 Revised Budget (March Quarter)
	\$('000)	\$('000)	\$('000)
<b>INCOME</b>			
Rates	28,423	27,367	25,649
Statutory Charges	408	426	556
User Charges	5,101	5,059	5,317
Grants, subsidies, contributions	4,235	3,810	6,714
Investment Income	167	163	447
Reimbursements	171	139	249
Other Income	124	146	196
<b>Total Income</b>	<b>38,629</b>	<b>37,110</b>	<b>39,128</b>
<b>EXPENSES</b>			
Employee costs	11,290	11,133	10,493
Materials, contracts & other expenses	15,093	14,590	16,481
Depreciation	11,461	11,410	11,116
Finance Costs	279	275	331
<b>Total Expenses</b>	<b>38,123</b>	<b>37,408</b>	<b>38,421</b>
<b>OPERATING SURPLUS/ (DEFICIT)</b>	<b>506</b>	<b>(298)</b>	<b>707</b>
Asset disposal and fair value adjustments	0	0	0
Amounts received specifically for new or upgraded assets	2,952	1,632	5,103
<b>NET SURPLUS/ (DEFICIT)</b>	<b>3,458</b>	<b>1,334</b>	<b>5,810</b>
<b>Changes in revaluation surplus - I,PP&amp;E</b>	<b>0</b>	<b>17,085</b>	<b>0</b>
Total Other Comprehensive Income	0	0	0
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>3,458</b>	<b>18,419</b>	<b>5,810</b>

## B. BUDGETED STATEMENT OF FINANCIAL POSITION

	2023-2024 Budget	2023-2024 LTFP	2022-2023 Revised Budget (March Quarter)
	\$('000)	\$('000)	\$('000)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & Equivalent Assets	1,109	694	3,791
Trade & Other Receivables	1,821	1,718	1,908
Inventories	445	427	479
<b>Total Current Assets</b>	<b>3,375</b>	<b>2,839</b>	<b>6,178</b>
Financial Assets	146	146	246
Infrastructure, Property, Plant & Equipment	295,376	311,679	290,129
<b>Total Non-Current Assets</b>	<b>298,522</b>	<b>311,825</b>	<b>290,375</b>
<b>Total Assets</b>	<b>298,897</b>	<b>314,664</b>	<b>296,553</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade & Other Payables	3,138	2,994	3,715
Borrowings	1,371	1,311	1,256
Provisions	2,289	2,289	2,289
<b>Total Current Liabilities</b>	<b>6,798</b>	<b>6,594</b>	<b>7,260</b>
Trade & Other Payables	62	73	98
Borrowings	5,190	4,494	5,805
Provisions	193	194	194
<b>Total Non-Current Liabilities</b>	<b>5,445</b>	<b>4,760</b>	<b>6,097</b>
<b>Total Liabilities</b>	<b>12,243</b>	<b>11,355</b>	<b>13,357</b>
<b>NET ASSETS</b>	<b>286,654</b>	<b>303,309</b>	<b>283,196</b>
<b>EQUITY</b>			
Accumulated Surplus	(4,156)	(8,612)	(7,614)
Asset Revaluation Reserve	286,700	307,811	286,700
Other Reserves	4,110	4,110	4,110
<b>TOTAL EQUITY</b>	<b>286,654</b>	<b>303,309</b>	<b>283,196</b>



## C. BUDGETED STATEMENT OF CASH FLOWS

	2023-2024 Budget	2023-2024 LTFP	2022-2023 Revised Budget (March Quarter)
	\$('000)	\$('000)	\$('000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Operating Receipts	28,328	27,306	25,471
Statutory Charges	414	425	574
User Charges	5,109	5,046	5,467
Grants, Subsidies, contributions	3,931	3,772	5,709
Investment Receipts	167	164	446
Reimbursements	172	140	253
Other Income	51	171	211
<b>Payments</b>			
Employee Costs	(11,254)	(11,104)	(10,425)
Materials, contracts & other expenses	(15,165)	(14,665)	(16,686)
Finance Costs	(279)	(275)	(331)
<b>Net Cash provided by (or used in) Operating Activities</b>	<b>11,474</b>	<b>10,980</b>	<b>10,689</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Receipts</b>			
Amounts Specifically for New/Upgraded Assets	2,952	1,632	5,103
Sale of Renewed/Replaced Assets	149	300	448
Repayments of Loans by Community Groups	95	95	91
<b>Payments</b>			
Expenditure on Renewal/Replacement of Assets	(9,898)	(9,300)	(16,512)
Expenditure on New/Upgraded Assets	(6,959)	(5,338)	(8,895)
<b>Net Cash Provided by (or used in) Investing Activities</b>	<b>(13,661)</b>	<b>(12,611)</b>	<b>(19,764)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Receipts</b>			
Proceeds from Borrowings	760	0	0
<b>Payments</b>			
Repayments of Borrowings	(1,256)	(1,256)	(1,229)
<b>Net Cash provided by (or used in) Financing Activities</b>	<b>(496)</b>	<b>(1,256)</b>	<b>(1,229)</b>
<b>Net Increase/ (Decrease) in Cash held</b>	<b>(2,683)</b>	<b>(2,887)</b>	<b>(10,304)</b>
plus: Cash & Cash Equivalents at beginning of period	3,791	3,581	14,096
<b>Cash &amp; Cash equivalents at end of period</b>	<b>1,109</b>	<b>694</b>	<b>3,793</b>

