DRAFT ANNUAL BUSINESS PLAN 2024-2025



District Council of ROBE

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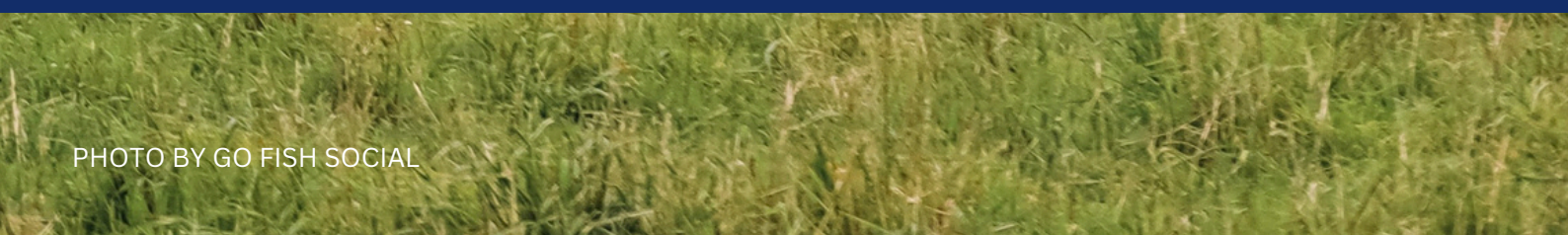
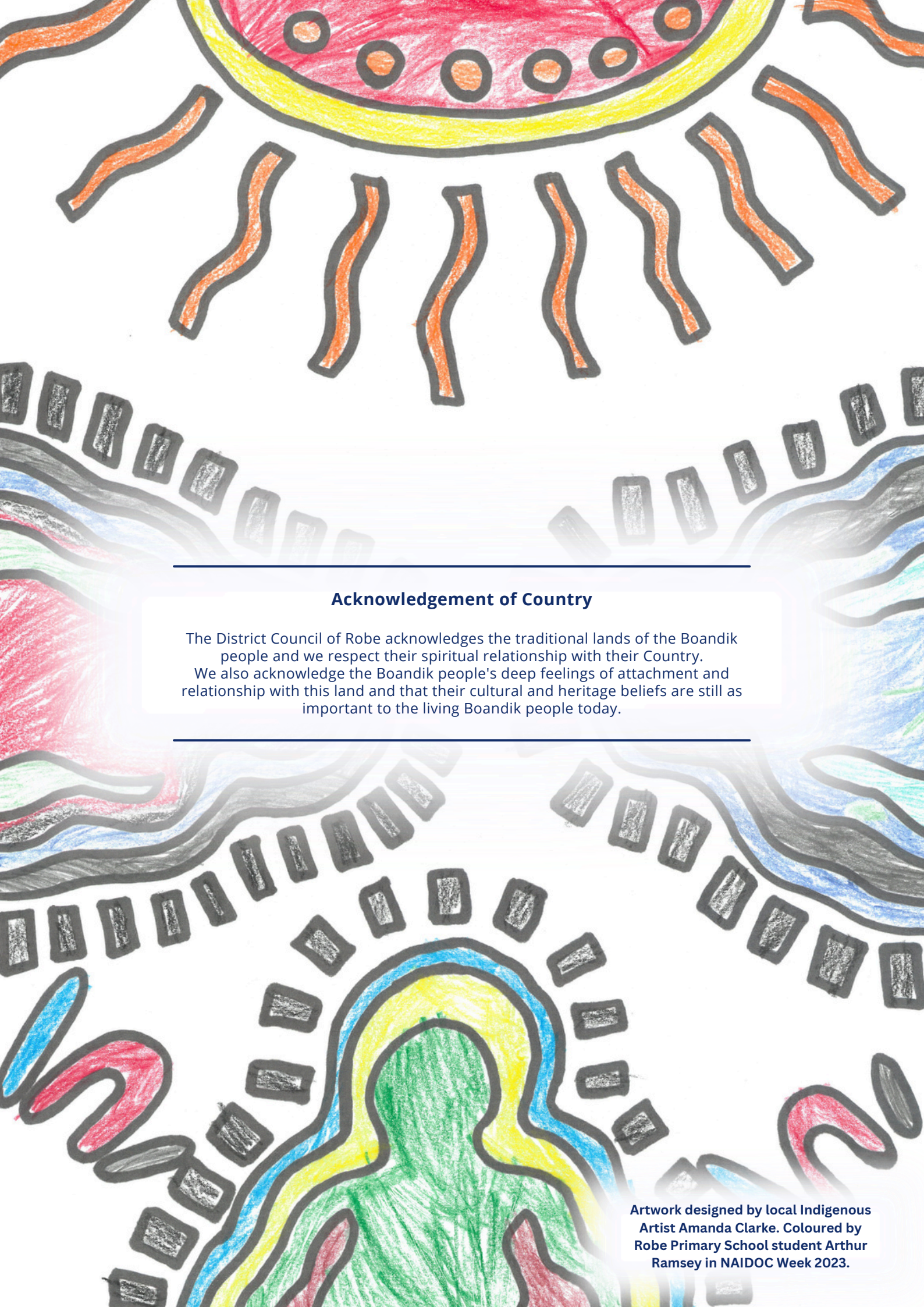


PHOTO BY GO FISH SOCIAL

Acknowledgement of Country

The District Council of Robe acknowledges the traditional lands of the Boandik people and we respect their spiritual relationship with their Country.
We also acknowledge the Boandik people's deep feelings of attachment and relationship with this land and that their cultural and heritage beliefs are still as important to the living Boandik people today.



Artwork designed by local Indigenous Artist Amanda Clarke. Coloured by Robe Primary School student Arthur Ramsey in NAIDOC Week 2023.



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ABOUT THIS PLAN

This Annual Business Plan shows how Council will allocate its budget and what services, programs and projects will be delivered in the coming year to achieve specific outcomes set by Council and the community.

Under Section 123 of the Local Government Act 1999 ("the Act"), Council is required to have a budget for each financial year. The budget must be considered as part of the Council's Annual Business Plan and must be adopted before 31 August each financial year.

This Annual Business Plan shows how Council will allocate its budget and what services, programs and projects will be delivered in the coming year to achieve specific outcomes set by Council and the community.

The Annual Business Plan must:

- include a summary of the Council's long-term objectives (as set out within its Strategic Management Plans);
- include an outline of;
  - the Council's objectives for the financial year;
  - the activities that the Council intends to undertake to achieve those objectives; and
  - the measures (financial and non-financial) which the Council intends to use to assess the performance of the Council against its objectives over the financial year;
- set out the rating structure and policies for the financial year;
- assess the financial requirements of the Council for the financial year and taking those requirements into account, set out a summary of its proposed operating expenditure, capital expenditure and sources of revenue;
- assess the impact of the rating structure and policies on the community, based on rate modelling that has been undertaken or obtained by the Council; and
- consider the Council's Long Term Financial Plan and relevant issues relating to the management and development of infrastructure and major assets by the Council.



PUBLIC CONSULTATION & STATEMENT OF SIGNIFICANT AMENDMENTS

Before the Council adopts its Annual Business Plan, it must undertake a public consultation campaign.

This year, the draft 2024-2025 Annual Business Plan will be available for feedback, along with the draft 2024-2034 Long Term Financial Plan.

CONSULTATION

The public consultation period for the draft 2024-2025 Annual Business Plan (the Plan) will open 23 May 2024 and conclude 24 June 2024.

As part of the consultation, the Plan will be available on Council's Website, published in the Community Newsletter, Border Watch and Council's Facebook Page.

During the public consultation period, copies of the Plan will be made available at the Council Office. Copies will also be made available for inspection at the Robe Public Library and Visitor Information Centre.

PUBLIC MEETINGS

Community information sessions will be held on 5 June 2024 as follows:

- 4:00pm via Teams for those unable to attend in person (to register, please email molly@robe.sa.gov.au)
- 6.00pm Robe Institute

The Chief Executive Officer, Nat Traeger is also offering one-on-one meetings via appointment; these can be secured by phoning 0429 799 526.

STATEMENT OF SIGNIFICANT AMENDMENTS

Section 123(6a) of the Act sets out a requirement for Council to provide a statement outlining significant amendments made to the draft Annual Business Plan after public consultation.

The below details the significant amendments:

(*to be including following adoption of business plan)*

MESSAGE FROM THE MAYOR AND CHIEF EXECUTIVE OFFICER

Embracing shared leadership and renewed stewardship of council assets, we are focused on resetting our strategic direction. Together, with the support of our team, we will lead the way forward for a progressive future for the Robe community.

As Mayor and Chief Executive Officer of the District Council of Robe, we commend this draft Annual Business Plan 2024-2025 (ABP). It signifies a pivotal moment as we emerge from a period of leadership instability. It reflects our collective determination to move forward, embrace collaboration, to genuinely listen to our community and subsequently act upon their aspirations.

This ABP marks the first year of our new Strategic Plan 2024-2028, having recently engaged with our community to set and finalise our strategic direction for the next four years.

In terms of fiscal management, we are committed to achieving a substantial improvement in our asset renewal results, which is underpinned by an ambitious capital works program contained on page 16 of this document.

In total, we have budgeted $4,660k, with $4.412k for renewal and replacement and $248k for new/upgraded assets. This includes $1,360m for improvements to our road network and an additional $750k for the redevelopment of Robe Street.

Our operational budget is conservative, maintaining our employee numbers as they are, and minimal one-off operational projects. Of note in the budget is an allocation of $50k to build on previous plans and investigations in preparing a Master Plan for the Robe Township, which will focus on many things, including a second exit/entry point for Robe, township bypass, open space needs, the role and purpose of the light industrial area, footpath development and connection strategy, main street landscaping and upgrades and traffic, parking and intersection improvements.

It's time to consolidate all these things into a staged and visible plan which can position us strongly with a lobbying and advocacy document, empowering us to champion funding support and partnerships to bolster our minimal revenue base.

With our community at the core of everything we do, we are confident we can shape a future that is built on collaboration, understanding our opportunities and limitations, and optimising the innovation and entrepreneurial spirit of our community. We encourage all stakeholders to engage with the draft plan to provide valuable feedback and insights.

The focus of this year's draft ABP is asset renewal; it was developed with reference to the February 2024 Essential Services Commission of SA's (ESCOSA) report which identified challenges to council's financial sustainability.

Kind Regards,

Mayor Lisa Ruffell &
Chief Executive Officer, Nat Traeger.



YOUR COUNCIL

The Mayor and Council Members are elected by the local community to represent the interests and needs of the community. They provide leadership & guidance and facilitate communication between the community and the Council.

The District Council of Robe comprises of the Mayor and six Council Members who play an important role, in identifying community needs and planning and setting strategic goals to meet those needs.



MAYOR LISA RUFFELL



DEPUTY MAYOR NICK BROWN



CR MARCIA DENING



CR DAVID LAURIE



CR KYLIE PEEL



CR NED WRIGHT



CR DUNCAN YOUNG

OUR COMMUNITY

The District Council of Robe encompasses 1,091.7km2 and was home to 1,542 people at the time of the 2021 Census of Population and Housing, around 75% of whom live in the township of Robe, which was established in 1846. Robe is located within the traditional lands of the Boandik and Meintangk people who have made it their home for tens of thousands of years.

In its early days of European settlement, Robe was the maritime and commercial hub for the Limestone Coast and its rural hinterland. Significant volumes of wool were exported from the port of Robe to Britain, and it also served as a port of entry for large numbers of Chinese immigrants journeying onto the goldfields of Victoria. After the establishment of rival ports and the decline of the pastoral industry, Robe fell into decline and reinvented itself over the 20th century as a coastal holiday destination, commercial fishing (particularly rock lobster) port and surfing town.

Today, Robe is a popular tourist town, with a population that increases significantly during the summer months and holidays. Whilst there was a total of 1,571 dwellings in the town of Robe at the time of the 2021 Census (mid-winter), only 39% were occupied, which is indicative of a high proportion of holiday homes. Robe also has numerous tourist accommodation options and supporting facilities.

The Robe rural hinterland remains significant for sheep and cattle grazing and crop growing with some viticulture, and forestry. These industries, coupled with commercial fishing are the highest employers of Robe residents at 18.5% at the time of the last census.

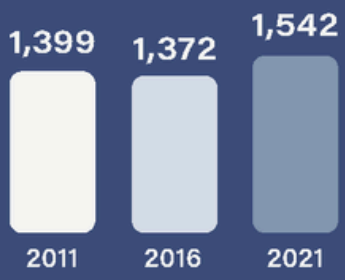


District Council of ROBE

1,091.7km²

1,542
Population 2021

12.1%
Population Increase 2016-2021



Population Change

Heritage Places

30
STATE

50
LOCAL

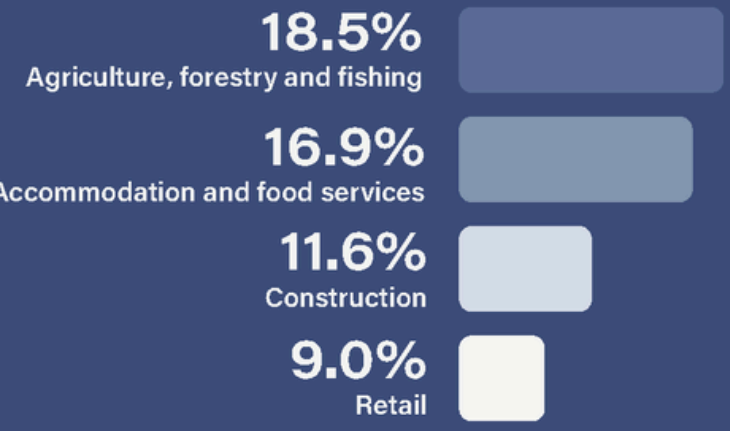
1,571
Total Private Dwellings

923 (58.8%)
Unoccupied Private Dwellings

$1,200
Median Monthly Mortgage Repayment

$1,220
Median Household Weekly Income

767
Residents in the labour force



363
Residential Dwellings Approved in 2022-2023

$30.1M
Value of argricultural production

$11.3M
Direct and Indirect Output from Tourism

13.9%
Aged Under 15 Years

33.3%
Residents Volunteer

52
Median Age

28.6%
Aged 65+ Years

58
People need help due to a disability

KEY ACHIEVEMENTS IN 2023-2024

- Customs House (restoration of stonework on North & South Walls)
- Major By-Law review
- Development and adoption of new Strategic Plan 2024-2028
- Significant progress on review, development, and adoption of Asset Management Plans
- Development of concept plans for the Robe Street redevelopment project
- Finalisation of new straddle lift carrier for Lake Butler Marina
- Environmental projects including solar for administration building and cost efficient energy upgrade at the Robe Institute
- Adopted a new Animal Management Plan
- Hosting and support of a myriad of community events
- Finalised appointment of three well qualified and experienced members of the Audit & Risk Committee





STRATEGIC DIRECTION AND FRAMEWORK

The recently adopted Strategic Plan 2024-2028 forms part of the four critical components of the integrated strategic management framework that includes Council's Management Plans, Long Term Financial Plan, Annual Business Plans and Budgets and a mechanism for reporting and review.

Through this framework Council can demonstrate accountability back to the community and other key stakeholders.

In developing the Strategic Plan 2024-2028, we undertook an extensive program of community consultation to hear what was most important to the community now and in planning for the future. Further, we took the findings of the community voices survey undertaken initially for the Robe 2050 Plan in August 2022, and transcribed them, along with community engagement sessions held in April and May 2024, into the new Strategic Plan.

The Plan contains strategic directions and priority actions, thereby setting a clear, concise, and achievable strategic direction for Council for the next four (4) years, namely:

- **Strategic Directions 1** – Plan for liveability
- **Strategic Directions 2** – Grow Robe's entrepreneurial spirit & economy
- **Strategic Directions 3** – Promote Robe's history and heritage
- **Strategic Directions 4** – Protect our natural environment and coastline
- **Strategic Directions 5** – Enhance Robe's appearance and function
- **Strategic Directions 6** – Council's organisational response



STRATEGIC PLAN HIGHLIGHTS FOR THE YEAR AHEAD

Description	Liveability	Economy	History	Environment	Appearance	Organisational
Prioritise asset renewal, specifically rural roads	√				√	√
Robe Street & Foreshore Playground Upgrades	√				√	
CWMS System Upgrade	√	√			√	
Finalise and adopt a coastal adaptation strategy for the Robe coastline				√		
Develop a Robe Tree Planting Strategy	√			√	√	
Commence planning for Davenport Street link (extension)	√	√			√	√
Coastal trail realignment in the vicinity of the blowhole	√	√		√	√	
Support for maintenance of Robe's historical collection			√			
Robe Street Redevelopment Project	√	√			√	√
BBQ Facility at the Skate Park	√					
Lake Butler Marina Dredging	√	√		√	√	
Continued signage program	√		√		√	
Introduction of public arts program budget			√		√	
Master Plan for the Robe Township	√	√	√	√	√	√



ESCOSA LOCAL GOVERNMENT ADVICE

On 30 April 2022, amendments to the Local Government Act 1999 (the Act) came into operation introducing an advisory scheme to give ratepayers greater confidence that the rates they pay are set at the level necessary for their council to provide the services they value.

The Essential Services Commission South Australia (ESCOSA) is the designated authority which, on a four yearly rolling schedule, reviews and provides its advice on each council's strategic management planning documents. The advice relates to the appropriateness of councils' long-term financial plans, infrastructure and asset management plans and revenue sources as outlined in funding plans. It is an advisory scheme, identifying both risks and areas of good practice for councils to consider, with decision making remaining in the hands of the councils. The District Council of Robe was reviewed by ESCOSA in the 2023–24 tranche of councils.

Its advice identified challenges to council's financial sustainability. Issues raised were known, and council has been actively addressing them in the re-development of its Strategic Plan, Long Term Financial Plan, Asset Management Plans and during the drafting of this Annual Business Plan and Budget. Whilst recognising that it will not happen overnight, the review's recommendations confirm that the current council's focus on asset renewal is on the right track for stronger financial performance and a future with improved asset sustainability ratios.

As required by the Act, the ESCOSA report, and Council's response to that report, are included as appendices to this plan.