## D. BUDGETED STATEMENT OF CHANGES IN EQUITY

	2023-2024 Budget	2023-2024 LTFP	2022-2023 Revised Budget (March Quarter)
	\$(‘000)	\$(‘000)	\$(‘000)
Balance at end of previous reporting period	283,196	284,891	277,386
Net Surplus/ (Deficit) for Year	3,458	1,333	5,810
Gain (Loss) on Revaluation of IPPE		17,085	
<b>Total Comprehensive Income</b>	<b>3,458</b>	<b>18,418</b>	<b>5,810</b>
<b>Balance at the end of period</b>	<b>286,654</b>	<b>303,309</b>	<b>283,196</b>

NB: Totals may not add due to rounding

## E. BUDGETED UNIFORM PRESENTATION OF FINANCES

	2022-2023 Budget	2022-2023 LTFP	2021-2022 Revised Budget (March Quarter)
	\$(‘000)	\$(‘000)	\$(‘000)
Operating Income	38,629	37,110	39,128
<i>less Operating Expenses</i>	(38,123)	(37,408)	(38,421)
<b>Operating Surplus/ (Deficit)</b>	<b>506</b>	<b>(298)</b>	<b>707</b>
<b>Net Outlays on Existing Assets</b>			
Capital Expenditure on Renewal and Replacement of Existing Assets	(9,898)	(9,300)	(16,512)
less Depreciation, Amortisation and Impairment	11,461	11,410	11,116
<i>less Proceeds from Sale of Replaced Assets</i>	149	300	448
<i>(Net Outlays) on Existing Assets</i>	1,711	2,410	(4,947)
<b>Net Outlays on New and Upgraded Assets</b>			
Capital Expenditure on New and Upgraded Assets	(6,959)	(5,338)	(8,895)
less Amounts Specifically for New and Upgraded Assets	2,952	1,632	5,103
less Proceeds from Sale of Surplus Assets	0		0
<i>(Net Outlays) on New and Upgrade Assets</i>	(4,007)	(3,706)	(3,792)
<b>Net Lending / (Borrowing) for Financial Year</b>	<b>(1,789)</b>	<b>(1,594)</b>	<b>(8,033)</b>

NB: Totals may not add due to rounding



# **Appendix 1: Essential Services Commission of South Australia - Local Government Advice**

OFFICIAL



Advice

## Local Government Advice

Yorke Peninsula Council

February 2023

OFFICIAL



**Enquiries concerning this advice should be addressed to:**

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## Glossary of terms

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

## 1 The Commission's key advice findings for the Yorke Peninsula Council

The Essential Services Commission (**Commission**) finds the Yorke Peninsula Council's (**Council's**) short-term financial position potentially unsustainable but notes that it has taken steps to achieve a sustainable position in the medium to long-term. The Council's projected improvement to its financial performance is reliant on the renewal of its asset stock and a period of service consolidation, at a minimum, continued cost control, and further rate increases.

Acknowledging the Council's outlook, the Commission considers it would be appropriate for it to undertake the following steps to ensure it budgets prudently and transparently, continues to manage its cost base efficiently, renews its asset base to meet sustainable service levels, plans its asset needs appropriately and constrains the extent of further rate increases:

### Budgeting considerations

1. **Continue** to review its inflation forecasts in its budget and forward projections from 2023-24, given the potential for higher short-term inflation outcomes, followed by a return to long-term averages.
2. **Consider** including its most up to date long-term financial plan projections in its annual business plan and budget to provide more transparency to the community about any changes to forward projections, including rate projections, and the longer-term impacts of its short-term decisions.

### Continuing to provide evidence of ongoing cost efficiencies

3. **Continue** to monitor cost growth in its budgeting, where possible, including related to employee expenses.
4. **Continue** its good practice of reporting 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.

### Refinements to asset management planning

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

### Containing rate levels

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



## 2 About the advice

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

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

The first cycle of the scheme extends over four years from 2022-23 to 2025-26, and the Commission has selected 15 councils for advice in the first scheme year (2022-23), including the Yorke Peninsula Council (**Council**).

This report provides the Local Government Advice for the Yorke Peninsula Council in 2022-23.

The Council is obliged under the *Local Government Act 1999* (**LG Act**) to publish this advice and its response, if applicable, in its 2023-24 Annual Business Plan (including any draft Annual Business Plan) and subsequent plans until the next cycle of the scheme.<sup>8</sup> It does not need to publish the attachment to the advice (these will be available with the advice on the Commission's website<sup>9</sup>), nor is it compelled under the LG Act to follow the advice. The Commission thanks the Yorke Peninsula Council for providing relevant information to assist the Commission in preparing this advice.

### 2.1 Summary of advice

In general, the Commission finds the Yorke Peninsula Council's short-term financial position potentially unsustainable but notes that it has taken steps to achieve a sustainable position in the medium to long-term, following a period of high operating deficits and spending on new capital initiatives. Historically, the Council has demonstrated more effective cost constraint to reduce its deficits over time, but it has also struggled to meet the ongoing renewal needs of its existing infrastructure base.<sup>10</sup> This now presents a backlog of deferred renewal and rehabilitation it needs to address in the future.

<sup>1</sup> 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).

<sup>2</sup> Commonly referred to as asset management plans.

<sup>3</sup> 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.

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

<sup>5</sup> Commission, *Framework and Approach – Final Report*, August 2022, pp. 2-3, available at [www.escosa.sa.gov.au/advice/advice-to-local-government](http://www.escosa.sa.gov.au/advice/advice-to-local-government).

<sup>6</sup> LG Act s122(1f)(a) and (1g)(a)(ii).

<sup>7</sup> LG Act s122(1f)(b) and (1g)(b).

<sup>8</sup> LG Act s122(1h).

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

<sup>10</sup> As recommended by its AMPs.

The past rate increases above inflation, together with higher user charges income, have been necessary to increase the Council's financial capacity to cover its operating and service sustainability requirements.

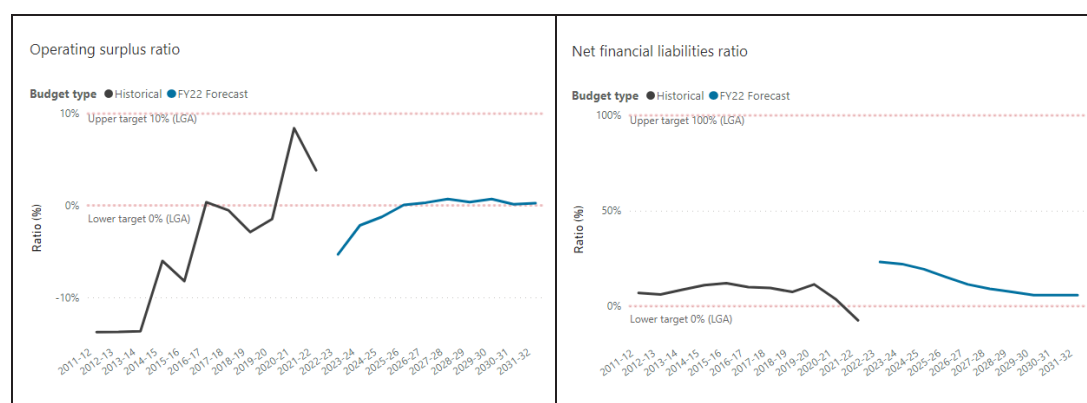
Its forward projections from 2022-23 (in its LTFP) forecast an improving financial sustainability outlook as a result of the forecast rate of operating revenue growth set to outpace expense growth but with:

- ▶ continued average rate increases below the Reserve Bank of Australia (RBA)-based forecast inflation rate (and generally aligned with the Council's forecast inflation) although it has levied an additional 1 percent per annum increase on primary production ratepayers, to help fund upgrades to unsealed roads intersections due to heavy vehicle access
- ▶ continued cost constraint with lower average cost growth than it has experienced over the past 10 years (and half the rate of RBA-based forecast inflation), and
- ▶ low spending on new or upgraded capital works with higher asset spending on renewal and rehabilitation capital works, including to partially address the accumulation of deferred renewals over the next 10 years.

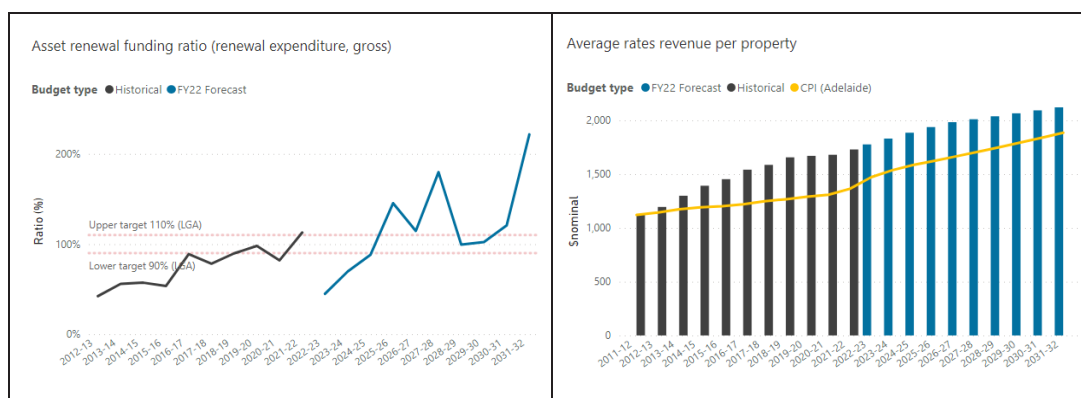
The Commission considers that the Council is demonstrating good practice regarding the formulation of its financial projections in its LTFP, and transparency around its assumptions and directions, including the ratepayer impact. It is also reporting genuine savings through operational efficiencies achieved in its annual budget, and the Commission encourages it to continue this approach. However, the Commission has identified an improvement opportunity in aligning the estimates (or explaining the variances) in the LTFP and annual business plan.

The charts below of the Yorke Peninsula Council's past and projected operating surplus ratio, net financial liabilities ratio, asset renewal funding ratio and average rate revenue per property, together support these findings.

The 'heat map' diagram over the page summarises the Commission's findings with reference to whether the Council has met the suggested Local Government Association (LGA) target ranges for the three main financial sustainability indicators<sup>11</sup> and the level of cost control and affordability risk identified for the Council over time.



<sup>11</sup> The suggested LGA target range for the ratios are discussed in more detail in the attachment.



### Summary of the Yorke Peninsula Council's financial sustainability performance and the Commission's risk assessment

Financial sustainability indicators:	Last 10 years from 2011-12 (Actual performance)		2021-22 estimate	Next 10 years from 2022-23 (Council forecasts)	
Operating surplus ratio (target 0-10%)	Ratio below target or cumulative deficits —————>		Ratio within target	Operating deficits to 2024-25	Operating surpluses forecast within target range —————>
Net financial liabilities ratio (target 0-100%)	Ratio met historically —————>		Ratio below 0% —————>	Ratio projected within the target range	
Asset renewal funding ratio (target 90-110%)	Below target range	Some years marginally below or above target range —————>		Progressive trend to achieve a cumulative target by 2029-30 —————>	
Identified Risks:					
Cost control risk	Moderate operating expenses per property average growth of 3.1% p.a. to 2016-17 —————>	Low average growth in operating expense per property (0.9% p.a.)		Operating expenses per property average growth of 1.4% p.a. to 2031-32 (below forecast CPI of 2.8%) —————>	
Affordability risk	High rate revenue per property average growth of 4.4% p.a. to 2021-22 (CPI of 2.0%) —————>			Rate revenue per property average growth of 2.0% p.a. to 2031-32 (below forecast CPI of 2.8%) —————>	

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

## 2.2 Detailed advice findings

The next sections summarise the Commission's more detailed observations and advice findings regarding the Yorke Peninsula Council's material changes to its 2022-23 plans (compared with the previous year's plans), its financial sustainability (in the context of its long-term operating performance, net financial liabilities, and asset renewals expenditure) and its current and projected rate levels.