SIGNIFICANT INFLUENCES & PRIORITIES

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

These include:

- Recovery from administrative leadership instability which has resulted in latency in the review of asset management and long-term financial plans.
- The ESCOSA advice contained on Page 13.
- The increase in the Adelaide Consumer Price Index (CPI) of 4.3% for the quarter ending March 2024. Council is acutely aware of the cost-of-living financial pressures on its residents.
- Growth of 1.2% from new rateable assessments.
- General rates have been increased in line with Adelaide March 2024 CPI of 4.3%, plus growth of 1.2%, plus an additional increase of 1% to address operating deficits.
- Councils face higher cost increases due to high infrastructure costs and the capital-intensive nature of the goods and services purchased. Fuel and electricity prices are large components of costs and are impacting significantly on budgets moving forward. Consideration is also given to the Local Government Cost Index ("LGCI"), which measures the increase in costs for Local Government which in using the latest series data for 2023/24 was 4.4%
- A backlog of asset and infrastructure renewal and replacement, resulting in continued downward trajectory of Council's asset sustainability ratio.
- Negotiated Enterprise Bargaining Agreements and an increase to 11.5% for employer Superannuation Guarantee contributions (up from 11.0% in 2023/24). This is increasing by 0.5% each year until it reaches 12% from 1 July 2025.
- Navigating the complexities of managing population fluctuations and the impacts on our service delivery, capability, and infrastructure, whilst we remain dedicated to preserving Robe's unique character and natural beauty.

During the process of developing the 2024-2025 Annual Business Plan, Council considered the new Strategic Plan 2024-2028 and long-term objectives to ensure alignment. Current and future service levels have also been considered during the development of the budget, along with the draft Asset Management Plans, to ensure sufficient allocations have been made to deliver the recommended actions.



CONTINUING SERVICES

All Council's have mandatory responsibilities under the Local Government Act 1999, and other relevant legislation, including:

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

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



- Asset Management
- Roads, Kerbs and Footpaths
- Traffic Management
- Plant & Machinery
- Stormwater
- CWMS
- Open Space Assets
- Coastal Management
- Cemetery



- Parks, Reserves & Playgrounds
- Sport & Recreational Facilities
- Boat Ramp & Marina
- Airfield



- Community Events support
- Tourism promotion
- Public Library
- Visitor Information Centre
- Community Programs
- Community Assistance Fund
- Childcare Service



- Kerbside Waste Collection
- Public Waste Bins
- Waste Transfer Station



- Building Regulation
- Planning & Development
- Public Order & Safety
- Fire Prevention
- Dog & Cat Management
- Parking
- Environmental Health
- Heritage Advisor



- Governance & Legal Compliance
- Administration & Customer Service
- Financial Management
- Records Management
- Information Technology

Council also provides the following facilities on a fee for service (but not necessarily at full cost recovery). These provide important community benefits while also generating revenue for services and projects of benefit to the District Council of Robe, including:

- Medical Centre
- Robe Institute
- Community Wastewater Management Scheme
- Recreational Boat Ramp
- Marine Straddle Carrier
- Waste Transfer Station

CAPITAL PROJECTS

	Renewal	New	Tied Grant	Target	Performance Measure
Transport					
Roads (sealed & unsealed)	1,360,000			70% -100%	Delivery of re-sheeting program identified in the Roads Asset Management Plan
Roads LRCI Phase 4 (TBC)	110,327		110,000	70% -100%	Identify and deliver upgrade to specified road
Robe Street Redevelopment	750,000			75-100%	Completion of all required detailed design, engineering and costing estimates for tender and commencement of construction
Davenport Link Investigations		50,000		100%	Design, engineering and costing estimates received
Coastal Trail Realignment	250,000			75-100%	Re-routing of trail between Obelisk & Doorway Rock complete
Footpaths (new)		50,000		100%	Commencement of footpath works as identified in the Footpath Strategy
	2,470,327	**100,000**	**110,000**		
Buildings & Structures					
CCOWS Shed Resheeting	45,000			100%	Recladding of walls, roof and roller door replacement complete
Works Depot (roller doors)	40,000			100%	Replacement and upgrade of manual roller doors to automated roller doors
Works Depot (improvements)	75,000			100%	Upgrade and improvement of depot facilities, subject to employee consultation
Sea Vu Caravan Park (grey water system)	35,000			100%	Installation of grey water system complete
Sea Vu Caravan Park (toilet block roof replacement)	25,000			100%	Toilet block roof replacement complete
	220,000	**0**	**0**		
CWMS					
Node upgrades	1,848			100%	Completion as specified in the CWMS Asset Management Plan
System upgrade - SCADA	615,000			100%	Installation and commissioning of Supervisory Control and Data Acquisition (SCADA) system to manage the towns CWMS
	616,848	**0**	**0**		
Open Spaces					
Cemetery Niche Wall & Memorial Wall (double internments, subject to investigation)	15,000			100%	Investigtion complete, appropriate option implemented
Playground - Robe Street Upgrade	241,267		191,000	85-100%	Completion of project upgrade
Playground - Foreshore Upgrade	50,000			100%	Completion of equipment/area upgrades
Skate Park BBQ's		10,000		100%	Install new bbq at the Skate Park
Marina - automate hardstand gate entry	25,000			100%	Gates automated
Marina - fencing at hardstand		50,000		100%	Fencing installed
Wayfinding signage		55,000		100%	Signage installed
	331,267	**115,000**	**191,000**		
Furniture & Fittings					
Computer replacements	20,000			100%	Project complete
Replace Institute Switchboard	5,000			100%	Switchboard replaced
Christmas Tree Switchboard Upgrade	20,000			100%	Switchboard replaced
	45,000	**0**	**0**		
Plant & Equipment					
Tip Truck	235,000			100%	Replacement
Works Ute	51,000			100%	Replacement
Honda SUV	45,000			100%	Replacement
Loader	330,000			100%	Replacement
General purpose trailer	12,000			100%	Replacement
Portable toilet	6,000			100%	Replacement
Mower trailer		15,000		100%	Puchase new trailer for John Deere mower
Parks & gardens equipment trailer		18,000		100%	Puchase new dedicated garden maintenance trailer
Skid mounted water tanker	50,000			75-100%	Replacement
	729,000	**33,000**	**0**		
	4,412,442	**248,000**	**301,000**		

*Note: anticipated trade-in for plant & equipment is not included in this table

HOW COUNCIL WILL FUND THIS BUSINESS PLAN & HOW FUNDS WILL BE SPENT

The 2024-2025 Annual Business Plan and Budget has been prepared with the objective of sustaining a balanced provision of both statutory and discretionary services to the community. This aligns closely with the strategic objectives outlined in the Council's new Strategic Plan 2024-2028.

Specifically, Strategic Direction 6, focusing on 'Council's Organisational Response,' is intricately tied to the Community Aspiration of 'Well Planned Infrastructure.' This aspiration entails ensuring we have access to the services and facilities that our community needs to thrive, and we plan for infrastructure in a way that is financially sustainable, with long-term in mind. Notably, this approach has been crafted to effectively manage the guidance provided by ESCOSA.

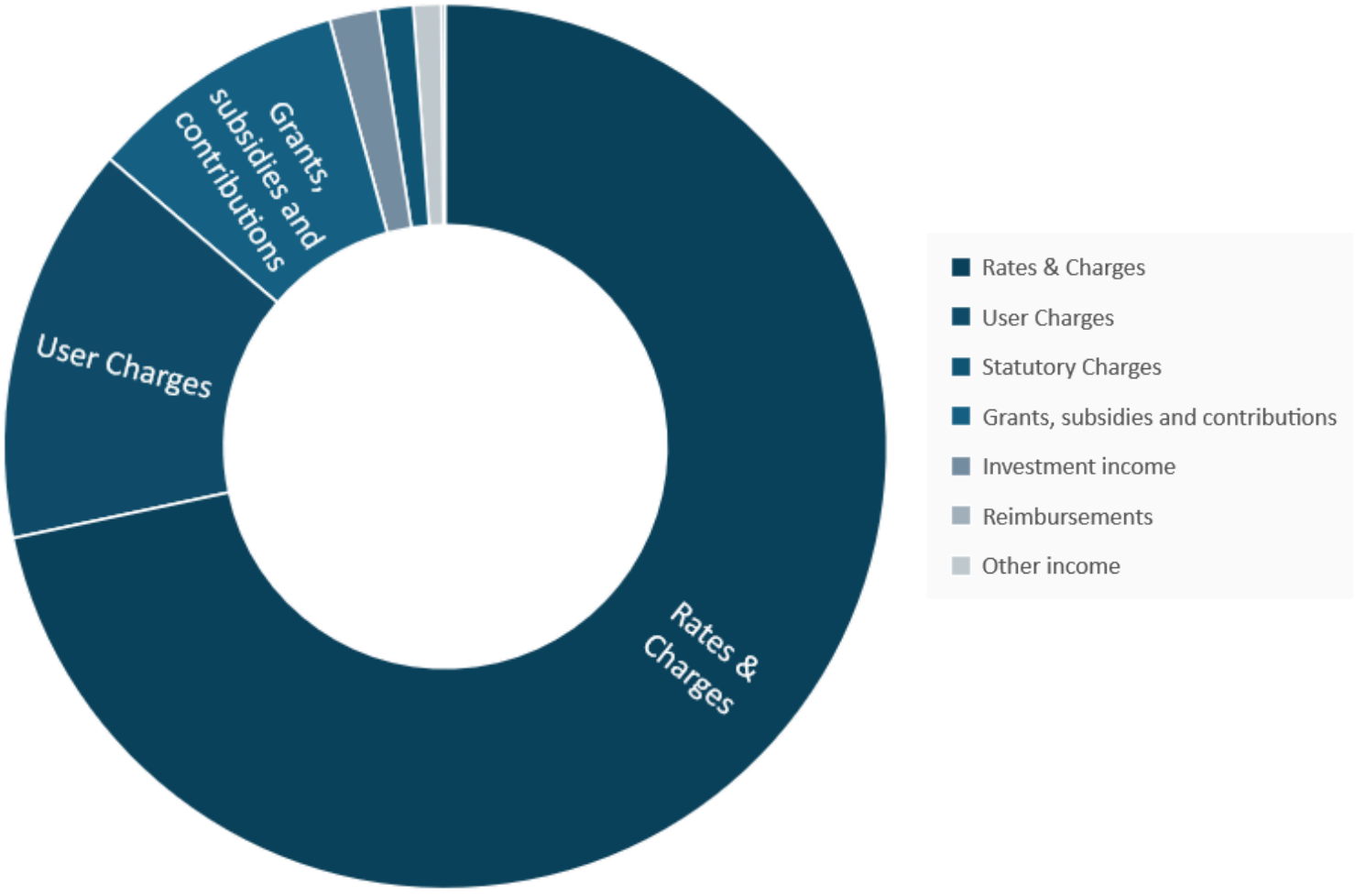
In delivering the services and projects detailed in this 2024-2025 Annual Business Plan and Budget, Council plans to operate a deficit of ($531K) in 2024/25 as a result of:

Operating Revenues	**$9,970K**
Less: Operating Expenditure	**$10,501K**
Net Operating Deficit	***($531K)***

Council is granted the power to acquire funds under Section 133 of the Local Government Act 1999. Sources of revenue can derive from the following categories:

- Rates
- Statutory Charges
- User Charges
- Commercial Activities
- Grants, Subsidies and Contributions
- Investment Income
- Reimbursements
- Other Income

The following diagram depicts the proportion each of these sources of revenue that makes up the total budgeted revenue of Council's 2024-2025 Budget:



HOW COUNCIL WILL FUND THIS BUSINESS PLAN & HOW FUNDS WILL BE SPENT

Council's Sources of Revenue		
Category	$000s	%
Rates & Charges	7,146	71.7%
User Charges	1,454	14.6%
Statutory Charges	129	1.3%
Grants, subsidies and contributions	949	9.5%
Investment income	176	1.8%
Reimbursements	15	0.2%
Other income	101	1.0%
	9,970	

Revenue Category Descriptions	
Rates & Charges	General rates on properties as well as service charges (e.g. Mobile Garbage Bin, Community Wastewater Management System) and the Regional Landscape levy. Council also administers a separate rate known as the Underground Power Line Separate Rate which is charged to the applicable properties.
Statutory Charges	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 dog control management.
User Charges	Income generated through the hire of facilities or the provision of services (e.g. hall hire, foreshore hire, cemetery fees, childcare fees, marina berths and boat ramp fees). Various leasing and licensing arrangements between Council and third parties are also included in these charges.
Grants Subsidies & Contributions	Council seeks to attract as much grant funding from other tiers of government as possible, thereby reducing the reliance on other revenue streams.
Investment Income	Income from financial investments or loans to community groups. It includes interest received from the Local Government Finance Authority, banks and loans to community groups.
Reimbursements	Amounts received as payment from work done by or procured by the Council acting as an agent for other government bodies and property owners, organisations and individuals.
Other Income	Other income not classified elsewhere, such as income generated from rebates and distributions from Council's insurance schemes and other sundry income from Council activities such as, newsletter fees and augmentation fees.



HOW COUNCIL WILL FUND THIS BUSINESS PLAN & HOW FUNDS WILL BE SPENT

RATES & CHARGES

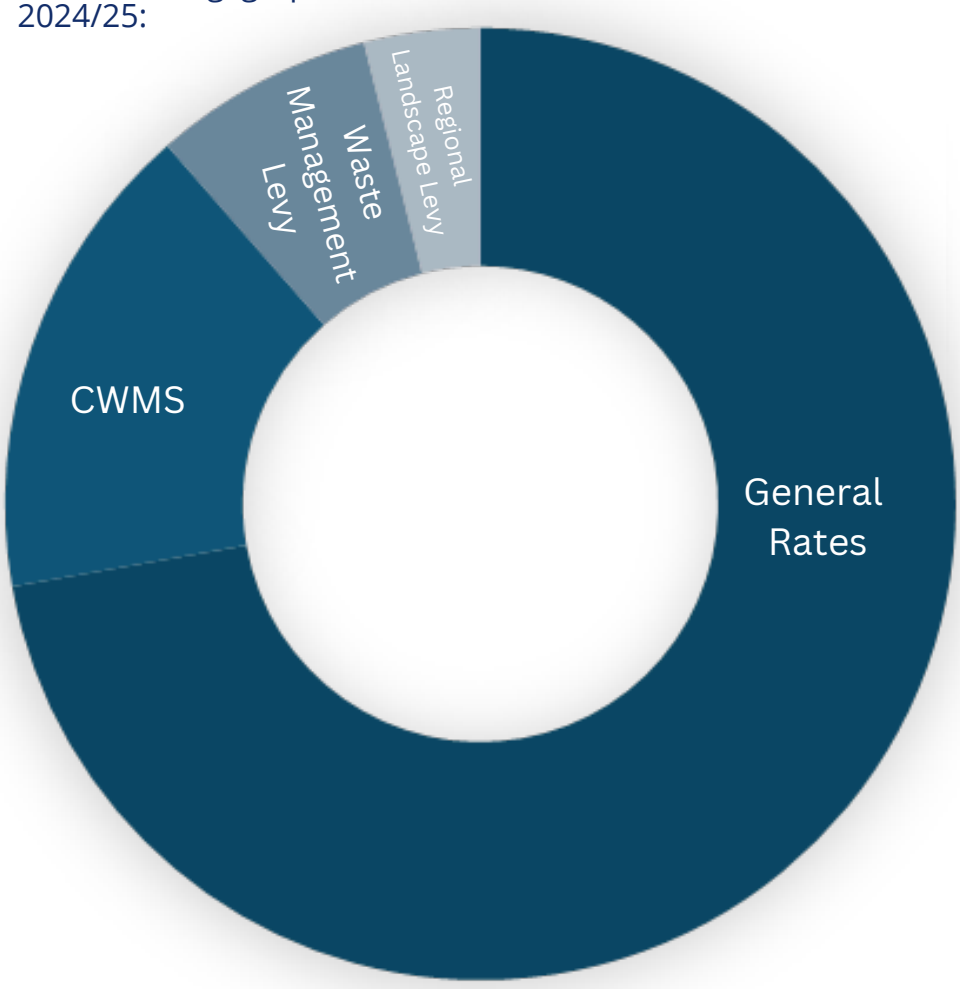
Of the total $9,970k income Council proposes to raise, $7,146k is from rates.
Of this total, $5,145k is expected to be raised through general rates, which is an increase of $334k (6.9%) when compared to the 2023/24 Original Budget and $314k (6.5%) compared to 2023/24 Budget Review figures.

The following factors were considered as part of this decision:

- Consumer Price Index (CPI) increase of 4.3%
- Increase in the number of Rateable Properties 1.2%
- Increase required to cover increase in costs of goods and services and reduce deficit 1.0%
- Renegotiation of Enterprise Bargaining Agreements
- Increase in superannuation guarantee payments by 0.5%
- Funding required to service the community and its assets

Council also administers a separate rate known as the Underground Power Line Separate Rate. This is applied to properties between 30 Esplanade and the first stobie pole on Newton Terrace to cover the costs incurred by Council to undertake the process of under-grounding the power lines.

The following graph details the revenues received from the different rate funding streams for 2024/25:



- General Rates 72%
- CWMS 16%
- Waste Management Levy 7%
- Regional Landscape Levy 4%



HOW COUNCIL WILL FUND THIS BUSINESS PLAN & HOW FUNDS WILL BE SPENT

STATUTORY CHARGES

Council is expecting to generate $129k from this income stream in 2024/25.

USER CHARGES

For 2024/25 Council have budgeted to raise a total of $979k from this income stream.

The following factors were considered when setting User Charges for 2024/25:

- CPI Increase
- Competitor pricing
- Operating costs to maintain Council assets
- Balancing cost recovery versus community service
- Contractual arrangements
- Affordability and capacity to pay

GRANTS SUBSIDIES & CONTRIBUTIONS

Council has budgeted to receive $949k in grants, subsidies and contributions in 2024/25. This is a increase of $392k compared to the 2023/24 Original Budget. It should also be noted that $301k of the grants budgeted relate to the renewal of assets projects.

INVESTMENT INCOME

Council's interest income from investment is expected to be $176k.

LONG TERM FINANCIAL PLAN

One of the key findings of the ESCOSA advice was to immediately review and update Council's Long Term Financial Plan (LTFP).