In providing this advice, the Commission has followed the approach it previously explained in the Framework and Approach – Final Report (F&A). The attachment explores these matters further.<sup>12</sup>

<sup>12</sup> The attachment will be available on the Commission's website with the Advice.



### 2.2.1 Advice on material plan amendments in 2022-23

The Yorke Peninsula Council's 2022-23 LTFP includes an improvement to its projected operating performance, and increases to its projected capital expenditure estimates, compared with the 2021-22 forecasts,<sup>13</sup> as follows:

- ▶ An improvement in operating performance by \$0.9 million or by 28 percent, resulting in the Council bringing forward, by two years, its projected operating surplus to 2025-26. This is mainly driven by a further 1.0 percentage point rates increase (in addition to the general rates increase) applied to primary production ratepayers over the first five years of the 2022-23 LTFP.
- ▶ An additional \$5.8 million (or 6 percent) for asset renewals, and an additional \$0.5 million (or 28 percent) for new and upgrade capital works. Much of the increases are being driven by the partial funding of the accumulation of deferred renewal expenditure, and the allocation of funds for water and community wastewater management system asset upgrades, as identified in the respective asset management plans (AMPs).

Targeting an earlier surplus, compared with its 2021-22 estimates, in part addresses the accumulation of deferred renewal expenditure and accounts for the current inflationary environment.

The Council has adjusted its operating income and expense forecasts by lower amounts (both with increases of 2 percent on 2021-22 estimates<sup>14</sup>) compared to its adjusted inflation forecasts. Based on updated inflation assumptions in its 2022-23 LTFP, an increase in its cost and revenue estimates by up to 5 percent over the 2022-23 to 2030-31 forecast period,<sup>15</sup> compared with the same estimates in its 2021-22 LTFP, could account for higher inflation forecasts.

It assumed Consumer Price Index (CPI) inflation increases of 2.5 percent in 2022-23 and 2023-24, 2.25 percent for the next two years and 2.0 percent annually from 2026-27. This is an upward revision to its assumptions in its 2021-22 LTFP estimates (of average CPI growth of 1.45 percent annually).

The Council has factored several genuine savings into its LTFP projections, discussed in the operating performance section below. However, its current inflation forecasts do present a risk to its cost and income projections in the current inflationary environment. The RBA currently forecasts the CPI (Australia-wide) to increase by 6.7 percent in the year to the June 2023 quarter and by 3.0 percent in the year to June 2025. Thereafter, it is reasonable to anticipate a return to long-run averages (and growth of 2.5 percent per annum from 2025-26, based on the midpoint of the RBA's 2 to 3 percent target range).<sup>16</sup>

The Commission notes that the Council's stated assumptions for indexation in its 2022-23 LTFP are transparent and based on its annual review of these forecasts, but notes that there is still uncertainty around the assumptions. Notwithstanding the need for the Council to endeavour to find savings and reduce any inflationary impact on its community, the Commission has found that it would be appropriate for it to:

1. **Continue** to review its inflation forecasts in its budget and forward projections from 2023-24, given the potential for higher short-term inflation outcomes, followed by a return to long-term averages.

<sup>13</sup> The overlapping forecast period in both LTFPs (2021-22 to 2030-31 and 2022-23 to 2031-32).

<sup>14</sup> See footnote 13.

<sup>15</sup> The set of nine years forecast in both the 2021-22 and 2022-23 LTFP projections.

<sup>16</sup> RBA, Forecast Table - February 2023, available at <https://www.rba.gov.au/publications/smp/2023/feb/forecasts.html>.

The Yorke Peninsula Council adopted its annual business plan and budget in June 2022, two months after it adopted its LTFP 2022-23 in April 2022. The Council proposed further material amendments to its 2022-23 estimates for the financial year from those proposed in its LTFP, although the net changes to estimates were relatively minor and its proposed rate increases did not change.<sup>17</sup>

The Commission observes that the Council's LTFP identifies the risks to the financial estimates (due to economic factors, for example) and that the annual business plan also includes its 2022-23 estimates (from the LTFP) to show any further budget amendments to those estimates. In addition, there is no current regulatory requirement for a council to publish its LTFP projections with its annual business plan and budget.

However, many councils do coordinate their long-term financial projections with their annual budget process, and it might be useful for the Yorke Peninsula Council to republish the 10-year financial estimates with the adjusted annual budget estimate for 2022-23, particularly if the extent of revisions to estimates in its annual business plan and budget are substantial. To this end, the Commission considers that it would be appropriate for the Council to:

2. **Consider** including its most up to date long-term financial plan projections in its annual business plan and budget to provide more transparency to the community about any changes to forward projections, including rate projections, and the longer-term impacts of its short-term decisions.

Additionally, the Council advised the Commission of material increases to its capital expenditure budget and subsequent 'carry overs' occurring outside of the Council's annual planning cycle. The Council further advised that these 'carry overs' were not incorporated into its 2022-23 budget initially because the extent of grant funding and works deferrals was not known at that time. The Commission encourages the Council to monitor these matters, and where required, ensure that the community is consulted on material budget adjustments.

## 2.2.2 Advice on financial sustainability

### Operating performance

The Yorke Peninsula Council has predominantly run operating deficits from 2011-12 to 2019-20, with the operating surplus ratio<sup>18</sup> averaging negative 5.2 percent over this period; however, in 2020-21, it achieved an operating surplus of \$3.1 million. In its forward projections, the operating surplus ratio is not forecast to meet the suggested LGA target range (with a surplus) until 2025-26 (when it will be 0.1 percent).

One of the reasons for the persistent deficits is that the Council had a high deficit in 2011-12 (of \$3.3 million) and difficulty in meeting its operating capacity requirements at that time. This has taken some time for it to rectify. Operating income growth averaged 4.9 percent per annum from 2011-12 to 2020-21, almost double the rate of operating expense growth (which was relatively conservative, averaging 2.4 percent per annum).<sup>19</sup> It has taken the Council until 2020-21 to generate a sustained operating surplus (based on an average operating balance over three years).

<sup>17</sup> Applies to 'general rates and other' revenue as per the annual business plan.

<sup>18</sup> 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).

<sup>19</sup> 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).

The Council received a combination of additional rates, statutory charges, user charges and 'grants, subsidies and contributions' income over this period to generate its relatively strong operating income growth.

On the cost side, its 'materials, contracts and other' and 'depreciation' expenses both increased at conservative levels (averaging 2.2 and 1.5 percent per annum respectively) from 2011-12 to 2020-21, given average annual CPI growth of 1.7 percent.<sup>20</sup> On the other hand, its 'employee' expenses increased by an average of 3.9 percent per annum (or approximately 0.8 full-time equivalent (**FTE**) staff per year).

The estimated reduction in the rate of growth in operating expenses projected over the next 10 years (to an average of 1.5 percent per annum, which is approximately half RBA-based forecast inflation<sup>21</sup>), combined with rates and user charges revenue growth (also below the RBA-based forecast inflation), is expected to slowly improve the Council's operating performance. The associated impact on ratepayers is discussed further below.

The Commission has observed the current good practice of the Yorke Peninsula Council in conducting regular service level reviews of its operations, focused on achieving increased productivity, efficiency and effectiveness, and ultimately, real savings.<sup>22</sup> As an example, it has factored in savings of approximately \$0.4 million to its expense estimates in 2022-23, compared to these items in 2021-22, as a direct result of its service level reviews.<sup>23</sup>

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

3. **Continue** to monitor cost growth in its budgeting, where possible, including related to employee expenses.
4. **Continue** its good practice of reporting 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.

### Net financial liabilities

Despite the Council's frequent operating deficits from 2011-12 (including depreciation expenses), its net cash flows after operating and investing (that is, capital-related) activities has averaged \$0.2 million per annum between 2011-12 and 2020-21. The Council has relied primarily on rates revenue and supplementary grant funding to fund its capital expenditure program over this period.

The Council has also consistently used borrowings to finance (in part) its renewal of existing assets and acquisition of new and upgraded assets, and over time, this has been within the suggested LGA target range for the net financial liabilities ratio (averaging 8.6 percent from 2011-12 to 2020-21).<sup>24</sup> The

<sup>20</sup> CPI (All groups). Average annual growth in the LGPI published by the South Australian Centre for Economic Studies was similar (at 1.9 percent), available at <https://www.adelaide.edu.au/saces/economic-and-social-indicators/local-government-price-index>.

<sup>21</sup> The forecast average annual growth in the CPI from 2022-23 to 2031-32 is estimated to be 2.8 percent based on the RBA forecasts for the CPI (Australia-wide) to June 2025 (and the Commission's calculations of average annual percentage growth) and the midpoint of the RBA's target range (2.5 percent) from 2025-26.

<sup>22</sup> Yorke Peninsula Council, *2023 – 2032 Long Term Financial Plan*, April 2022, pp. 7 and 14, available at <https://yorke.sa.gov.au/content/uploads/2022/04/Long-Term-Financial-Plan-2023-2032-Adopted-Version-13-04-2022.pdf>.

<sup>23</sup> Yorke Peninsula Council, *2023 – 2032 Long Term Financial Plan*, April 2022, p. 21.

<sup>24</sup> 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.



Council continues to meet the suggested LGA target range under its 2022-23 forecasts and projects a reduction in the ratio from a peak of 23 percent in 2022-23 to an average of 7 percent in the five years to 2031-32. The reduction in the ratio from 2022-23 to 2031-32, comes from progressive repayment of total borrowings (of \$7.3 million over the next five years to 2026-27), via operating income growth.

Based on the Council's projected repayment of borrowings, and relatively low forecast net financial liabilities ratio in the longer-term, the Commission notes that it might have the opportunity to utilise more debt to further address its asset renewal expenditure requirements. However, its forecast annual end of year cash position is below \$1 million from 2024-25, and it would need to consider its operating capacity for further borrowing repayments, given its forecast continuation of operating deficits in the short-term.

### Asset renewals expenditure

Between 2011-12 and 2020-21 the Council's total capital expenditure averaged \$9.6 million per annum (including \$6.8 million on asset renewals and \$2.8 million on new and upgraded assets) but this was not sufficient to cover the asset renewal and rehabilitation requirements specified in its AMPs. The Council's asset renewal funding ratio (IAMP-based) was below the suggested LGA target range of 90 to 110 percent over these years,<sup>25</sup> and averaged 76 percent between 2011-12 and 2020-21. This indicates that the Council underperformed in meeting its asset service sustainability requirements over this period, as it utilised grant funding for service expansion while it also sought to address its recurring operating deficits.