The objective of the LTFP is to provide a strategic framework for the management and sustainability of Council's financial resources over an extended period. It aims to ensure financial stability, effective asset management, efficient service delivery, risk mitigation, and transparency/accountability.

Immediately after the adoption of the new Strategic Plan 2024-2028, both the draft 2024-2025 Annual Business Plan (this document) and the 2024-2034 Long Term Financial Plan were finalised to enable both documents to undertake a comprehensive community engagement campaign.

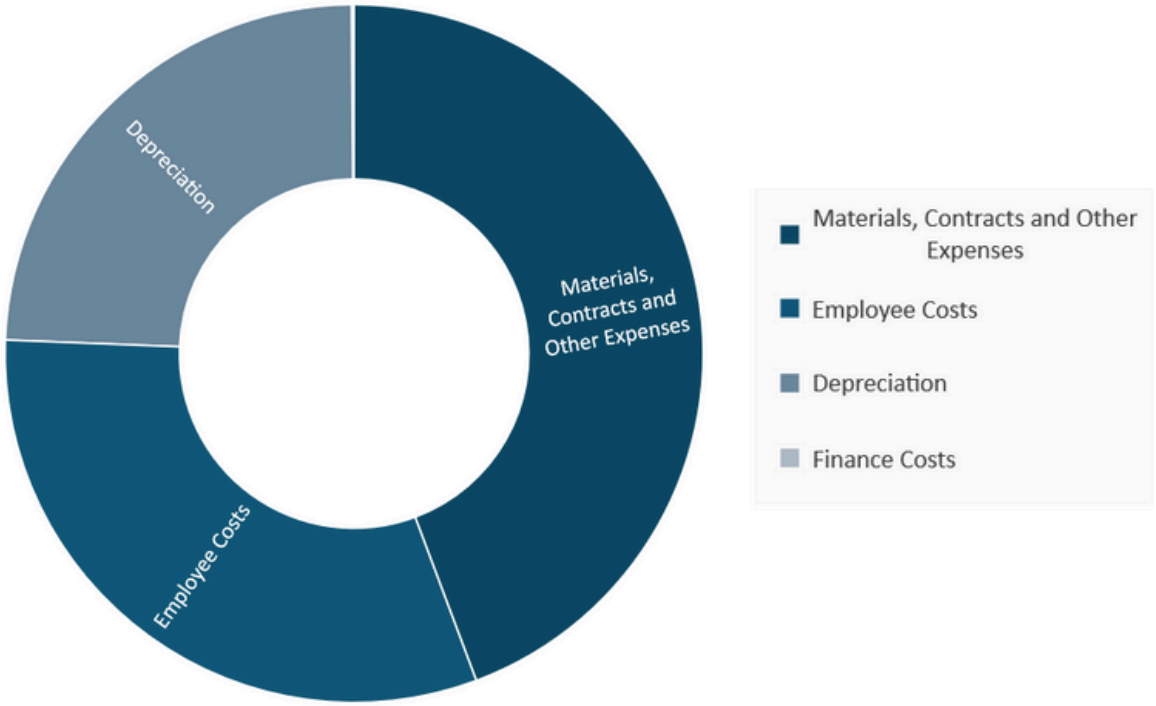
Council is facing many challenges, but first and foremost is to address deferred asset renewals. Council has allocated an unprecedented amount of renewal funding, with a focus on rural roads in the draft 2024-2025 budget, and this is focus is continued through the life of the LTFP.



HOW COUNCIL WILL FUND THIS BUSINESS PLAN & HOW FUNDS WILL BE SPENT

WHERE IS COUNCIL BUDGETING TO SPEND FUNDS

The following diagram provides and breakdown of the expenditure planned for 2024-2025.



Council's Planned Expenditure		
Category	$000s	%
Materials, Contracts and Other Expenses	4,652	44.3%
Employee Costs	3,289	31.3%
Depreciation	2,547	24.3%
Finance Costs	13	0.1%
	10,501	

Expenditure Category Definitions	
Employee Costs	Costs associated with Council employees, including Wages and Salaries, Superannuation, Leave Expenses, Public Holiday Overtime, Workers Compensation and Income Protection Cover.
Materials, Contracts & Other Expenses	Payments made for contractual services, such as waste management, auditors, IT and cleaning, event contributions, community grants and sponsorship, asset repairs and maintenance, operational overheads such as insurance, water, fuel and electricity, and administration costs such as printing, stationery, postage and software licensing.
Finance Costs	The costs associated with financing Council's activities and projects through borrowings or other types of financial arrangements and merchant charges.
Depreciation	The allocation of the cost of Council's fixed assets (e.g. buildings and structures, plant and equipment, transport and infrastructure) over their useful life.

HOW COUNCIL WILL FUND THIS BUSINESS PLAN & HOW FUNDS WILL BE SPENT

EMPLOYEE COSTS

Employee costs for 2024/25 are $3,289k which represents a $510k increase compared to the 2023/24 Original Budget. The increase can be attributed to a combination of the following factors:

- Increase in superannuation guarantee contribution from 11% to 11.5%
- Wages and Salaries increased to align with CPI through the EBA
- Annual Increments for staff as dictated by EBA and terms of employment
- Vacancies filled after shortages

Note: The ASU EBA has not been negotiated since 2022, resulting in extra-ordinary increases.

MATERIALS, CONTRACTS & OTHER EXPENSES

Contributing to 44% of the operational expenditure; Materials, Contracts and Other Expenses is the largest portion of outgoings in the operational expenditure budget.

The budget for Materials, Contracts and Other Expenses is $4,652k which is an increase of $461k compared to the 2023/24 Original Budget.

FINANCE COSTS

Council has budgeted for a total amount of $13k in interest payments, compared to $30k in the 2023/24 Original Budget

DEPRECIATION

Council's budget for depreciation is $2,547k. This is a decrease of $141k. from 2023/24 Original Budget.

Council continues to review all asset classes as a matter of priority. Our data collection and revaluation methodology continue to improve, with advice from third party specialists. This information is now providing Council with more accurate data, which is informing both decision-making in respect to assets and asset management processes.



IMPACT ON COUNCIL'S FINANCIAL POSITION

KEY FINANCIAL INDICATORS

Local Government in South Australia has adopted a set of Key Financial Indicators which provide both an indication of the current Financial Sustainability of Council and can also demonstrate the improving (or declining) trend in Council's Financial Position over time. These indicators are required to be presented consistent with the industry recognised Model Financial Statements. Council has reviewed it's Key Financial Targets after considering the Annual Business Plan & Budget the following table displays the targets for each Financial Indicator:

Financial Indicators	Target	Actual 2022/23	Current Budget 2023/24	DRAFT Budget 2024/25
Operating Surplus Ratio	0% - 5%	-4.4%	-5.8%	-5.3%
Net Financial Liabilities Ratio	<100%	-7.5%	8.0%	34.0%
Asset Renewal Funding Ratio	90% - 110%	34%	175%	274%

OPERATING SURPLUS/(DEFICIT) RATIO

The Operating Surplus Ratio expresses the Operating Surplus (or Deficit) as a percentage of Total Operating Income to measure the extent to which income covers the operational expenses and if any funds are available to fund the capital works.

Calculation:

$$\frac{\text{Operating Surplus/(Deficit)}}{\text{Total Operating Income}}$$

Council's position for the 2024/25 financial year is forecast to be -5.3% which is below the target figure but is improving from the 2023/2024 forecast figure of -5.8%. Bringing the Operating Surplus Ratio back within the target range is being addressed through the Long Term Financial Plan.

NET FINANCIAL LIABILITIES RATIO

The Net Financial Liabilities are calculated as the difference between amounts owed and amounts held. The Net Financial Liabilities Ratio measures the net financial liability amount against total operating income. A ratio trend that is reducing indicates the improving capacity to meet financial obligations.

Calculation:

$$\frac{\text{Net financial Liabilities}}{\text{Total Operating Income}}$$

For 2024/25 the Net Financial Liabilities Ratio is forecast to be 34.5% which is within the target range of < 100%.

ASSET RENEWAL FUNDING RATIO

The Asset Renewal Ratio measures the extent to which existing assets are being renewed or replaced, compared to the planned capital works in the Asset Management Plans. If the capital expenditure budget for the renewal or replacement of existing assets matches that projected in the Asset Management Plans then the ratio will be 100%. If the ratio is less than 100% for an extended period, this will lead to a deterioration of asset condition over time, leaving future generations of ratepayers to fund higher asset maintenance replacement costs to restore the asset service level.

Calculation:

$$\frac{\text{Net Asset Renewal/Replacement}}{\text{Total Planned Asset Renewal/Replacement}}$$

The capital works program for 2024/25 has included projects to achieve a ratio of 273.5% which is well above the target range for this indicator. The review of the Asset Management Strategy and the Asset Management Plans will continue to improve the forward planning and smooth the projected forecast in future years.

WHAT IT MEANS FOR RATES & RATEPAYERS

WHAT ARE RATES?

Rates are levied as a tax on property in accordance with the provisions of the Local Government Act 1999. Rates are not a fee for service or user charge. For example, not all ratepayers use all services such as libraries, playgrounds, public conveniences and they are unlikely to travel on every walking track, local or rural road. Ratepayers contribute to the costs of all local government services, even if they do not use those services.

Rates are a tax based on the value of property; those with higher valued properties pay more than those with lower valued property.

Rate revenue is an integral part of the Council's financial resource base, the value of which is determined through Council's desire, on behalf of the community, to achieve the strategies articulated in Council's Strategic Plan, Annual Business Plan and Long Term Financial Plan.

In determining the rate revenue increases, consideration is given to the current economic climate, movements in inflation and interest rates, increased legislative responsibilities and the need to manage, maintain and improve the community's infrastructure assets.

Recognising the requirement for Council to align to its strategic goals, the 2024/25 Budget is proposing to increase General rates by 6.5%.

General rates growth represents the increase in the number of rateable properties from the previous year in the District Council of Robe. The number of rateable properties has increased by 34 from 2,568 (2023/24) to 2,602 (2024/25). Growth is defined and calculated as per the Local Government (Financial Management) Regulations 2011. Reg 6(2).

The Local Government Act provides for Council to raise revenue through differential general rates which apply to different classes of land use. Differential rates can vary according to the locality of the land, the use of land or both. Differential general rates are calculated using the valuation of the property (capital value) multiplied by the rate in the dollar applicable to the property's land use and/or locality. Council is using this approach to achieve an equitable distribution of the rate responsibility and to balance the community's capacity to pay.

A differential general rate is applied according to land use with the application of a minimum rate and a maximum increase of rates of 15% (rate cap) on rateable land that constitutes the principal place of residence of a principal ratepayer. The "rate cap" is on application only. Council considers this to be a fair and equitable method of rating for the District Council of Robe.

Council is proposing to maintain the same rating differentials for 2024/25 to 2023/24 for all rate categories.

Commercial and Marina Berths will attract a higher rate in the dollar due to high demand for these Council services. The higher rate funds the cost of maintaining the facility and its surrounds.

When determining the 'rate in the dollar' to be charged to ensure Council raise the correct amount of rates, consideration must be given to the capital valuation of properties across the rate base.

Individual property rates will vary, with some decreases and increases depending on the movement of the property capital value. The table below outlines the percentage increase in valuations as per each differential land use.

Increased valuations and growth across the entire rate base, the 'rate in the dollar' for each differential rating class is set to decrease by on average 3.9%.



WHAT IT MEANS FOR RATES & RATEPAYERS

The above information along with the average proposed change for each differential land use is specified in the table below.

Differential Rate Land Use Category	Total Properties	Minimum Rate	Number of Properties on Minimum	Rates Raised 2023/24	Proposed Rates to Raise 2024/25	% Change from 2023/24	Average Rates 2023/24	Average Rates 2024/25	Average Rates Increase from 23-24	Average Rates % Increase from 23-24
Residential	1488	863.00	306	2,168,993	2,304,220	6%	1,477	1,549	72	5%
Commercial	66	863.00	7	195,613	204,610	5%	2,878	3,100	222	8%
Industrial	66	863.00	27	56,653	78,109	38%	864	1,183	320	37%
Primary Production	473	863.00	26	1,998,639	2,124,098	6%	4,244	4,491	247	6%
Vacant Land	419	863.00	279	374,037	416,148	11%	933	993	61	6%
Other Land	23	863.00	11	10,761	11,411	6%	470	496	26	5%
Marina Berth	67	0.00	0	6,409	6,679	4%	96	100	4	4%
	2602		**656**	**4,811,105**	**5,145,275**					

Differential Rate Land Use Category	Total Properties	Capital Value 2023/24	Capital Value 2024/25	% Change in Valuation	Rate in Dollar 2023/24	Rate in Dollar 2024/25	Differential Rating Factor	% Change in Rate in Dollar
Residential	1488	1,089,491,500	1,201,969,000	10.32%	0.192530	0.185009	100%	-3.9%
Commercial	66	82,458,200	90,346,200	9.57%	0.231036	0.222102	120%	-3.9%
Industrial	66	19,417,000	40,345,000	107.78%	0.192530	0.185009	100%	-3.9%
Primary Production	473	1,035,304,700	1,144,203,300	10.52%	0.192530	0.185009	100%	-3.9%
Vacant Land	419	134,835,000	161,631,000	19.87%	0.192530	0.185009	100%	-3.9%
Other Land	23	8,450,100	9,493,200	12.34%	0.192530	0.185009	100%	-3.9%
Marina Berth	67	2,774,344	3,008,404	8.44%	0.231036	0.222102	120%	-3.9%
	2602	**2,372,730,844**	**2,650,996,104**	**11.73%**				

The final rating applied is subject to amendment, based on the updated property valuations received from the Valuer-General up to the date of the formal rates declaration. The declaration will supersede any outdated data in this report.

WHAT IT MEANS FOR RATES & RATEPAYERS

MINIMUM RATES

A minimum rate is applied to the whole of an allotment in accordance with Section 158 of the Local Government Act. Should two or more pieces of adjoining land (whether separated by road or not) be owned and occupied by the same owner (known as 'contiguous land'), only one minimum rate will be charged.

The 2024/25 minimum rate of $863 is an increase of $53 compared to the minimum rate of $810 in 2023/24.

The minimum rate will be applied to approximately 25% of all rateable properties. The Local Government Act allows for a maximum of 35% of properties to receive the minimum rate, meaning the District Council of Robe is within this range in accordance with the Act.

RATE CAPPING

Council have applied a maximum increase on rates (Rate Capping) in accordance with Section 153 (3) of the Local Government Act 1999 on rateable land that constitutes the principal place of residence of a ratepayer. A maximum increase of 15% applies to those assessments of residents within the Council area on the general rates raised for the previous year, except in the following circumstances:

- Where the increase is due to a valuation increase that has occurred as a direct result of capital improvement (excluding capital improvements of $30,000 or less) or development of the land; or
- Where the ownership of the property has changed since 1 July of the preceding financial year and the new owners have purchased the property at the current market value; or
- Where a boundary realignment, subdivision or amalgamation has occurred, therefore the property is a different property to the previous financial year for valuation purposes (with the exception of subdivisions to facilitate land acquired by any government entity e.g., for the purpose of drain construction or alteration and with the exception of rural properties where the boundary realignment, subdivision or amalgamation has not made a material difference).

The "Rate Capping" provision aims to provide relief to resident ratepayers who may be unfairly affected due to changes to the basis of rating (implementation of "land use" based rating) and to minimise significant rate increases where volatile valuation movements have occurred.

Rate Capping is on application only and forms are available from Council from our office or on Council's website. The applications will be reviewed on an annual basis and adjusted accordingly, as determined by Council.

SEPARATE RATES

A separate rate will be levied on specific ratepayers to provide funding for activities and services related to those ratepayers. 'The Underground Powerline Separate Rate' is the only separate levy charged in the District Council of Robe, and this will be the second instalment over the five year duration.

The Underground Powerline Separate Rate is applied to properties between 30 Esplanade and the first stobie pole on Newton Terrace to cover the costs incurred by the Council to undertake the undergrounding of the powerlines on the Esplanade. Revenue from this separate rate is expected to raise $26k in 2024/25, which is unchanged from 2023/24.



HOW COUNCIL WILL RAISE SERVICE CHARGES

Waste Collection

To meet the costs associated with the collection and disposal of domestic and other garbage, Council has a Waste Management Service Levy on all serviced properties. Where the service is provided to non-rateable properties, a service charge is to be levied against the land.

Charges for Waste Management for 2024/25 will be:

- For residents of Robe: $380 ($357 in 2023/24)
- For residents of Boatswain Point: $204 ($192 in 2023/24)

Council charges separately for this service as it is specific to particular properties and it's unreasonable to expect the total rate base to provide for this service.

Community Wastewater Management System

Council provides a Community Wastewater Management System (CWMS) to all land within the township of Robe.

As set out in Section 155(2) of the Local Government Act 1999, Council may impose an annual service charge on properties for the CWMS to meet the operational and capital costs of the schemes.

Charges for the Community Wastewater Management Scheme for 2024/25 will be:

- Occupied: $656 ($616 in 2023/24)
- Unoccupied: $528 ($496 in 2023/24)

This fee includes the provision of all septic tanks being desludged by Council's contractors on a four year rolling cycle.

Regional Landscapes Levy

Council is required to pay a Regional Landscape Levy (a State Government Tax) each year to the Limestone Coast Landscape Board (LCLB). The purpose of the Landscape Board is to expend levy funds to manage and protect priority water, land, marine and biodiversity assets in the South East area of South Australia.

As a collection agency for the Board, the District Council of Robe apply the levy to all rateable properties and on a differential, based on the land use of the rating assessment. To undertake this, Council applies a separate charge against all rateable properties. The LCLB has declared that the Levy will increase by 5.9% in 2024/25.

Local Government Land Use Categories	Landscape Levy Per Rateable Property
Residential, Vacant & Other	$90.64
Commercial	$135.96
Industrial	$217.54
Primary Production	$398.82



APPENDIX 1 - UNIFORM PRESENTATION OF EXPECTED RATE REVENUE

Statement on Expected Rate Revenue

Please note: These figures represent a considered estimate of Expected Rate Revenue based on the most current information available at the time of going out to consultation on the DRAFT Annual Business Plan and Budget (ABP&B). This information is updated regularly and therefore these figures may be subject to confirmation at the time of actual adoption of the ABP&B.