From 2022-23, the Council is adjusting its asset renewals spending profile (with higher projected annual renewal expenditure averaging \$11.5 million to 2031-32, in nominal terms). As a result, its asset renewal funding ratio (IAMP-based) is expected to trend above the suggested LGA target range (averaging 141 percent from 2025-26 to 2031-32), reflecting the Council's intention to address the accumulation of deferred renewals. This coincides with much lower forecast spending by the Council on new or upgraded assets (estimated to average \$0.3 million per annum to 2031-32), and an accompanying period of service consolidation as the value of its asset base per property is forecast to decline in real terms. The Council has identified that there will remain a \$10 million shortfall in asset renewal expenditure (or approximately 9 percent of the total renewal budget), which will not be covered over the 10-year projections in the 2022-23 LTFFP.

Acknowledging this significant shift in proposed asset spending priorities by the Council, which is reflected in its LTFFP projections and to reduce any further accumulation of asset renewal backlogs, the Commission considers that it would be appropriate for it to:

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

With the Council's projected spending on asset renewals, the depreciation expenses (which represent the rate of asset consumption) are projected to broadly track in line with renewal spending. Renewal spending is forecast to account for 93 percent of depreciation expenses on average to 2031-32.<sup>26</sup>

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).

<sup>25</sup> The IAMP-based method is the current industry standard whereby asset renewal/replacement expenditure is divided by the recommended expenditure in the IAMP (or AMP). Ideally, this will show the extent to which a council's renewal or replacement expenditure matches the need for this expenditure, as recommended by the plan. The suggested LGA target range for the ratio is 90 to 110 percent (LGA SA Financial Indicators Paper, p. 9).

<sup>26</sup> The Council's asset renewal funding ratio by the depreciation-based method (where asset renewal/replacement expenditure is divided by depreciation expenses) is forecast to average 93 percent to 2031-32. This ratio shows

This demonstrates a sound alignment between the average rate of consumption of its assets, as indicated by its depreciation expenses, and the annual spending on the renewal of its asset base, over time.

### 2.2.3 Advice on current and projected rate levels

The Yorke Peninsula Council's rate revenue per property growth has averaged 4.6 percent or \$62 per annum for each property in the period between 2011-12 and 2020-21, which has exceeded CPI growth of an average of 1.7 percent per annum over this period. However, the Council still has relatively low-rate levels for non-residential categories, compared to average rates for residential ratepayers.<sup>27</sup>

In 2022-23 the Council's rate increases are estimated to result in a 4.8 percent increase to its rates revenues, which is consistent with its forecast in the 2022-23 LTFP. The increase is due to the Council's estimate of higher inflation and to improve financial sustainability.<sup>28</sup> On average the Council has implemented a 2.5 percent rate increase for residential ratepayers, and a 5.0 percent rate increase for primary producers (with 1 percent of this increase allocated specifically for upgrading unsealed roads intersections due to heavy vehicle access).<sup>29</sup>

Its 2022-23 LTFP forecasts an average increase of \$344 to existing rates in total to 2031-32 (to \$2,121 per annum), which is consistent with the Council's assumed inflation growth over this period,<sup>30</sup> but is also below the RBA-based forecast of average inflation (2.8 percent).<sup>31</sup> In the last five years of its LTFP (from 2027-28 to 2031-32) the Council is projecting rate increases below its own CPI forecasts by approximately 0.5 percentage points per annum.<sup>32</sup>

Primary production ratepayers are forecast to experience a 1.0 percentage point per annum higher increase than other general ratepayers over the first five years of the 2022-23 LTFP (higher than the Council's CPI forecast). However, affordability risk among the community for the further rate increases appears to be low based on a range of factors including the existing relatively low rate levels (for rural rates),<sup>33</sup> and an assessment of the economic resources available to the community.<sup>34</sup> The Council has

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the extent to which capital expenditure on the renewal and replacement of assets matches the estimated rate at which these assets are used or consumed.

<sup>27</sup> Refer to Councils in Focus rates data for 2019-20 available at [https://councilsinfocus.sa.gov.au/councils/yorke\\_peninsula\\_council](https://councilsinfocus.sa.gov.au/councils/yorke_peninsula_council). The Commission is not relying on these rate comparisons for its advice; the data source provides just one indicator, among many, which has informed its advice on the appropriateness of the rate levels.

<sup>28</sup> Yorke Peninsula Council, *2022-23 Annual Business Plan*, July 2022, p. 5, available at <https://yorke.sa.gov.au/content/uploads/2022/07/Annual-Business-Plan-Final.pdf>.

<sup>29</sup> Yorke Peninsula Council, *2022-23 Annual Business Plan*, July 2022, p. 18.

<sup>30</sup> The Council's projected CPI inflation in 2023-24 is 2.50 percent and then 2.25 percent between 2024-25 to 2025-26, and then 2.00 percent per annum thereafter (Yorke Peninsula Council, *2023 – 2032 Long Term Financial Plan*, April 2022, p. 6). This is different to the CPI line in charts throughout this Advice which are based on RBA forecasts and then, a return to long run averages from 2025-26 (with growth of 2.5 percent per annum).

<sup>31</sup> The forecast average annual growth in the CPI from 2022-23 to 2031-32 is estimated to be 2.8 percent based on the RBA forecasts for the CPI (Australia-wide) to June 2025 (and the Commission's calculations of average annual percentage growth) and the midpoint of the RBA's target range (2.5 percent) from 2025-26.

<sup>32</sup> Yorke Peninsula Council, *2023 – 2032 Long Term Financial Plan*, April 2022, p. 6.

<sup>33</sup> See footnote 27.