Expected Rates Revenue

	2023/24 (as adopted)	2024/25 (estimated)		Change	Comments
General Rates Revenue					
General Rates (existing properties)		$5,087,603	*(a)*		For 2024/25 General Rates are projected to increase by 6.5%, being 4.3% CPI, plus 1.0% rate increase, plus 1.2% growth from new properties. The final General Rates figure is calculated using Budget Review 3 General Rate Figure adopted in May 2024.
General Rates (new properties)		$57,973	*(b)*		
General Rates (GROSS)	**$4,811,106**	**$5,145,576**	*(c)*		
Less: Mandatory Rebates	($17,999)	($18,593)	*(d)*		
General Rates (NET)	**$4,793,107**	**$5,126,983**	*(e)*	**7.0%**	
	(e)=(c)+(d)				
Other Rates (inc. service charges)					
Regional Landscape Levy	$268,380	$280,944	*(f)*	The Regional Landscape Levy is a State tax, it is **not retained** by council.	
Waste Collection	$490,590	$534,160	*(g)*	$372 for residents of Robe and $200 for residents of Boatswains Point	
CWMS	$1,077,821	$1,163,016	*(h)*	$642 for occupied and $517 for unoccupied/vacant land	
Separate and Special Rates	$25,581	$25,581	*(i)*	Esplanade Underground Powerline	
	$6,655,479	$7,105,103			
Less: Discretionary Rebates	($3,000)	($3,099)	*(j)*		
Expected Total Rates Revenue	**$6,384,099**	**$6,846,641**	*(k)*	**7.2%**	Excluding the Regional Landscape Levy and minus Mandatory & Discretionary Rebates.
	(k)=(e)+(g)+(h)+(i)+(j)				

Estimated growth in number of rateable properties

Number of rateable properties	**2,568**	**2,602**	*(l)*	**1.32%**	Growth is expected to account for approximately 1.2% per cent of the estimated increase in General Rates to be collected.
	Actual	*Estimate*			

'Growth' is defined in the regulations as where new properties have been created which has added rateable properties to council's ratepayer base. Growth can also increase the need and expenditure related to infrastructure, services and programs which support these properties and residents.

Estimated average General Rates per rateable property

Average per rateable property	**$1,873**	**$1,978**	*(m)*	**5.6%**	The averages are based on the total of all rateable properties and are therefore not necessarily indicative of either the rate or change in rates that all ratepayers will experience.

Councils use property valuations to calculate each rateable property's contribution to the required rate revenue total. Councils do not automatically receive more money because property values increase but this may alter how rates are apportioned (or divided) across each ratepayer (ie. some people may pay more or less rates, this is dependent on the change in value of their property relative to the overall valuation changes across the council area).
The total General Rates paid by all rateable properties will equal the amount adopted in the budget.

Notes

(d) Councils are **required** under the Local Government Act to provide a rebate to qualifying properties under a number of categories:

Health Services - 100 per cent
Community Services - 75 per cent
Religious purposes - 100 per cent
Public Cemeteries - 100 per cent
Royal Zoological Society of SA - 100 per cent
Educational purposes - 75 per cent

The rates which are foregone via Mandatory Rebates are redistributed across the ratepayer base (ie. all other ratepayers are subsidising the rates contribution for those properties who receive the rebate).

(e) Presented as required by the *Local Government (Financial Management) Regulations 2011* reg 6(1)(ea)

Please Note: The percentage figure in *(e)* relates to the change in the total amount of General Rates revenue to be collected from all rateable properties, not from individual rateable properties (ie. individual rates will not necessarily change by this figure).

(f) Councils are required under the *Landscape South Australia Act 2019* to collect the levy on all rateable properties on behalf of the State Government. The levy helps to fund the operations of regional landscape boards who have responsibility for the management of the State's natural resources.

(h) Community Wastewater Management Systems

(i) A council **may** grant a rebate of rates or service charges in a number of circumstances. The rates which are foregone via Discretionary Rebates are redistributed across the ratepayer base (ie. all other ratepayers are subsidising the rates contribution for those properties who receive the rebate).

(j) Expected Total Rates Revenue excludes other charges such as penalties for late payment and legal and other costs recovered.

(k) 'Growth' as defined in the *Local Government (Financial Management) Regulations 2011* reg 6(2)

Statement on Expected Rate Revenue

Please note: These figures represent a considered estimate of Expected Rate Revenue based on the most current information available at the time of going out to consultation on the DRAFT Annual Business Plan and Budget (ABP&B). This information is updated regularly and therefore these figures may be subject to confirmation at the time of actual adoption of the ABP&B.

Expected Rates Revenue

	Total expected revenue			No. of rateable properties		Average per rateable property				Cents in the $
	2023/24	**2024/25**	**Change**	2023/24	**2024/25**	2023/24	**2024/25**		**Change**	**2024/25**
Land Use (General Rates - GROSS)										
Residential	$2,168,993	**$2,304,521**	**6%**	1470	**1488**	$1,476	$1,549	*(n)*	**$73**	**0.185009**
Commercial	$195,613	**$204,610**	**5%**	68	**66**	$2,877	$3,100	*(n)*	**$223**	**0.222102**
Industrial	$56,653	**$78,109**	**38%**	66	**66**	$858	$1,183	*(n)*	**$325**	**0.185009**
Primary Production	$1,998,639	**$2,124,098**	**6%**	471	**473**	$4,243	$4,491	*(n)*	**$247**	**0.185009**
Vacant Land	$374,037	**$416,148**	**11%**	403	**419**	$928	$993	*(n)*	**$65**	**0.185009**
Other	$10,761	**$11,411**	**6%**	23	**23**	$468	$496	*(n)*	**$28**	**0.185009**
Marina Berth	$6,409	**$6,679**	**4%**	67	**67**	$96	$100	*(n)*	**$4**	**0.222102**
Total Land Use	**$4,811,105**	**$5,145,576**	**7.0%**	**2,568**	**2,602**	**$1,873**	**$1,978**	*(n)*	**$104**	

Minimum Rate

	No. of properties to which rate will apply		Rate			
	2024/25	**% of total rateable properties**	2023/24	**2024/25**		Change
Minimum Rate	**656**	**25.2%**	$810.00	**$863.00**	*(n)*	**$53**

The Minimum Rate provides a mechanism where lower valued properties do not pay less than a minimum amount as determined by the Council.
The Local Government Act stipulates that no more than 35% of rateable properties pay a minimum amount. Council proposes to set a minimum rate of $863 which shall be applied to all rateable properties except for Marina Berths. This will affect approximately 25.2 % of rateable properties

Adopted valuation method

Capital Value/Site Value/Annual Value

Council has the option of adopting one of three valuation methodologies to assess the properties in its area for rating purposes:
Capital Value – the value of the land and all improvements on the land;
Site Value – the value of the land and any improvements which predominantly affect the amenity of use of the land, such as drainage works, but excluding the value of buildings and other improvements (Note: Site Value will cease to be an option from 1 Sept 2023); or
Annual Value – a valuation of the rental potential of the property.

Council continues to use Capital Value as the basis for valuing land within the Council area. Council considers that this method of valuing land provides the fairest method of distributing the rate burden across all ratepayers on the following basis:
- The equity principle of taxation requires that taxpayers of greater wealth pay more tax than those of lesser wealth.
- Property value is a relatively good indicator of wealth and capital value, which closely approximates the market value of a property and provides the best indicator of overall property value.

Notes

(n) Average per rateable property calculated as General Rates for category, including any fixed charge or minimum rate (if applicable) but excluding any separate rates, *divided* by number of rateable properties within that category in the relevant financial year.

(n) Where two or more adjoining properties have the same owner and are occupied by the same occupier, only one minimum rate is payable by the ratepayer.

APPENDIX 2 - DRAFT 2024-2025 ANNUAL BUDGET & FINANCIAL STATEMENTS

DISTRICT COUNCIL OF ROBE STATEMENT OF COMPREHENSIVE INCOME	2022/23 Actual $'000	2023/24 Original Budget $'000	2024/25 Draft Budget $'000
INCOME			
Rates	6,202	6,667	7,146
Statutory charges	165	314	129
User charges	1,416	1,489	1,454
Grants, subsidies and contributions (operating)	616	300	367
Grants, subsidies and contributions (capital)	0	257	582
Investment income	106	0	176
Reimbursements	107	55	15
Other income	259	102	101
Total Income	8,871	9,184	9,970
DIRECT EXPENSES			
Wages and Salaries	2,835	2,779	3,289
Materials, Contracts and Other Expenses	3,571	4,191	4,652
Finance Costs	0	30	13
Depreciation, amortisation & impairment	2,851	2,688	2,547
Total Direct Expenses	9,257	9,688	10,501
OPERATING SURPLUS / (DEFICIT)	**(386)**	**(504)**	**(531)**
Asset disposal & fair value adjustments	7	0	0
Amounts specifically for new or upgraded assets	135	297	0
Physical resources received free of charge	0	0	0
NET SURPLUS / (DEFICIT)	**(244)**	**(207)**	**(531)**
Changes in revaluation surplus - infrastructure, property, plant & equipment	13,440	2,926	0
TOTAL COMPREHENSIVE INCOME	**13,196**	**2,719**	**(531)**

DISTRICT COUNCIL OF ROBE BALANCE SHEET	2022/23 Audited Actual $'000	2023/24 Original Budget $'000	2024/25 Draft Budget $'000
ASSETS			
Current Assets			
Cash and cash equivalents	3,854	337	247
Trade & other receivables	428	483	428
Inventories	15	29	15
Total Current Assets	4,297	849	690
Non-Current Assets			
Investments	3	3	-
Other Non-Current Assets	146	118	92
Infrastructure, Property, Plant & Equipment	101,988	108,535	105,109
Total Non-Current Assets	102,137	108,656	105,201
TOTAL ASSETS	106,434	109,505	105,891
LIABILITIES			
Current Liabilities			
Trade & other payables (current)	832	1,054	833
Short-term provisions	379	357	379
Short-term borrowings	-	-	150
Total Current Liabilities	1,211	1,411	1,362
Non-Current Liabilities			
Trade & other payables	2,380	2,419	2,380
Long-term provisions	22	41	22
Long-term borrowings	-	500	350
Total Non-Current Liabilities	2,402	2,960	2,752
TOTAL LIABILITIES	3,613	4,371	4,114
NET ASSETS	**102,821**	**105,134**	**101,777**
EQUITY			
Accumulated Surplus	13,681	13,925	12,652
Asset Revaluation Reserve	86,279	89,216	86,242
Other Reserves	2,861	1,993	2,883
TOTAL EQUITY	**102,821**	**105,134**	**101,777**

DISTRICT COUNCIL OF ROBE CASH FLOW STATEMENT	2022/23 Audited Actual $'000	2023/24 Original Budget $'000	2024/25 Draft Budget $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Rates	6,312	6,558	7,146
Statutory Charges	171	314	129
User Charges	1,423	1,489	1,454
Grants, subsidies and contributions (operating)	647	300	367
Grants, subsidies and contributions (capital)	0	257	582
Investment Receipts	106	0	176
Reimbursements	107	55	15
Other Receipts	428	102	101
Payments			
Payments to employees	(2,790)	(2,836)	(3,289)
Payments for materials, contracts and other expenses	(4,148)	(3,837)	(4,654)
Finance Payments	0	(30)	(13)
Net Cash provided by (or used in) Operating Activities	2,256	2,372	2,014
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts			
Grants specifically for new or upgraded assets	135	297	0
Sale of Replaced Assets	25	0	0
Repayments of Loans from Community Groups	3	0	0
Payments			
Capital Expenditure on renewal/replacement of assets	(694)	(4,112)	(4,412)
Capital Expenditure on new/upgraded assets	(281)	(280)	(248)
Net Cash provided by (or used in) Investing Activities	(812)	(4,095)	(4,660)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts			
Proceeds from Borrowings	0	500	500
Payments			
Repayment of Deposits or Bonds	(35)	0	0
Repayment of Borrowings	0	0	0
Net Cash used in Financing Activities	(35)	500	500
NET INCREASE (DECREASE) IN CASH HELD	1,409	(1,223)	(2,146)
CASH AT BEGINNING OF YEAR	2,445	1,560	2,393
CASH AT END OF PERIOD	**3,854**	**337**	**247**

DISTRICT COUNCIL OF ROBE STATEMENT OF CHANGES IN EQUITY	2022/23 Audited Actual $'000	2023/24 Original Budget $'000	2024/25 Draft Budget $'000
ACCUMULATED SURPLUS			
Opening balance at beginning of financial year	14,793	14,133	13,184
Net Surplus (Deficit) for the year	(244)	(208)	(532)
Transfer between reserves	(868)		
Closing balance at end of period	13,681	13,925	12,652
ASSET REVALUATION RESERVE			
Opening balance at beginning of financial year	72,839	86,290	86,242
Gain/(loss) on revaluation of infrastructure, property, plant & equipment	13,440	2,926	0
Closing balance at end of period	86,279	89,216	86,242
OTHER RESERVES			
Opening balance at beginning of financial year	1,993	1,993	2,883
Transfer between reserves	868	0	0
Closing balance at end of period	2,861	1,993	2,883
TOTAL EQUITY AT END OF REPORTING PERIOD	**102,821**	**105,134**	**101,777**

DISTRICT COUNCIL OF ROBE UNIFORM PRESENTATION OF FINANCIAL STATEMENT	2022/23 Audited Actual S'000	2023/24 Original Budget S'000	2024/25 Draft Budget S'000
INCOME			
Rates	6,202	6,667	7,146
Statutory charges	165	314	129
User charges	1,416	1,489	1,454
Grants, subsidies and contributions (operating)	616	300	367
Grants, subsidies and contributions (capital)	0	257	582
Investment income	106	0	176
Reimbursements	107	55	15
Other Income	259	102	101
Total Income	**8,871**	**9,184**	**9,970**
EXPENSES			
Employee costs	2,835	2,779	3,289
Materials, contracts and other expenses	3,571	4,191	4,652
Depreciation, amortisation and impairment	2,851	2,688	2,547
Finance costs	0	30	13
Net loss-equity accounted Council business			
less Operating Expenses	**(9,257)**	**(9,688)**	**(10,501)**
OPERATING SURPLUS (DEFICIT) BEFORE CAPITAL AMOUNTS	**(386)**	**(504)**	**(531)**
NET OUTLAYS ON EXISTING ASSETS			
Capital Expenditure on Renewal and Replacement of Existing Assets	(439)	(4,112)	(4,412)
Impairment	2,851	2,688	2,547
add back Proceeds from Sale of Replaced Assets	25	0	0
	2,437	(1,424)	(1,865)
NET OUTLAYS ON NEW AND UPGRADED ASSETS			
Capital Expenditure on New and Upgraded Assets	(562)	(280)	(248)
add back Amounts Received Specifically for New and Upgraded Assets	135	297	0
	(427)	17	(248)
NET LENDING (BORROWING) FOR FINANCIAL YEAR	**1,624**	**(1,911)**	**(2,644)**

APPENDIX 3 - ESCOSA LOCAL GOVERNMENT ADVICE

Advice

Local Government Advice

District Council of Robe

February 2024

Enquiries concerning this advice should be addressed to:

Essential Services Commission
GPO Box 2605
Adelaide SA 5001

Telephone: (08) 8463 4444
Freecall: 1800 633 592 (SA and mobiles only)
E-mail: advice@escosa.sa.gov.au
Web: www.escosa.sa.gov.au

District Council of Robe

AT A GLANCE

OVERVIEW

The Essential Services Commission finds the District Council of Robe's current and short-term projected financial performance **potentially unsustainable** but notes that it is taking steps to move towards a more sustainable position in the medium to long-term, however not without risks associated with its low forecast expenses growth, corporate governance, and asset management practices

RISKS IMPACTING SUSTAINABILITY

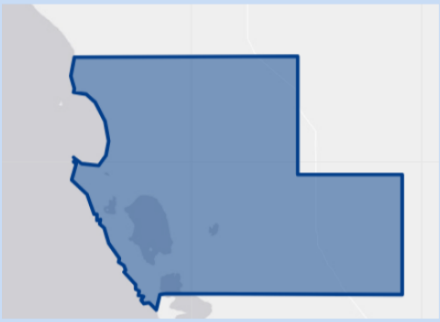
- ⚠ Inadequate financial forecasting arising from the lack of endorsed long-term financial plan and endorsed asset management plans
- ⚠ Understatement of depreciation due to unendorsed and incomplete asset management plans, particularly for Infrastructure (transport) assets which represents 58 percent of total assets
- ⚠ Out of date asset management plans and lack of certainty of asset stock conditions and useful lives
- ⚠ Low growth in forecast expenses (compared with historic levels) are not realised and the current expense trajectory continues
- ⚠ If instability in corporate governance continues
- ⚠ Underspending on future asset renewal expenditure

COMMISSION'S RECOMMENDATIONS

- Review and update the most recent long-term financial plan immediately for Council endorsement and publication as per the LG Act
- Align the long-term financial plan projections with the annual business plan and budget for 2024-25
- Consider options to increase its income to move towards a more financially sustainable position
- Review the annual budget and long-term financial plan immediately following the update of strategic direction, and endorsement of draft asset management plans
- Urgently review and adopt draft asset management plans to align with strategic directions to facilitate accuracy in asset related expenditure
- Provide more funding for the renewal of assets, rather than prioritising initiatives which involve new or upgraded infrastructure
- Urgently update the Infrastructure asset management plan (transport assets) to align with strategic directions and facilitate accuracy in asset related expenditure forecasts
- Review rate increases relative to proposed service levels to align with revised and endorsed asset management plans to ensure adequate revenue to maintain funding of council services at a sustainable level

KEY FACTS

- Population in 2021 was **1,542**
- Council covers **1,091 square kilometres**
- **2,537** rateable properties in 2022-23
- **$6.2 million of rate income** in 2022-23
- Value of assets held in 2022-23 equals **$106.4 million**



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

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Glossary of terms

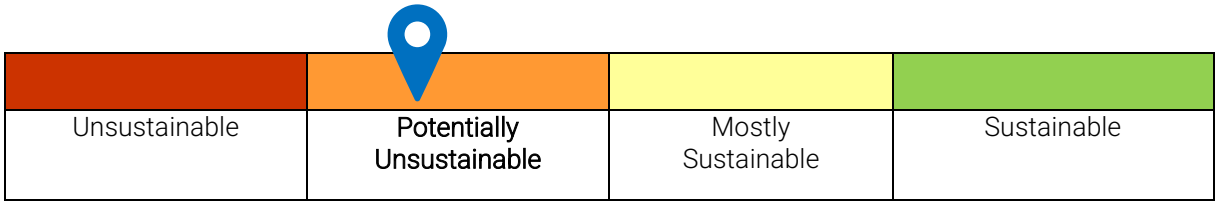
ABS	Australian Bureau of Statistics
AMP	Asset management plan (also called an IAMP)
Commission	Essential Services Commission, established under the *Essential Services Commission Act 2002*
CPI	Consumer Price Index (Adelaide, All Groups)
Council	District Council of Robe
CWMS	Community Wastewater Management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

Legend: Low-risk Moderate-risk High-risk

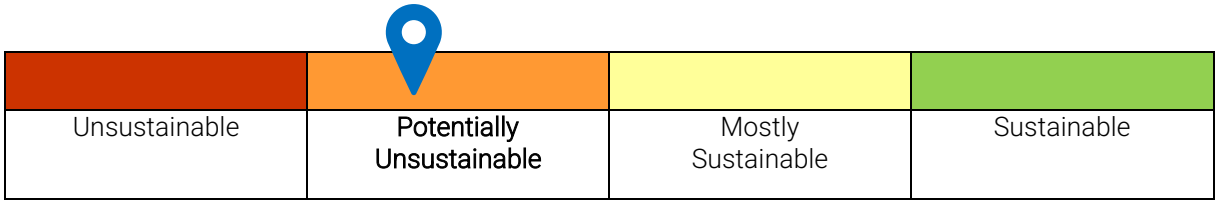
1 The Commission's key advice findings for the District Council of Robe

The Essential Services Commission (**Commission**) finds the District Council of Robe's (**Council's**) short-term financial position **potentially unsustainable** but notes that it has taken steps to improve sustainability 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.

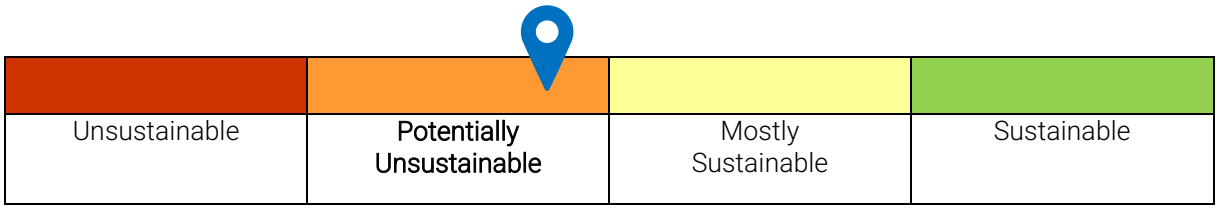
Current financial performance:



Projected financial performance (future):



Previous financial performance (past ten years):



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. **Review and update** its most recent long-term financial plan immediately for Council endorsement and publication as required under the *Local Government Act 1999* (**LG Act**) s122(1g)(a)(i).
2. **Align** its long-term financial plan projections with its annual business plan and budget for 2024-25 to provide 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. **Consider** options to increase its income to move towards a more financially sustainable position.
4. **Consider** decreasing costs by reducing service levels to remain within financial sustainability constraints.
5. **Review** its annual budget and long-term financial plan immediately following update of strategic direction, and endorsement of draft AMPs.

Refinements to asset management planning

6. **Urgently** review and adopt draft AMPs to align with strategic directions and facilitate accuracy in asset related expenditure.
7. **Provide** more funding to the renewal of its assets, rather than prioritising initiatives which involve new or upgraded infrastructure.
8. **Urgently** update the Infrastructure AMP (transport assets) to align with strategic directions and facilitate accuracy in asset related expenditure forecasts.

Containing rate levels

9. **Review** rate increases relative to proposed service levels to align with revised and endorsed AMPs to ensure adequate revenue to maintain funding of council services at a sustainable level.

2 About the advice

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

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

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

This report provides the Local Government Advice for the Council in 2023-24.

The Council is obliged under the *Local Government Act 1999* (**LG Act**) to publish this advice and its response, if applicable, in its 2024-25 Annual Business Plan (including any draft Annual Business Plan) and subsequent plans until the next cycle of the scheme.[8] It does not need to publish the attachment to the advice (these will be available with the advice on the Commission's website[9]), nor is it compelled under the LG Act to follow the advice.

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

2.1 Summary of advice

In general, the Commission finds the Council's short-term financial position **potentially unsustainable,** following a period that included operating deficits with high spending on new capital initiatives. The Commission does note that the Council has taken steps to move towards a more sustainable position in the medium to long-term. However, it cannot be considered financially sustainable in the medium-longer term at this point, due to risks arising from its forecast costs and asset management practices. Historically, the Council has demonstrated effective cost constraint, but it has also failed to meet the ongoing renewal needs of its existing infrastructure base.[10] This now presents a backlog of deferred renewal and rehabilitation it needs to address in the future.

---

1 Amendments to the LG Act (s122(1c) to (1k) and (9)) specify the responsibilities for the Commission and local councils for the Local Government Scheme Advice. The Commission must provide advice to each council in accordance with the matters outlined in s122(1e), (1f) and (1g).
2 Commonly referred to as asset management plans.
3 The objectives of the advice with reference to a council's LTFP and IAMPs are presented under LG Act, s122(1g). LG Act s122(1) specifies the requirements of a council's SMP, including the LTFP and IAMPs.
4 'Intergenerational equity' relates to fairly sharing services and the revenue generated to fund the services between current and future ratepayers.
5 Commission, *Framework and Approach – Final Report*, August 2022, pp. 2-3, available at www.escosa.sa.gov.au/advice/advice-to-local-government.
6 LG Act s122(1f)(a) and (1g)(a)(ii).
7 LG Act s122(1f)(b) and (1g)(b).
8 LG Act s122(1h).
9 The Commission must publish its advice under LG Act s122(1i)(a).
10 As recommended by its AMPs.

The Council adopted its annual business plan and budget in July 2023, and has not yet adopted its draft LTFP for 2023-24. The most recently adopted and published LTFP is for 2022-23 to 2031-32. Its forward projections from 2023-24 (in its draft LTFP) forecast ongoing but decreasing deficits until 2027-28, when the forecast rate of operating revenue growth will outpace expense growth but with:

- continued average rate increases above the Reserve Bank of Australia (RBA)-based forecast inflation rate (including growth in rateable properties) and increased user charges to facilitate cost recovery on specific assets,
- cost constraint, with lower average cost growth than it has experienced over the past 10 years (and below the rate of RBA-based forecast inflation),
- risks resulting from understating depreciation due to unendorsed and incomplete AMPs, particularly for Infrastructure (transport) assets which represents 41 percent of total assets, and
- low spending on new and 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 at risk from inadequate financial forecasting arising from the lack of an endorsed LTFP and from a lack of endorsed AMPs that reflect the current condition and renewal requirements for existing assets.

The Council has been transparent in providing information to the Commission about its governance issues and demonstrates a clear understanding of what it needs to do to achieve a sustainable financial outlook. The Commission has identified several opportunities to improve the financial forecasting and asset management planning.

2.2 Detailed advice findings

The next sections summarise the Commission's more detailed observations and advice findings regarding the Council's material changes to its draft 2023-24 plans (compared with the previous plans), its financial sustainability outlook (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.[11]

2.2.1 Advice on material plan amendments in 2023-24

Key Points:

- ⚠ A decrease in operating performance of $3.9 million compared with 2022-23 forecasts.
- ⚠ A decrease of $4.9m in asset renewals and $3.4 million in new/upgraded asset expenditure.
- 🛑 The draft 2023-24 long-term financial plan is not endorsed.

The Council's draft 2023-24 LTFP includes a decrease in its projected operating performance, and decreases to its projected capital expenditure estimates, compared with the 2022-23 forecasts,[12] as follows:

[11] The attachment will be available on the Commission's website with the Advice.
[12] The overlapping forecast period in both LTFPs (2022-23 to 2031-32 and draft 2023-24 to 2032-33).

- A decrease in operating performance by $3.9 million, resulting in operating deficits until 2027-28 followed by a return to operating surplus. This is mainly driven by a 6.2 percent increase in income (higher rates revenue and user charges) not being sufficient to offset an 11.1 percent increase in expenses (higher employee, insurance, and depreciation costs).

- A decrease in capital expenditure for renewals by $4.9 million and for new/upgraded assets by $3.4 million. Although a decrease from the previous LTFP, forecast expenditure remains increased from historical levels (2012-13 to 2021-22). The Council has deferred expenditure pending the review and completion of draft AMPs that align with the strategic direction.[13]

The Council has adjusted its operating income and expense forecasts (in the draft 2023-24 LTFP) based on its adjusted inflation forecasts. However, it has not yet endorsed the draft 2023-24 LTFP. The increases in costs and revenues forecast, compared to its 2022-23 estimates, can be partly attributed to its inflation forecasts but also includes additional operating expenses, including depreciation from assets that were formerly excluded from asset registers but are now included within the first four years of the draft LTFP.[14]

The Council has assumed Consumer Price Index (CPI) inflation increases of 6.7 percent in 2023-24 and 3.6 percent in 2024-25, and 3.0 percent annually thereafter, and has factored additional cost recovery income into its draft LTFP projections (discussed further below). The Commission notes that at the time of LTFP update preparation, the most recent Statement of Monetary Policy from the RBA (May 2023) had CPI inflation estimates as 6.75% for the year ending June 2023, 3.5% for the year ending June 2024 and 3.0% for the year ending June 2025.[15]

The Commission nevertheless notes that the Council's stated assumptions for indexation in its draft 2023-24 draft LTFP are transparent and based on its annual review of these forecasts, and that its current four-year business plan updates[16] contain theassumptions which are included in the draft 2023-24 LTFP. However, there is still uncertainty around those assumptions, given their significant difference from forecast RBA assumptions, and lack of endorsement by Council. A key risk for ratepayers is that Council decision making may be based on outdated and unendorsed financial plans. The Commission recommends that the Council:

1. Review and update its most recent long term financial plan immediately for Council endorsement and publication as required under the *Local Government Act 1999* (LG Act) s122(1g)(a)(i).

There is no current regulatory requirement for 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. It may be useful for Council to republish updated 10-year financial estimates when it develops annual budget estimates for 2024-25, particularly if the extent of revisions to estimates in its annual business plan and budget are substantial following strategic management plan updates. The Commission recommends that the Council:

2. Align its long-term financial plan projections with its annual business plan and budget for 2024-25 to provide transparency to the community about any changes to forward projections, including rate projections, and the longer-term impacts of its short-term decisions.

The Commission has noted the revised AMPs, which are not yet endorsed, but have their financial impact included in the four-year budget plan. The draft LTFP 2023-24 includes only the impact of AMP revisions for the first four years, which suggests the current capital expenditure forecasts (for renewals and new/upgraded assets) may be understated in the longer term. As the AMP - Infrastructure Asset Management (transport assets) has not yet been redrafted and assets have not been revalued since

[13] Meeting between ESCOSA and District Council of Robe on 9.1.2024.
[14] Meeting between ESCOSA and District Council of Robe on 9.1.2024.
[15] As per the council's error of fact check submission - *ESCOSA – LG Advice Fact review – February 22, 2024*
[16] Four Year Business Plan 2023-24 to 2026-27 and Budget 2023-24, p23.

2018, any impact from the update of that plan is not included.[17] This relates to 41 percent of asset stock, which presents a risk of understated depreciation and additional financial liabilities associated with renewing those assets. Capital works have also been subject to deferral pending alignment with strategic direction and further updates to AMPs, which has created additional deferred renewal liabilities[18] (discussed further below in Asset Renewals Expenditure section).

2.2.2 Advice on financial sustainability

Operating performance

Key Points:

- Operating surpluses predominantly achieved between 2012-13 to 2021-22, with the operating surplus ratio averaging 2.2 percent in that time.
- A small operating deficit of $0.4 million observed in 2022-23, and ongoing deficits forecast between 2023-24 and 2026-27.
- Average expense growth of 2.0 percent per annum is forecast between 2023-24 and 2032-33 which is 0.6 percent below the RBA-based forecast inflation growth, however this figure may be optimistic and hard to achieve given the Council's historic average annual expense growth of 3.1 percent per annum in the 10 years to 2021-22.

The Council has predominantly run operating surpluses from 2012-13 to 2021-22, with an average operating surplus of $0.16 million and an operating surplus ratio[19] averaging 2.2 percent over this period, followed by a deficit of $0.4 million in 2022-23. Its operating surplus ratio is not forecast to be positive again (with a surplus) until 2027-28.

Over the period from 2012-13 to 2021-22, rates revenue increased by an annual average of 3.4 percent, with average annual increases in 'statutory' and 'user charges' (15.1 and 4.8 percent respectively). Grants decreased over the period by 0.9 percent and are forecast to continue to decrease, as a percentage of total income, from a maximum of 13 percent in 2017-18 to an average of 6 percent between 2023-24 and 2032-33. The Council is projecting average annual rates revenue growth of 3.8 percent to 2032-33 (based on the draft 2023-24 LTFP excel template which included forecast average growth in rateable properties of 0.7 percent), a variation from the 4.1 percent set out in the draft LTFP documentation.[20] The Council is also considering more cost recovery in relation to its CWMS and Marina assets to generate additional income.[21] The Commission supports the approach of moving towards full cost recovery for applicable assets.

The Council's operating expense growth (from 2012-13 to 2021-22) was primarily due to an average annual increase of 3.5 percent in 'employee' expenses and 3.3 percent in 'materials, contracts and other' expenses. The forecast average expense growth of 2.0 percent per annum is below both the RBA-

17 Meeting between ESCOSA and District Council of Robe on 9.1.2024 and Infrastructure Asset Management Plan Version 7 March 2020.
18 Meeting between ESCOSA and District Council of Robe on 9.1.2024.
19 The operating surplus ratio is defined as: Operating Surplus (Deficit) ÷ Total Operating Income. The general target is to achieve, on average over time, an operating surplus ratio of between zero and 10 percent (Local Government Association of South Australia, *Financial Sustainability Information Paper 9 - Financial Indicators Revised,* May 2019 (LGA SA Financial Indicators Paper), p. 6).
20 Long Term Financial Plan 2023-24 to 2032-33, p24.
21 Meeting between ESCOSA and District Council of Robe on 9.1.2024.

based forecast inflation growth[22] and the Council's past performance (with average annual growth of 3.1 percent in the 10 years to 2021-22 compared to CPI of 2.0 percent[23] for the period).

The four-year decrease in the Council's projected operating performance at the start of the LTFP forecast period is attributed to the anticipated growth in expenses being greater than the anticipated growth in income. Some of these changes are increased depreciation expenses associated with asset reviews, and budgeting for a gradual implementation of a user-pays model for CWMS and Marina services, resulting in nearer term income growth not offsetting expenses growth.[24] However, as the forecast rate and user charges increases are realised and expense growth slows, the Council expects to return to, and maintain, operating surpluses from 2027-28. The Council notes however, that depreciation from recent AMP reviews has only been included in forecasts until 2026-27 which, when updated, will cause the operating surplus to be less than forecast, unless income forecasts are increased.[25]

It is not certain that Council will be able to contain costs to the levels it forecasts given the uncertainty about AMPs which, when updated, may require additional depreciation and operational maintenance expenditure, or an acceptance of lower service levels.

In this respect, the Commission notes that the draft AMPs include assets that were formerly excluded from the Council's asset registers. Provisions for management of those additional assets may now be partially included in the draft LTFP forecasts; however, the revision of strategic plans and update of the AMP related to transport assets may require additional budget provisions. To constrain or decrease costs, the Council may need to reconsider the service levels provided or find alternative strategies to reduce expenses.

The forecast income, combined with uncertainty in forecast expenditure, constitutes a significant risk to sustainability. The forecasts rely on growth in rateable properties, increased charges and constrained expenditure, as well as the development of confidence in forecast asset management future requirements – which is likely to be reliant on stronger governance structures and leadership stability to implement future asset management strategies. It is not certain this can be achieved in the near-term, which presents a risk to ratepayers of unexpected rate rises, or assets that do not meet desired service levels. The Commission recommends that the Council:

3. **Consider** options to increase its income to move towards a more financially sustainable position.
4. **Consider** decreasing costs by reducing service levels to remain within financial sustainability constraints.
5. **Review** its annual budget and long-term financial plan immediately following update of strategic direction, and endorsement of draft AMPs.

[22] RBA, Forecast Table - November 2023, available at https://www.rba.gov.au/publications/smp/2023/nov/economic-outlook.html.
[23] ABS data historical time series. Available at: https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/sep-quarter-2023#capital-cities-comparison.
[24] Meeting between ESCOSA and District Council of Robe on 9.1.2024.
[25] Meeting between ESCOSA and District Council of Robe on 9.1.2024.

Net financial liabilities

Key Points:

- The net financial liabilities ratio has trended between 46 and 11 percent between 2012-13 and 2022-23 averaging 29.5 percent in this period.
- Cash held at the end of 2022-23 was $3.9 million, with the forecast to continue to hold cash for each year end between 2023-24 and 2032-33 at an average of $3.4 million when this cash could be better utilised to address the deferral of its asset renewals.
- Borrowings are low and are at levels that can be easily serviced by the Council.

The Council's net cash flows after operating and investing (that is, capital-related) activities has averaged $0.2 million annually between 2012-13 and 2021-22. Cash held by the Council at the end of 2022-23 was $3.9 million. It forecasts that it will continue to hold cash for each yearend between 2023-24 and 2032-33 at an average of $3.4 million per annum.

The Council repaid its borrowings in the period 2012-13 to 2020-21 and forecasts it will borrow more to partly fund capital expenditure in 2023-24.

The Council's net financial liabilities ratio has trended between 46 and 11 percent between 2012-13 and 2022-23. This is within the suggested LGA target range (averaging 29.5 percent over this period) and is at a level which demonstrates that the Council is only accumulating liabilities that its operating income can reasonably service.[26] However, the forecast ratio is dependent on reliable information which as explained above is not certain.