<sup>34</sup> The Yorke Peninsula Council area is ranked 34 among 71 South Australian 'local government areas' (including Anangu Pitjantjatjara and Maralinga Tjarutja Aboriginal community areas and 'unincorporated SA') on the Australian Bureau of Statistics Socio-Economic Indexes for Areas Index of Economic Resources (2016), where a lower ranking (eg, 1) denotes relatively lower access to income and other economic resources, compared with other areas, available at <https://www.abs.gov.au/ausstats/subscriber.nsf/log?openagent&2033055001%20-%20Iga%20indexes.xls&2033.0.55.001&Data%20Cubes&5604C75C214CD3D0CA25825D000F91AE&0&2016&27.03.2018&Latest>.

also received a written submission on the additional increase for primary production ratepayers,<sup>35</sup> however is allocating 1 percent of the increase to works which will directly benefit primary producers (these ratepayers also have a relatively lower rate revenue contribution compared to residential ratepayers<sup>36</sup>).

Nonetheless, given historical rate increases and the current economic conditions affecting many communities' capacity to pay, it would be appropriate for the Yorke Peninsula Council to:

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

## 2.3 The Commission's next advice and focus areas

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

- ▶ potential integration of its annual updates to its LTFP projections with its annual business plan process
- ▶ ongoing performance against its LTFP estimates
- ▶ achievement of cost savings and efficiencies and its continued reporting of these in its plans
- ▶ reprioritisation of its capital spending towards asset renewal and rehabilitation works and how it has addressed the backlog of asset renewal expenditure, and
- ▶ how it has sought to minimise any emerging affordability risks.

<sup>35</sup> Yorke Peninsula Council, *Ordinary Council Meeting Agenda -29 June 2022, Item 7.1 Draft 2022/2023 Annual Business Plan, Budget and Fees and Charges – Public Consultation*, available at <https://yorke.sa.gov.au/content/uploads/2022/06/Agenda-Special-Council-Meeting-29-June-2022.pdf>.

<sup>36</sup> On a capital valuation basis (in 2022-23), primary production land use represents 66 percent of the aggregate capital value in the Council area, while on a revenue basis, primary production ratepayers accounts for 37 percent of total rates revenue.





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# **Appendix 2: Council Response to Essential Services Commission of South Australia - Local Government Advice**

# LOCAL GOVERNMENT ADVICE SCHEME

## Background of the Local Government Advice Scheme

All South Australian councils are required under section 122 of the Local Government Act 1999 to prepare a number of long-term strategic management plans which include (but are not limited to):

- **Long-term Financial Plan (LTFP)** – this document covers a period of (at least) 10 years and outlines council's approach to funding services and infrastructure of the Council; sets out the Council's projected total revenue; and outlines the intended sources of that total revenue (such as revenue from rates, grants and other fees and charges); and
- **Asset Management Plans (AMP)** – these documents also cover a period of (at least) 10 years and relates to the management and development of infrastructure and major assets by the Council.

These documents are publicly available on Council's website at (<https://yorke.sa.gov.au/about-us/forms-plans-and-publications/corporate-publications/>).

The Local Government Advice Scheme commenced in April 2022 (following changes to section 122) and requires councils to provide information relating to these plans to the 'designated authority' (currently the Essential Services Commission of SA (ESCOSA), once in

every 'prescribed period' (currently set as four years).

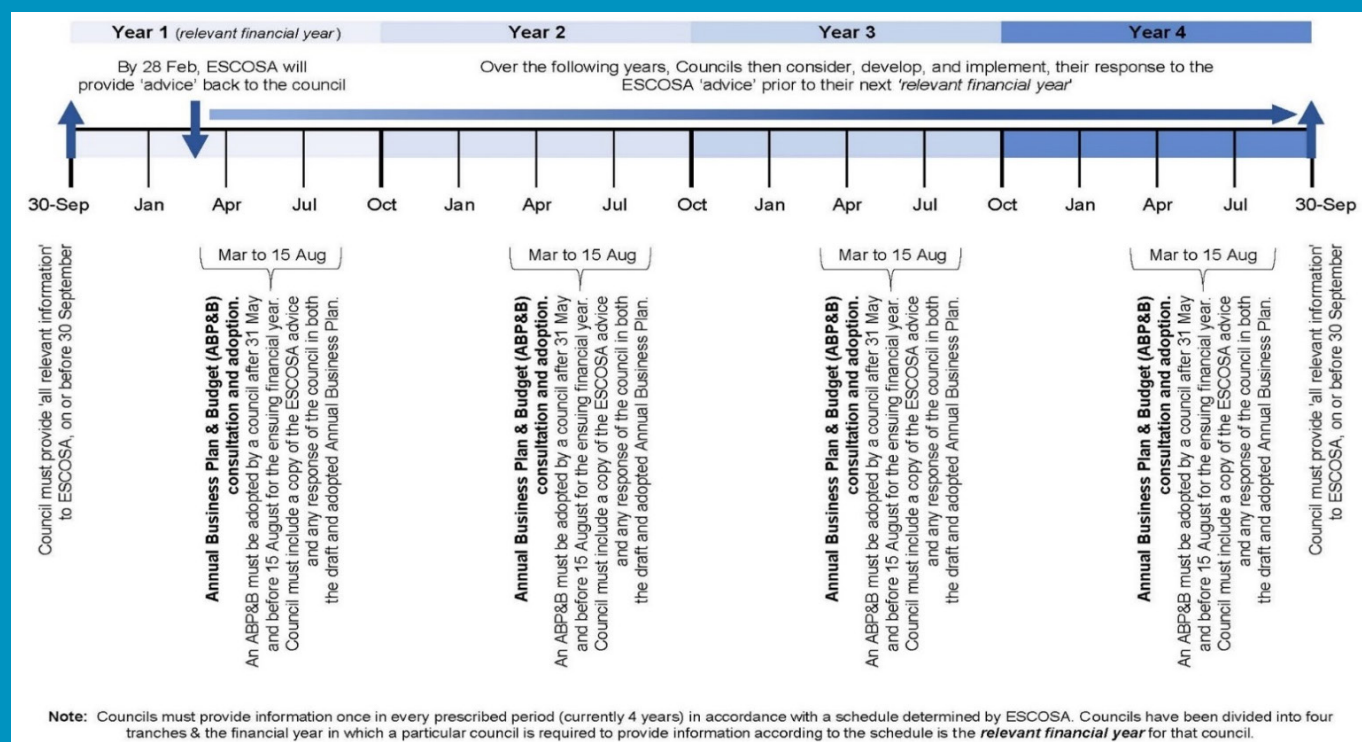
ESCOSA has developed a Schedule of Councils allocating all councils across a four-year cycle for the purposes of the Local Government Advice Scheme (known as the relevant financial year).