The Council has estimated that the ratio will peak at 44 percent in 2024-25 then decline to a negative ratio by 2029-30.

The accumulation of significant cash reserves by a council is generally not desirable; however, the conservative income and expenditure forecasts, together with uncertainty in forecast expenditure requirements (and specifically for asset-related expenditure) relevant to the Council, suggests that cash reserves may support it to address deferred renewals in the short term, contributing to a more sustainable outlook. The Commission would not support increasing cash reserves beyond the levels proposed in the LTFP.

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

Asset renewals expenditure

Key Points:

- Between 2012-13 and 2021-22, $2.4 million was spent on average per annum on renewals and new/upgraded assets; however, this was not enough to cover the asset renewals as required in the AMP.
- The Council is proposing to spend an average of $2.1 million per annum on its renewals. However, this is not enough to address renewals expenditure required (per the AMPs) or the deferred asset renewals backlog.
- The Council's asset renewal funding ratio (IAMP-based) was below the suggested LGA target range of 90 to 110 percent between 2012-13 and 2021-22, averaging only 55 percent.
- The asset renewal funding ratio (IAMP-based) is forecast to increase, from 2025-26 to 2031-32 averaging 105 percent, after a spike in 2023-24 (of 164.1 percent), reflecting the Council's intention to partly address the accumulation of deferred renewals.
- The Infrastructure AMP is out of date and likely to increase operational and capital expenditure budgets once updated.

Between 2012-13 and 2021-22 the Council's total capital expenditure averaged $2.4 million per annum (including $1.2 million on asset renewals and $1.2 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,[27] and averaged 55 percent between 2012-13 and 2021-22. This indicates that the Council underperformed in meeting its asset management sustainability requirements over this period.

From 2023-24, the Council is adjusting its asset renewals spending profile (with higher projected annual renewal expenditure averaging $2.1 million to 2032-33, in nominal terms). As a result, its asset renewal funding ratio (IAMP-based) is expected to increase, averaging 105 percent from 2025-26 to 2031-32 – after a spike in 2023-24 (164.1 percent), reflecting the Council's intention to partly address the accumulation of deferred renewals. This coincides with much lower forecast spending by the Council on new or upgraded assets, estimated to total $2 million between 2023-24 and 2028-29, and then zero until 2032-33.

That forecast may be unrealistic, given the historical performance and the Council's known coastal erosion issues. The Commission notes that a focus on the renewal of assets rather than expenditure on new/upgraded assets will assist the Council to move towards a more financially sustainable position.

The Council has identified an accumulation of deferred renewals[28] and a corresponding funding shortfall (referred to as a 'renewal funding gap') across all asset classes in its AMPs. This gap is estimated to be $10.6 million (or 47 percent of total renewals) in 2021-22, which is not currently covered in the 2023-24 draft LTFP projections. By 2032-33, the forecast indicates that this gap will widen to $11 million; however, the Council's cash reserves could be utilised to address deferred renewals.

[27] 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).

[28] Meeting between ESCOSA and District Council of Robe on 9.1.2024.

The Council currently has an outdated AMP for Infrastructure (transport assets including stormwater and CWMS covering 41 percent of assets[29]), and only draft AMPs for buildings and other structures, plant and equipment, CWMS, Lake Butler Marina and Open Space assets. These AMPs cover most of the Council's asset base and asset valuations were carried out in July 2022 (apart from transport assets). In formulating its draft AMPs, the Council has considered matters such as customer levels of service, utilisation and demand of its assets, life cycle management, and risk management planning; however, the AMPs are not finalised nor adopted by Council.

The failure to finalise and update AMPs provides a significant risk for Council, as a solid understanding of assets (and associated depreciation, maintenance and renewal costs) is critical for long-term sustainability. The immediate risk to Council is that understated depreciation allows the operating result to be more favourable than it would otherwise be, while the longer-term risks are that assets will deteriorate, and Council will not have sufficient funds to renew them. The Council is required to provide adequate funding for the renewal of assets to maintain current service levels. An alternate option is to review and gain community acceptance for lower service levels. The Commissions notes that the Council planned to address strategic direction and continue to update AMPs as discussed at its January meeting.[30]

The Commission recommends that the Council:

6. **Urgently** review and adopt draft AMPs to align with the strategic direction and facilitate accuracy in asset related expenditure.
7. **Provide** more funding to the renewal of its assets, rather than prioritising initiatives which involve new or upgraded infrastructure.
8. **Urgently** update the Infrastructure AMP (transport assets) to align with the strategic direction and facilitate accuracy in asset related expenditure forecasts.

Asset renewals can also be evaluated by the depreciation-based asset renewal funding ratio,[31] which is projected to track below the recommended minimum level (for the IAMP-based ratio) of 90 percent, averaging 82.6 percent per annum between 2023-24 and 2032-33. While the forecast rate may narrow the gap between asset lives as predicted by depreciation and asset renewals required (as evidenced by renewal expenditure), there remains a risk that depreciation expenses are incorrect or that asset lives are over or understated (refer to Attachment for additional discussion). This reflects Council's lack of understanding about its asset profile and needs to be addressed when undertaking a review of corporate governance functions and responsibilities.

2.2.3 Advice on current and projected rate levels

Key Points:

- ⚠ Rate revenue per property growth has averaged 2.8 percent per annum for each property in the period between 2012-13 and 2021-22, which is 0.8 percent above CPI for the same period.
- ⚠ Rates per property growth is forecast to increase by 3.0 percent per annum between 2023-24 and 2032-33, which is 0.4 percent above the RBA-based forecast of inflation over the same period.

[29] District Council of Robe, General Purpose Financial Statements for the year ended 30 June 2023, p17
[30] Meeting between ESCOSA and District Council of Robe on 9.1.2024.
[31] The Council's asset renewal funding ratio by the depreciation-based method (where asset renewal/replacement expenditure is divided by depreciation expenses). This ratio shows the extent to which capital expenditure on the renewal and replacement of assets matches the estimated rate at which these assets are used or consumed.

Affordability risk among the community for these further increases may be low, for the following reasons:

- the Council's relative average socio-economic indexes for areas (SEIFA) economic resources ranking for the Council area, and
- the current relatively stable average rate revenue per property with forecast increases of 0.4 percent above RBA forecast inflation for ratepayers.

The Council's rate revenue per property growth averaged 2.8 percent, or $52 per annum, for each property in the period between 2012-13 and 2021-22. This exceeded CPI growth of an average of 2 percent per annum over the period but also encompassed 0.6 percent average annual growth in rateable property numbers.

The Council has budgeted for an average rate increase of 6.4 percent, or $156 per property, for its existing ratepayers in 2023-24.[32] The Council has also assumed growth in the area will be minimal, at 1 percent from 2023-24 (based on the draft 2023-24 excel template). In the longer term, the Council proposes a 3 percent per annum growth in rates per property ($79.20 per annum on average), resulting in average rates of $3,369 per annum per ratepayer.

Affordability risk among the community for the further rate increases appears to be low, based on a range of factors including:

- the Council's relative average socio-economic indexes for areas (SEIFA) economic resources ranking for the Council area,[33] and
- the current relatively stable average rate revenue per property with forecast increases of 0.4 percent above RBA forecast inflation for ratepayers.

Despite the current economic environment putting more pressure on most communities' capacity to pay for further rate increases, including those of the Council, the Commission considers it would be appropriate for the Council to:

9. Review rate increases relative to proposed service levels to align with revised and endorsed AMPs to ensure that the Council raises adequate revenue to maintain funding of council services at a sustainable level.

2.3 The Commission's next advice and focus areas

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

- financial performance relative to updated long term financial plan based on improvements to corporate governance and alignment with strategy,
- revisions to AMPs including alignment with strategic plans and budgets,

[32] Based on the Council's 2023-24 Annual Business Plan and its Excel template (with the 2023-24 forecasts) provided to the Commission. The Commission has used $6.667 million (in 2023-24 budgeted rates revenue) compared to audited 2023-23 estimates. Individual rate level changes may be higher or lower depending on the rates category and property value.

[33] The District Council of Robe area is ranked 56 among 71 South Australian '*local government areas*' (including Anangu Pitjantjatjara and Maralinga Tjarutja Aboriginal community areas and 'unincorporated SA') on the Australian Bureau of Statistics SEIFA Index of Economic Resources (2016), where a lower score (e.g., 1) denotes relatively lower access to economic resources in general, compared with other areas, available at https://www.abs.gov.au/ausstats/subscriber.nsf/log?openagent&2033055001%20-%20lga%20indexes.xls&2033.0.55.001&Data%20Cubes&5604C75C214CD3D0CA25825D000F91AE&0&2016&27.03.2018&Latest.

- reprioritisation of its capital spending towards asset renewal and rehabilitation works, and how it has addressed the backlog of asset renewal expenditure, and
- understanding of its asset profile and how it is embedded in its corporate governance functions and responsibilities.

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Advice

Local Government Advice - Attachment

District Council of Robe

February 2024

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A The Commission's approach

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

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

- Four Year Business Plan 2023-24 to 2026-27 and Annual Budget 2023-24 - adopted
- General Purpose Financial Statements (audited) 30 June 2023
- Annual Report 2022-23-finalised
- Adopted Long Term Financial Plan 2022-23 to 2031-32 (Adopted 19 January 2022)
- 2023-24 LTFP estimates provided by the Council to the Commission (in an Excel template) (draft LTFP)
- Asset Management Strategy 2013-2023
- Infrastructure Asset Management Plan 7.3.2020
- Presentation to ESCOSA at meeting on 9 January 2024

The Commission notes that most of the Council's asset base is covered by its existing asset management plans (**AMPs**), and that revised draft AMPs have been prepared (excluding for transport assets) but not endorsed by Council. Most asset revaluations have been carried out within the last four years although the outcomes of reviews are not included in documentation that is endorsed by Council.

Given that the Commission must, in providing advice, have regard to the objective of councils maintaining and implementing their infrastructure and asset management plans (**IAMPs**) (usually termed AMPs) and long-term financial plans (**LTFPs**),[4] it has also considered the Council's performance in that context. Findings regarding the content of the District Council of Robe's AMPs, and the alignment between its LTFP and AMPs,[5] are discussed in section C.3.

The Commission notes recent issues in governance arrangements for the Council that have included a significant turnover in CEOs and other personnel and created difficulties in achieving Council approval of AMPs and other documentation to meet legislated requirements[6] and has impacted the corporate governance functions and responsibilities related to effective asset management.

The Commission has also reviewed the Council's template data which contains its draft 2023-24 LTFP forecasts for 2023-24 to 2032-33, as well as its 2022-23 LTFP forecasts, and historical financial data

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

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

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

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

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

6 Meeting between ESCOSA and District Council of Robe on 9.1.2024.

and number of rateable properties and council staff (Full Time Equivalent (FTE)) numbers from 2012-13 onwards.[7] [8] All charts and tables in the Advice are primarily sourced from these datasets.

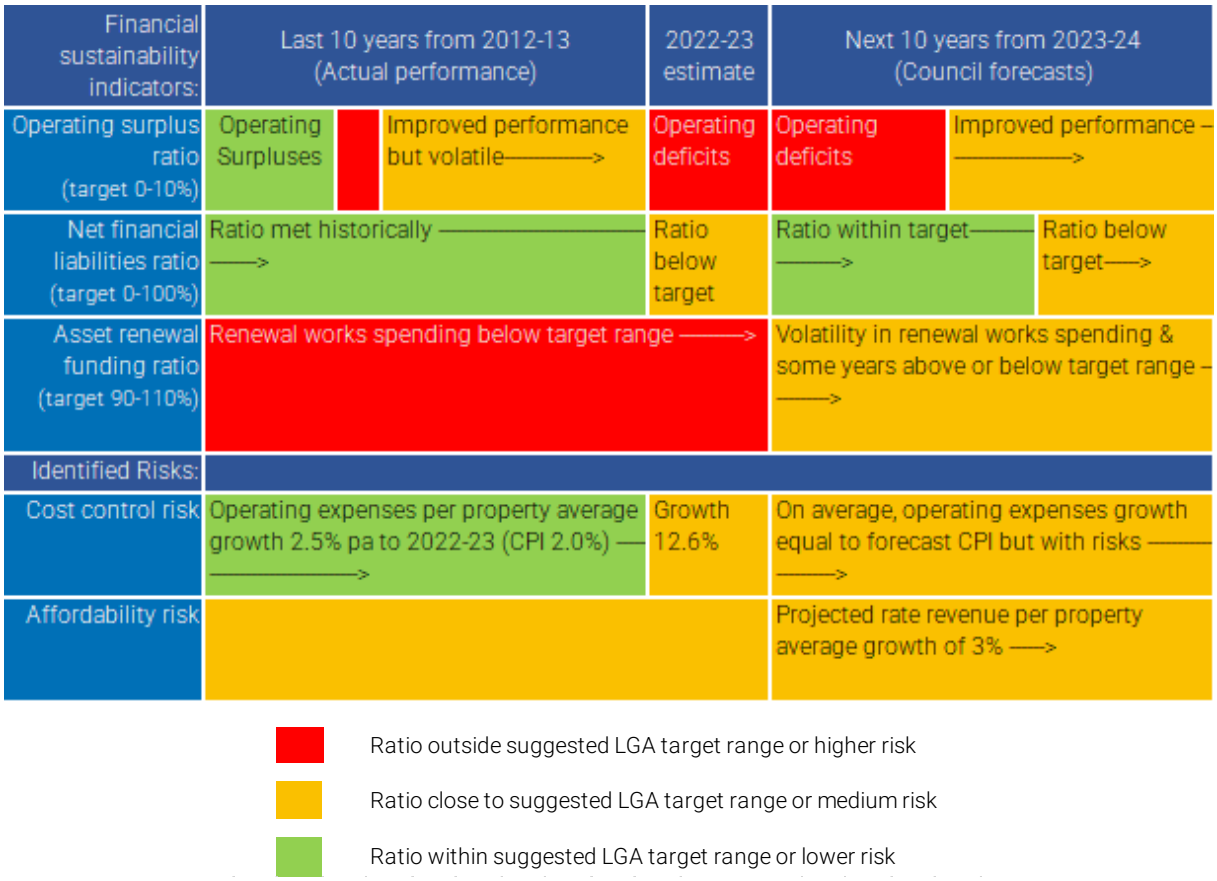
The Commission has reported estimates in nominal terms, for consistency with the Council's plans and actual rate levels, but it has compared estimated inflation impacts to these trends as a guide to identify 'real' rather than 'inflationary' effects. In the charts, the Consumer Price Index (CPI) line shows the cumulative growth in the CPI (Adelaide) series from 2012-13, and then projections of this series from 2023-24 based on the Reserve Bank of Australia (RBA) (Australia-wide) inflation forecasts (to the June quarter 2025), and 2.6 percent thereafter.

Finally, in formulating this Advice, the Commission has had regard to the circumstances of the Council, including its location as a regional council, its income level ($8.9 million) and the size of its rates base (more than 2,561 ratepayers[9]).

7 Sourced from the Local Government Grants Commission (including data reported by the Office of the Valuer-General) and the Council's data.
8 The Council's estimates for the 2022-23 financial year, relied on at the time of preparing this advice, are audited.
9 Based on the estimated number of property assessments in 2022-23.

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

The 'heat map' diagram below 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,[10] and the level of cost control and affordability risk identified for the Council over time.



[10] LGA SA Financial Indicators Paper.

B Material plan amendments in 2023-24

The Council has made various amendments to its 2023-24 budget and forward projections, partly for inflation and partly for other revenue and spending initiatives. The material amendments to some of its main financial forecasts are listed in the table below (in nominal terms).[11] To ensure a comparable analysis of estimates between the 2022-23 to 2031-32 and draft 2023-24 to 2032-33 LTFPs, the Commission has reviewed the nine overlapping years' statistics (2023-24 to 2031-32) and identified material amendments accordingly.

Selected Financial Item	Sum of 2023-24 to 2031-32 estimates in 2022-23 LTFP ($ million)	Sum of 2023-24 to 2031-32 estimates in 2023-24 LTFP ($ million)	Change in 2023-24 estimates ($ million)	Change in 2023-24 estimates (percent)
Total operating income	90.4	96.0	5.6	6.2
Total operating expenses	85.3	94.8	9.5	11.1
Operating surplus / (deficit)	5.1	1.3	-3.9	-74.5
Capital expenditure on renewal of assets[12]	21.7	16.8	-4.9	-22.7
Capital expenditure on new and upgraded assets[13]	5.4	2.0	-3.4	-63.3

B.1 Changes to operating performance

The Council has budgeted (in 2023-24) for a decrease in its operating performance, with an aggregate surplus of $1.3 million compared to an aggregate surplus of $5.1 million in the 2022-23 LTFP. In aggregate, the projections in its current and previous LTFPs (that is, over the nine-year comparative period to 2031-32, as shown in the table above) indicate the Council's cumulative operating performance declined by $3.9 million.

For the 2023-24 budget year, the Council has stated that the decrease in the operating deficit (compared to the 2022-23 LTFP) results from a combination of a 6.2 percent increase (or a $5.6 million increase) in income, not offsetting an 11.1 percent increase (or a $9.5 million increase) in expenses.[14] Some of the amendments, compared to the 2022-23 LTFP, include:

- Higher rates revenue FY24 and increases in statutory charges.
- Higher user charges as Council progresses towards cost recovery for CWMS and Marina.
- Increased investment income from long-term cash holdings.
- Increased employee costs due to inflation and forecast enterprise bargaining agreement costs.
- Increased insurance expenses and depreciation related to asset revaluation (increased) and the inclusion of assets formerly excluded from asset registers.

[11] This table shows only selected financial items to demonstrate the material amendments made by the Council in its 2023-24 estimates. It excludes various financial items and individual items do not sum to totals.
[12] The capital expenditure estimates are based on the draft 2023-24 LTFP estimates provided by the Council to the Commission (in an Excel template).
[13] See footnote 12.
[14] See footnote 12.

- Material increases in electricity expenses and broader inflationary pressures.

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

B.2 Indexation adjustments

The Council applies differing CPI-based inflation adjustments to its cost and revenue estimates. It assumed CPI inflation increases of 6.7 percent in 2023-24, 3.6 percent in 2024-25, and 3.0 percent thereafter.[15] The Commission notes that the CPI rates are assumptions for its draft 2023-24 LTFP estimates and that Council has not endorsed the LTFP due to internal issues.[16]

The increases in costs and revenues in its draft 2023-24 LTFP, of 11.1 percent and 6.2 percent respectively, over the 2023-24 to 2032-32 forecast period,[17] compared with the same estimates in its 2022-23 LTFP, can partly be attributed to higher inflation forecasts. However, they are also influenced by asset valuations that increased operating expenses (depreciation) as assets that were formerly excluded from asset registers are now included for the first four years of the plan.[18]

The Council has factored additional cost recovery income into its draft LTFP projections, discussed in section C.1. However, the lack of a current adopted LTFP presents a risk of using outdated financial information for decision-making. Additionally, its current inflation forecasts also present a risk to its cost and income projections in the current inflationary environment as they are higher than the RBA forecasts. The RBA currently forecasts the CPI (Australia-wide) to increase by 3.9 percent in the year to the June 2024 quarter and by 3.5 percent in the year to June 2025. Thereafter, it is reasonable to anticipate a return to long-run averages (and growth of 2.6 percent per annum from 2025-26, based on the RBA's 2 to 3 percent target range).[19]

The Commission recommends the Council:

1. Review and update its most recent long term financial plan immediately for Council endorsement and publication as required under the *Local Government Act 1999* (LG Act) s122(1g)(a)(i).

B.3 Decrease to capital expenditure estimates

The Council's draft 2023-24 LTFP indicates a decrease in capital expenditure for asset renewals (by $4.9 million or 22.7 percent), and for new and upgraded assets (by $3.4 million or 63 percent), compared to the previous LTFP (for the period from 2022-23 to 2031-32). Over the 10-year projections in the draft 2023-24 LTFP, the Council has factored in a total of $21.5 million in capital renewal and replacement works and $2 million in new and upgraded capital works, accounting for 93 percent and 7 percent of the total capital expenditure program respectively.

The Council has deferred expenditure pending the review and completion of draft AMPs that align with strategic directions.[20] Historical under expenditure on asset renewal has given rise to a significant amount of deferred renewals for capital investment and while some new draft AMPs have been prepared, they are not yet endorsed by council or aligned with LTFP funding.[21] The draft 2023-24 LTFP includes conservative grant funding estimates and capital project deferrals that reduce forecast capital expenditure[22] pending revised strategic directions, and review and endorsement of draft AMPs.

The Council's capital expenditure outlook is discussed further in section C.3.

15 Four Year Business Plan 2023-24 to 2026-27 and Budget 2023-24, p23.
16 Meeting between ESCOSA and District Council of Robe on 9.1.2024.
17 The set of nine years forecast in both the 2022-23 and draft 2023-24 LTFP projections.
18 See footnote 17.
19 RBA, Forecast Table - November 2023, available at https://www.rba.gov.au/publications/smp/2023/nov/economic-outlook.html
20 See footnote 17.
21 See footnote 17.
22 See footnote17.

B.4 Changes between 2023-24 LTFP and annual business plan

The Council adopted its annual business plan and budget in July 2023, and has not yet adopted its draft LTFP for 2023-24. The most recently adopted and published LTFP is for 2022-23 to 2031-32. The Council proposed further material amendments to its 2023-24 budget which included rate increases of 7.7 percent;[23] however, the calculated increase from 2022-23 (audited accounts) to 2023-24 based on the draft LTFP template shows a rate increase per property of 6.4 percent.

The Commission notes that the Council's 2022-23 LTFP identifies the risks to its estimates after it is adopted (due to economic factors, for example) and that its current four-year business plan updates its assumptions.

There is no current regulatory requirement for 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. Council might want to consider republishing updated 10-year financial estimates with its adjusted annual budget estimates for 2024-25, particularly if the extent of revisions to estimates in its annual business plan and budget are substantial compared to its draft 2023-24 LTFP. The Commission recommends that the Council:

2. **Align** its long-term financial plan projections with its annual business plan and budget for 2024-25 to provide transparency to the community about any changes to forward projections, including rate projections, and the longer-term impacts of its short-term decisions.

The Commission has also noted the revised AMPs which are not yet endorsed but have their financial impact included in the four-year budget plan. The draft LTFP 2023-24 includes only the impact of AMP revisions for the first four years which suggests the current capital expenditure forecasts (for renewals and new/upgraded assets) may be significantly understated in the longer term. Specifically, the AMP Infrastructure Asset Management (transport assets) has not yet been redrafted (most recent AMP approved in 2020 using valuations from July 2018[24]) and this plan covers 41 percent of assets.[25] Any additional impact from the update of this plan is not included,[26] further increasing the risk of understated depreciation and additional financial liabilities associated with renewing those assets. Capital works have also been subject to deferral pending alignment with strategic direction and further updates to AMPs which has created additional deferred renewal liabilities.[27] Section C further discusses asset renewals.

[23] Four Year Business Plan 2023-24 to 2026-27 and Budget 2023-24, p23.
[24] General Purpose Financial Statements (audited) 30 June 2023, p21.
[25] General Purpose Financial Statements (audited) 30 June 2023, p17.
[26] Meeting between ESCOSA and the Council on 9 January 2024 and Infrastructure Asset Management Plan Version 7 March 2020.
[27] Meeting between ESCOSA and the Council on 9 January 2024.

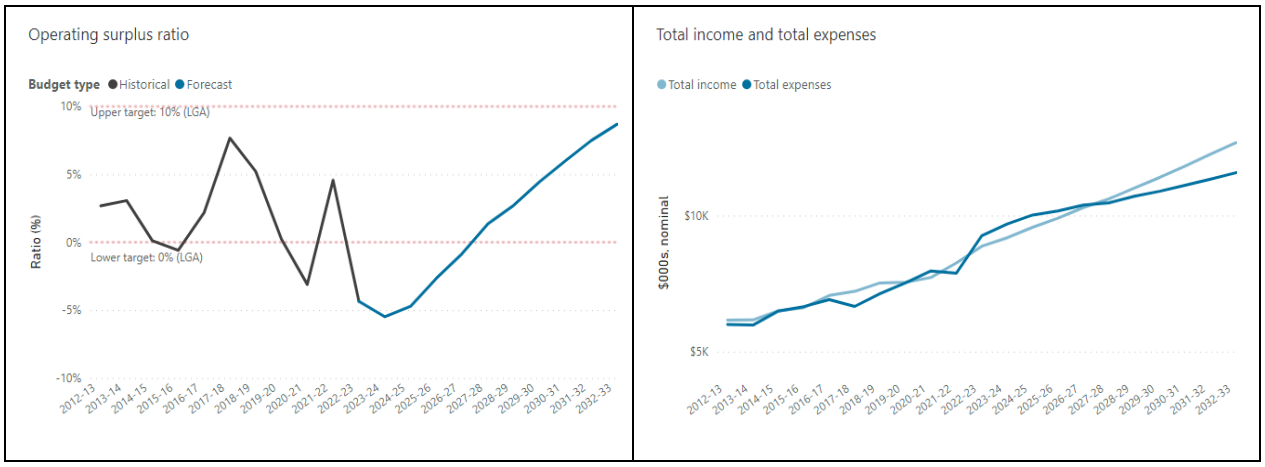
C Financial sustainability

C.1 Operating performance

The Council has predominantly run operating surpluses from 2012-13 to 2021-22 with an average operating surplus of $0.16 million and an operating surplus ratio averaging 2.2 percent over this period. It incurred a deficit of $0.4 million in 2022-23. The operating surplus ratio[28] is not forecast to be positive again (with a surplus) until 2027-28 (see the left chart below).

Operating income growth averaged 3.3 percent per annum from 2012-13 to 2021-22, slightly higher than the rate of operating expense growth (averaging 3.1 percent per annum) resulting in a 9.6 percent growth in operating surplus over the period.

The four-year decrease in its projected operating performance at the start of the LTFP forecast period, is attributed to the anticipated growth in in expenses being greater than the anticipated growth in income. Some of these changes include increased expenses associated with asset reviews (such as depreciation and maintenance) together with budgeting for a gradual implementation of a user-pays model for CWMS and Marina services,[29] resulting in nearer term income growth not offsetting expenses growth. However, as the forecast rate and user charges increases are realised, and expense growth slows, the Council expects to return to, and maintain, operating surpluses from 2027-28 (see the right chart below). The Council notes however, that depreciation from recent AMP reviews has only been included in forecasts until 2026-27, which will cause the operating surplus[30] to be less than forecast, unless income forecasts are increased.



Rates revenue has increased on average by 3.4 percent per annum from 2012-13 to 2021-22[31] (when rateable property growth averaged 0.6 percent and CPI growth averaged 2.0 percent). Over the same period 'statutory' and 'user charges' (accounting for 15 percent of total operating income) increased by an average of 15.1 and 4.8 percent per annum respectively. 'Grants, subsidies and contributions' have decreased over the period by 0.9 percent and on average, accounted for 11 percent of income. The Commission notes the Council's perspective that it has been disadvantaged in receiving Financial Assistance Grants, which are calculated based on high property valuations and a considerably smaller permanent population.[32] Grants as a percentage of income have decreased from a maximum of 13

28 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).

29 Meeting between ESCOSA and District Council of Robe on 9.1.2024.

30 See footnote 29.

31 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).

32 See footnote 29.

percent in 2017-18 to 7 percent in 2022-23 and are forecast to decrease further to 6 percent between 2023-24 and 2032-33.

The Council is projecting average annual rates revenue growth of 3.8 percent to 2032-33 which is above the forecast long-term inflation,[33] but includes growth in rateable properties of 0.7 percent. This average growth in annual rates revenue is higher than expected expense growth for the same period (rates are discussed in more detail in section D). Throughout the forecast period, rates are forecast to remain at a stable 73 percent of total income, a small increase on the historical value of 71 percent (from 2012-13 to 2021-22).

As discussed above, grants are declining, rates are relatively static and options for increased revenue are being pursued through recovery of other charges. The Council noted at the meeting with the Commission that it intends to pursue more cost recovery in relation to its CWMS and Marina assets, and that it could potentially better utilise the Marina asset to generate more income.[34] The Commission supports the consideration of options that can increase revenue, contributing to a more financially sustainable position.

The Council's operating expense growth (from 2012-13 to 2021-22) was primarily due to an average annual increase of 3.5 percent in 'employee' expenses and 3.3 percent in 'materials, contracts and other' expenses (see the changes by expense type in specific time periods in the left chart over the page noting that forecast depreciation is likely to be underestimated).

The forecast average expense growth of 2.0 percent per annum is less than RBA-based forecast inflation growth[35] and is less than the Council's past performance (with average annual growth of 3.1 percent in the 10 years to 2021-22) and as mentioned above, does not include all known depreciation expenses. Council is also responsible for the Marina which is a high-cost asset used primarily by commercial fishing enterprises. It requires significant operational expenditure for routine dredging and is subject to environmental considerations and degradation in addition to high asset renewal capital expenditures.[36] Furthermore, the Council experiences significant financial impact of a large non-resident ratepayer population (63 percent) and a seasonal influx of population (from 1,500 to more than 15,000) in peak holiday seasons that places additional pressure on budgets and infrastructure.[37]

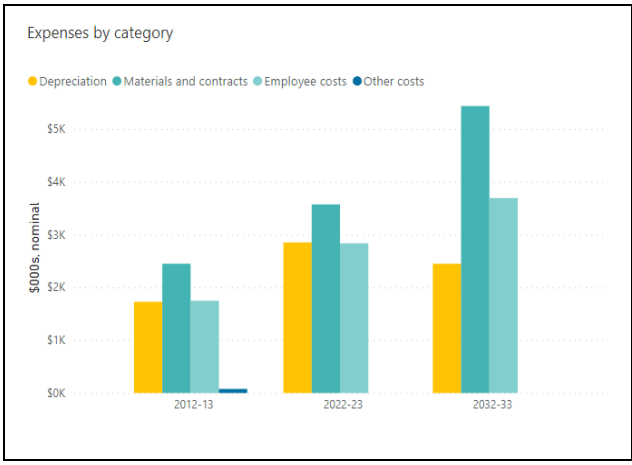
Expenses per property (a metric which also accounts for growth) are expected to increase by an average of 1.3 percent per annum over this period, which would represent a cost reduction in real terms (based on current inflation projections) (see the right chart over the page).

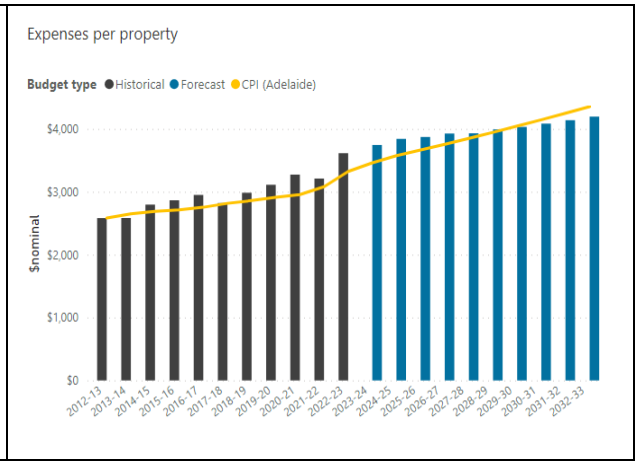
It is not certain that Council will be able to contain costs to the levels it forecasts given the uncertainty about AMPs which when updated, may require additional depreciation and operational maintenance expenditure. The Commission notes that the draft AMPs include assets that were formerly excluded from Council asset registers.[38] Provisions for management of those additional assets may now be partially included in their LTFP forecasts, however revision of strategic plans and an update of the AMP related to transport assets may require additional increased budget provisions. To contain or decrease costs, Council may need to reconsider the service levels provided or find alternative strategies to reduce expenses.

Overall, the forecast income, combined with uncertainty in forecast expenditure, constitutes a significant risk to sustainability. The forecasts rely on growth in rateable properties, increased charges and constrained expenditure, as well as the development of confidence in forecast asset management requirements – which relies on stronger governance structures and leadership stability to implement future asset management strategies. It is not certain that this can be achieved in the near-term, which provides a risk to ratepayers of unexpected rate rises or assets that do not meet desired service levels.

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33 RBA, Forecast Table - November 2023, available at https://www.rba.gov.au/publications/smp/2023/nov/economic-outlook.html
34 Meeting between ESCOSA and District Council of Robe on 9.1.2024.
35 RBA, Forecast Table - November 2023, available at https://www.rba.gov.au/publications/smp/2023/nov/economic-outlook.html
36 Meeting between ESCOSA and District Council of Robe on 9.1.2024.
37 Presentation to ESCOSA at meeting 9.1.2024.
38 See footnote 33.





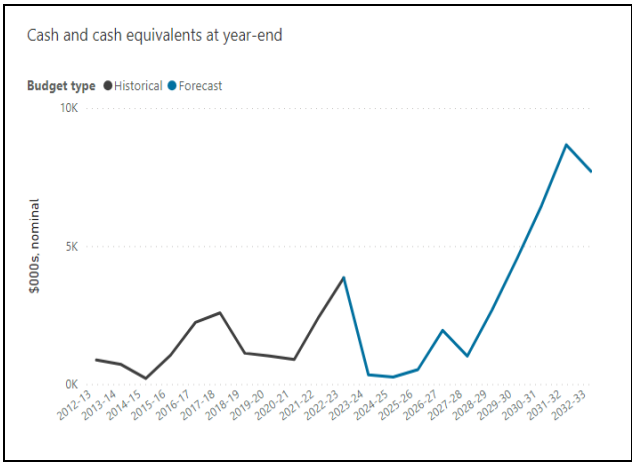
The Council's template data (provided to the Commission) shows that employee numbers are assumed constant at current levels (of 31 FTEs) over the forecast period. The Commission recommends that the Council:

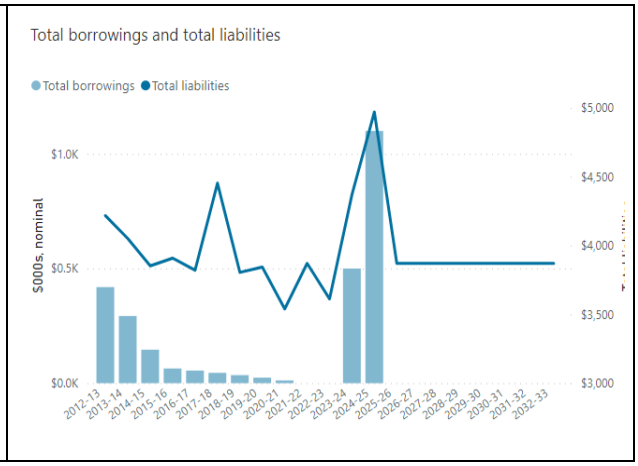
3. **Consider** options to increase its income to move towards a more financially sustainable position.
4. **Consider** decreasing costs by reducing service levels to remain within financial sustainability constraints.
5. **Review** its annual budget and long-term financial plan immediately following update of strategic direction, and endorsement of draft AMPs.

C.2 Net financial liabilities

The Council's net cash flows (annual net cash flow movements) after operating and investing (that is, capital-related) activities has averaged $0.2 million annually between 2012-13 and 2021-22. (This is different to the chart (see left chart below) which shows the stock of cash held by the Council at the end of each financial year.

The Council repaid its borrowing in the period 2012-13 to 2020-21 and proposes to borrow more in the first two years of the draft 2023-24 LTFP to fund projects.[39]





39 Four Year Business Plan 2023-24 to 2026-27 and Budget 2023-24, p21.

The Council's net financial liabilities ratio has trended between 46 and 11 percent between 2012-13 and 2021-22 (see the left chart below). The ratio is within the suggested LGA target range for the indicator of between zero and 100 percent (averaging 29.5 percent over this period) and is at a level which demonstrates that the Council is only accumulating liabilities that its operating income can reasonably service (see right chart below).[40]



The Council has estimated that the ratio will peak at 44 percent in 2024-25, then decline to a negative ratio in 2029-30. Council has maintained a position of having cash reserves with an average of $1.3 million between 2012-13 and 2021-22 and forecasts to increase that over the period 2023-24 to 2032-33 to an average of $3.4 million. However, the forecast ratio is dependent on reliable information which is not certain in this case.