Councils are required to submit information to ESCOSA by the end of September in their relevant financial year. ESCOSA must then provide 'advice' back to Council, by the end of the following February, on the appropriateness of:

- Material amendments made, or proposed to be made, to the LTFP and/or IAMP;
- The revenue sources outlined in the funding plan (contained within the LTFP); and
- May also provide advice on any other aspect of the council's LTFP and/or IAMP.

Councils are then required to include a copy of ESCOSA's advice and any council response to the advice in their draft and adopted Annual Business Plans (ABP) each year until their next relevant financial year.

Yorke Peninsula Council is in the first round (2022-23), the next relevant financial year will be 2026-27. The below timeline demonstrates the long-term focus of the Local Government Advice scheme:





# LOCAL GOVERNMENT ADVICE SCHEME

## **Yorke Peninsula Council's response to the SMP Advice**

Yorke Peninsula Council acknowledges receipt of ESCOSA's Local Government Advice dated 28 February 2023.

As required by section 122(1h) of the Local Government Act, a copy of ESCOSA's advice is provided at (appendix 1).

Yorke Peninsula Council has reviewed the advice provided by ESCOSA and makes the following general observations:

- Yorke Peninsula Council's short-term financial position is deemed to be potentially unsustainable, though the report notes that Council has taken steps to achieve a sustainable position in the medium-to-long-term.
- It is noted in accordance with the summary advice that projected improvement to Council's financial performance is multifaceted and is reliant on the renewal of its asset stock, a period of service consolidation, continued cost control, and further rate increases.
- The cost to ratepayers for this mandated advice was \$40,000.

## **Continuous Improvement Plan**

The Local Government Advice Scheme is intended to support Councils' decision-making processes, affording ratepayers increased transparency and greater confidence that Council operations are being undertaken on a long-term financially sustainable basis.

The Local Government Advice Scheme currently operates on a four-yearly cycle (councils make submissions and receive 'advice' once in every 'prescribed period'). In this context, any adjustments, or changes that (Yorke Peninsula Council) might make in response to ESCOSA's advice will be considered and implemented with reference to the longer-term nature of the Scheme (i.e. shorter-term actions may be implemented within twelve months through to longer-term actions where implementation may take several years).

Yorke Peninsula Council will continue to review ESCOSA's advice over the coming months and consider what actions may be appropriate to address matters Council considers relevant and necessary, and this information together with updates on progress will be provided in future Annual Business Plans.

It should be noted that Yorke Peninsula Council is not required to accept and/or act upon ESCOSA's advice.

# LOCAL GOVERNMENT ADVICE SCHEME

ESCOSA Advice or Comment	Council Comment or Proposed Action	Implementation Timeframe	Status
Continue to review inflation forecasts from July given potential for short-term higher inflation followed to a return of the long-term average.	Inflationary forecasts are reviewed annually as part of the annual LTFP review. Credible external sources are relied upon in formation of the LTFP.	N/A	No new action required as already in place. Continue present practice.
Consider including its most up-to-date LTFP in the ABP and budget to provide transparency to the community about any changes made.	High level comparison between financial projections contained in Council's ABP and budget and the first year of Council's most up to date LTFP are presently provided in the annual business plan. Any changes to the timing of the LTFP would require further consideration. Council currently utilises the LTFP as a base for formation of its annual budget.	Medium (Within 2-4 year period)	An update will be provided in the 2024-25 ABP.
Continue to monitor rising costs in its budget, particularly employee expenses.	Noted.	N/A	No new action required as already in place. Continue present practice.
Continue its good practice of projected and actual cost savings to its budget to show it is achieving efficiency across operations and service delivery.	Noted.	N/A	No new action required as already in place. Continue present practice.
Adhere to LTFP principles to fund more asset renewal rather than new or upgraded infrastructure.	Over the life of its LTFP Council has sought to increase funding to renew assets and has identified achieving 100% Asset Renewal Funding Ratio annually as a key target. In addition to capital renewal targets Council identifies opportunities to secure grant funding to assist in initiatives which involve new or upgraded infrastructure in accordance with the community's desires.	N/A	No new action required as already in place. Continue present practice.
Review and consider limiting average rate increases above inflation to reduce emerging cost-of-living pressure on the community.	Council considers the requirements and desires of its community for services and infrastructure and then seeks to set rates accordingly to meet these service and infrastructure requirements in a financially sustainable manner. Rate increases above CPI may be required from time to time to meet community expectations and infrastructure funding requirements.	N/A	No new action required. Council members are elected to make decisions in relation to the services and infrastructure provided to the community. ABPs and budgets, which include information in relation to rate setting, are subject to community consultation providing an effective means of feedback in relation to service, infrastructure and rate setting activities.





## Get In Touch

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