The accumulation of significant cash reserves by a council is generally not desirable; however, the conservative income forecasts, together with uncertainty in forecast expenditure requirements (and specifically for asset-related expenditure) relevant to the Council, suggests that cash will be needed to address deferred renewals in the short term and that further borrowings may be required for new/upgraded capital expenditure. The Commission would not support increasing cash reserves beyond the levels proposed by the LTFP.

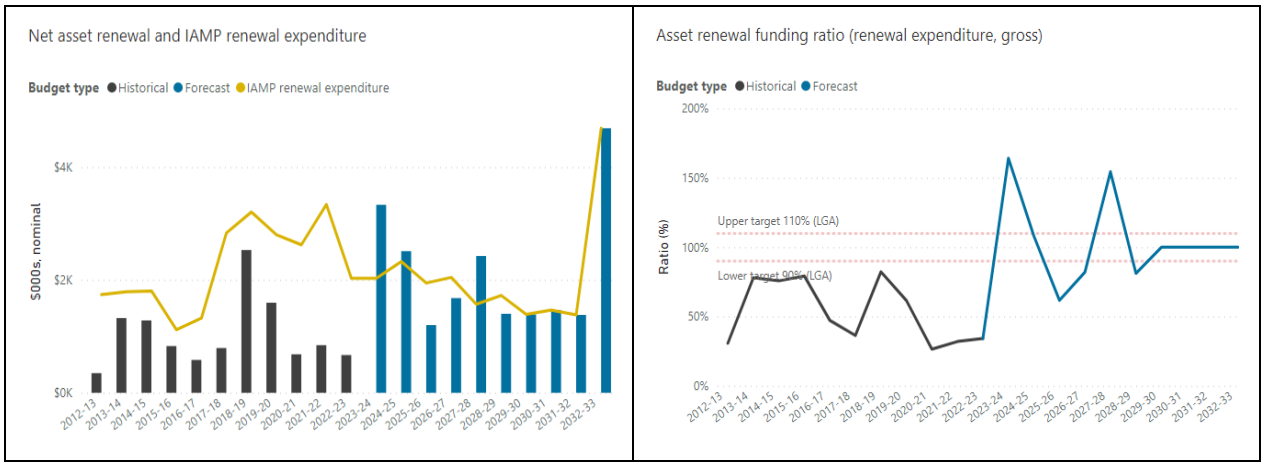
C.3 Asset renewals expenditure

The Council has significantly underperformed on its asset renewal funding ratio[41] between 2012-13 and 2021-22 and the 2023-23 audited results[42] continue the trend (see the left chart over the page).

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

41 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).

42 General Purpose Financial Statements (audited) 30 June 2023.



Between 2012-13 and 2021-22, the asset renewal funding ratio (under the 'IAMP-based' approach) averaged 55 percent,[43] signifying a substantial underspend on the renewal and rehabilitation needs of its asset stock over this period. The Council's spending on renewal and rehabilitation of assets averaged $1.2 million each year (over this period – see right chart above).

From 2023-24 to 2032-33, the ratio is forecast to average 105 percent, reflecting additional expenditure to partly address previous years' deferred renewal expenditure. Average annual spending on renewal or rehabilitation of assets is projected to increase to $2.1 million (in nominal terms). Expenditure on new and upgraded assets is forecast to average $0.2 million between 2023-24 and 2032-33. However, Council has noted significant environmental degradation risks to its coastal paths and infrastructure[44] which implies that new asset investment may be understated. The Commission notes that a focus on renewal of assets rather than expenditure on new/upgraded assets will assist the Council to move towards a more financially sustainable position and that the Council's cash reserves could be utilised to address deferred renewals.

The Council has recognised that its historical capital spending profile has given rise to an accumulation of deferred asset renewals (indicated by actual asset renewal expenditure being lower than required under the AMPs). The substantial increase in forecast renewal expenditure is based on reviews of AMPs (not finalised nor endorsed by Council).

The Council currently has an outdated AMP for Infrastructure and transport assets were last valued at 1 July 2018,[45] although the AMP was not adopted until March 2020. It has draft AMPs for buildings and other structures, plant and equipment, CWMS, Lake Butler Marina and Open Space assets. The AMPs cover most of the Council's asset base and asset valuations have been carried out in July 2022 excluding for transport assets. In formulating its draft AMPs, the Council has considered several matters such as customer levels of service, utilisation and demand of its assets, life cycle management and risk management planning; however, the AMPs are not finalised nor adopted by Council. Noting that the Commission is unclear as to the asset expenditure inclusions/exclusions in the draft 2023-24 LTFP spreadsheet provided; for example, it is possible that CWMS is included twice as it is included in the outdated Infrastructure AMP and a new standalone draft CWMS AMP also exists. In addition, the infrastructure AMP (covering 41 percent of assets, including transport assets) once updated, may require additional operational and capital expenditure.

The Commission is aware that some financial information from the draft AMPs has been included in the draft 2023-24 LTFP spreadsheet provided. The Commission's review of the AMPs has found that the Council's strategic planning processes do not align with effective asset management and financial

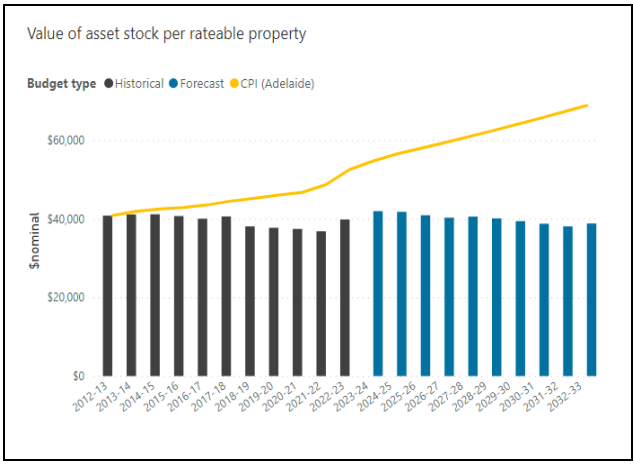
43 The quoted averages for the ratio are based on 'gross asset renewal expenditure' (before the sale of replaced assets) rather than 'net asset renewal expenditure'.
44 Meeting between ESCOSA and District Council of Robe on 9.1.2024.
45 District Council of Robe GPFS for year ended 30 June 2023, p20.

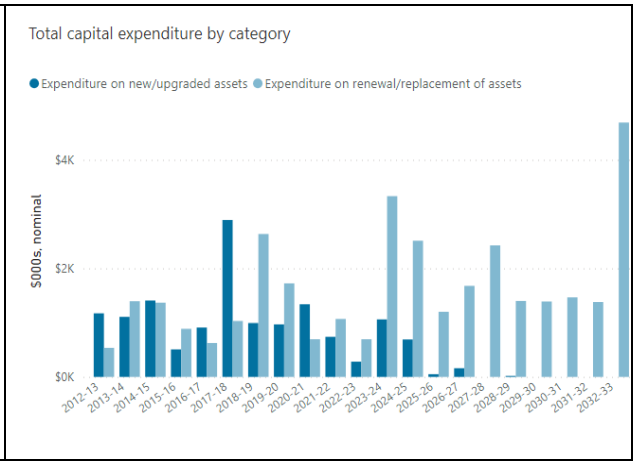
planning which provides a significant risk to ratepayers given the complexity of managing Council assets and environmental risks.

The failure to finalise and update AMPs provides a significant risk for Council as an understanding of assets (and associated depreciation, maintenance and renewal costs) is critical for long-term sustainability. The immediate risk to Council is that understated depreciation will lead to recording an operating result that is more favourable than it would otherwise be, while the longer term risks are that assets will deteriorate more quickly, and Council will not have sufficient funds to renew them. The Council is required to provide adequate funding for renewal of assets to maintain current service levels. An alternate option is to review and gain community acceptance for lower service levels. The Commission notes that the Council plans to address the strategic direction and continue to update AMPs as discussed at the January meeting.[46]

The Commission recommends that the Council:

6. **Urgently** review and adopt draft AMPs to align with the strategic direction and facilitate accuracy in asset related expenditure.
7. **Provide** more funding to the renewal of its assets, rather than prioritising initiatives which involve new or upgraded infrastructure.
8. **Urgently** update the Infrastructure AMP (transport assets) to align with the strategic direction and facilitate accuracy in asset related expenditure forecasts.





The Council's asset base has marginally decreased over the past 10 years notwithstanding total capital expenditure averaging $2.4 million per annum (including $1.2 million per annum on new or upgraded assets) between 2012-13 and 2021-22 (see the above right chart). This has led to a decline in the value of the asset stock per property of $3,991 or 1.1 percent for each year over the 10 years to 2021-22 (see left chart above). By implication, the Council's asset stock has declined in real terms (as the decrease is more than historical inflation) or alternatively, assets have not been adequately revalued.

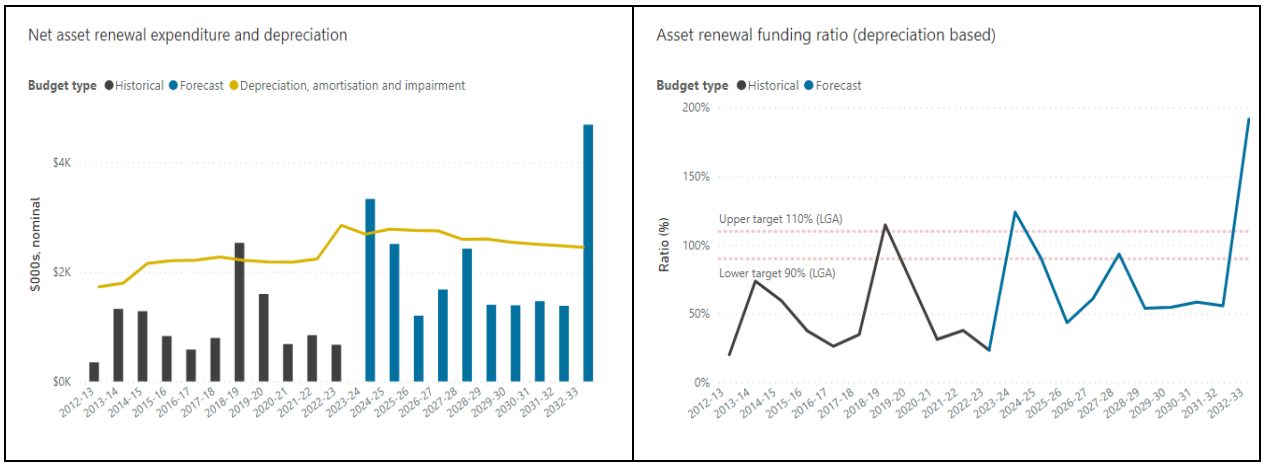
Asset renewals can also be evaluated by the depreciation-based asset renewal funding ratio,[47] which is projected to track below the recommended minimum level (for the IAMP-based ratio) of 90 percent, averaging 82.6 percent per annum to 2032-33 (see charts over the page). While the forecast rate may narrow the gap between asset lives as predicted by depreciation and asset renewals required (as evidenced by renewal expenditure), there remains a risk that depreciation expenses are incorrect or that asset lives are over or understated. This reflects Council's lack of understanding about its asset profile

46 See footnote 46.

47 The Council's asset renewal funding ratio by the depreciation-based method (where asset renewal/replacement expenditure is divided by depreciation expenses). This ratio shows the extent to which capital expenditure on the renewal and replacement of assets matches the estimated rate at which these assets are used or consumed.

and needs to be addressed when undertaking a review of corporate governance functions and responsibilities.

Historically (between 2012-13 and 2021-22) depreciation expenses have outpaced renewal capital expenditure by a significant margin (totalling $0.9 million per annum over ten years). This earlier period may indicate an intergenerational equity[48] risk, as the Council had partly funded capital expenditure (through depreciation) but had deferred or under invested on its asset renewal needs.



As previously noted, the Council has identified an accumulation of deferred renewals[49] with a corresponding funding shortfall, referred to as a 'renewal funding gap', across all asset classes in its AMPs. This gap is estimated to be $10.6 million (or 47 percent) in 2021-22, which is not currently covered in the draft 2023-24 LTFP projections. By 2032-33, the forecast indicates that this gap will widen to $12.4 million.

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

49 Meeting between ESCOSA and the Council on 9 January 2024.

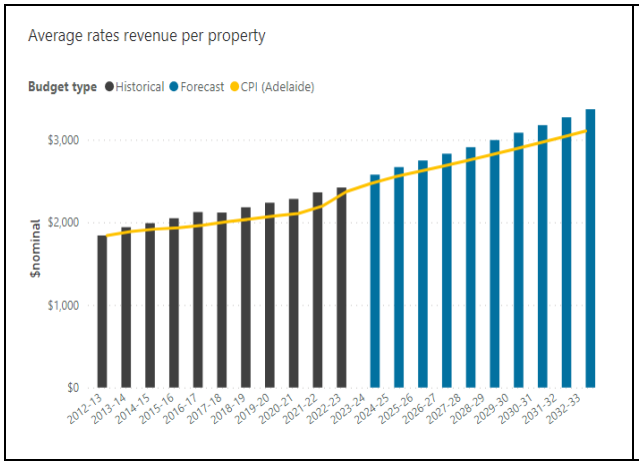
D Current and projected rate levels

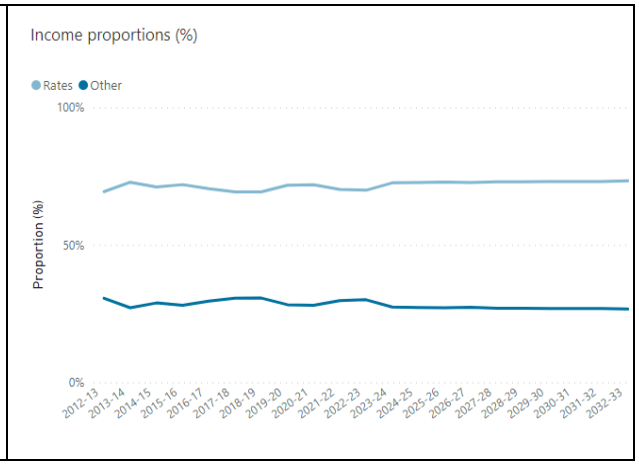
D.1 Historical rates growth

The Council's rates revenue per property growth has averaged 2.8 percent or $52 per annum for each property over the past 10 years,[50] to reach an estimated $2,363 per property in 2021-22 (see the left chart below). This has exceeded CPI growth (an average of 2 percent per annum over this period), but also encompasses 0.6 percent average annual growth in rateable property numbers. Current rate levels partially reflect its recent history of spending growth, predominantly on higher employee-related costs, and the Council's decreasing grant funding.

The Council remains reliant on its rate base for its operating sustainability. As the chart below indicates (to the right), rates revenue is forecast to account for 73 percent of budgeted operating income in 2022-23 (and thereafter), compared with 69 percent of income in 2011-12.

The Commission notes that the Council has average rates higher than similar councils but has relatively stable rate levels for residential categories and increasing rates for other ratepayers.[51]





D.2 Proposed 2023-24 rate increases

The Council has budgeted for an average rate increase of 6.4 percent or $156 per property for its existing ratepayers in 2023-24.[52] The Council has also assumed growth in the area will be minimal (at 1 percent since 2023-24).

Different rate categories are subject to varying charges, with residential, industrial, primary production, vacant and other land ratepayers to pay a lower differential rate than commercial and Marina berth ratepayers. The Council proposes to decrease differential rates in the dollar by approximately 18 percent for 2023-24 based on increased property values.[53]

On a proportional revenue basis, residential ratepayers account for around 33 percent of 2022-23 budgeted rates revenue, followed by primary production and commercial ratepayers (at 30 percent

50 From 2012-13 to 2021-22.

51 Refer to Councils in Focus rates data for 2019-20 available at https://councilsinfocus.sa.gov.au/councils/district_council_of_robe. The Commission is not relying on these rate comparisons for its advice; the data source provides one indicator, among many, which has informed its advice on the appropriateness of the rate levels.

52 Based on the Council's 2023-24 annual business plan and its Excel template (with the draft 2023-24 forecasts) provided to the Commission. The Commission has used $6.667 million (in 2023-24 budgeted rates revenue) compared to audited 2023-23 estimates. Individual rate level changes may be higher or lower depending on the rates category and property value.

53 Rate in the dollar applied to the capital value of the property in the Council area. Four Year Business Plan 2023-24 to 2026-27 and Budget 2023-24, p27.

each), and other categories of ratepayers (7 percent). On a capital valuation basis (in 2023-24), primary production and residential land use represent 42 and 46 percent of the aggregate capital value in the Council area respectively,[54] despite their relatively lower rate contributions (as groups) than other ratepayers.

Other than 'general rates' revenue (which represents around 75 percent of total rates revenue in 2021-22),[55] the Council collects income from waste collection and water supply, special rates (underground powerline), CWMS charges, and the Regional Landscape Levy.

D.3 Projected further rate increases

Over the forward years of its draft LTFP, the Council is projecting average rate revenue increases of approximately 3.8 percent per annum from 2023-24 to 2032-33 which includes growth in rateable properties of 0.7 percent.

In total, the draft LTFP effectively projects a cumulative increase of $792 per existing ratepayer or 3 percent per ratepayer per annum (to $3,369 by 2032-33), which is above the RBA-based long-term inflation forecast of an average of 2.6 percent per annum[56] for the same period (refer to the previous page chart on the left side).

As a result of further rates increases, the percentage of the Council's total income contributions from ratepayers is projected to average around 73 percent, compared to a historical average of around 71 percent.

D.4 Affordability risk

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

- the Council's relative average socio-economic indexes for areas (SEIFA) economic resources ranking for the Council area,[57] and
- the current relatively stable average rate revenue per property forecast increases of 0.4 percent above RBA forecast inflation for ratepayers.

Despite the current economic environment putting more pressure on most communities' capacity to pay for further rate increases, including those of the Council, the Commission considers it would be appropriate for the Council to:

9. Review rate increases relative to proposed service levels to align with revised and endorsed AMPs to ensure adequate revenue to maintain funding of council services at a sustainable level.

54 Four Year Business Plan 2023-24 to 2026-27 and Budget 2023-24, p27.
55 After discretionary rebates.
56 RBA, Forecast Table - November 2023, available at https://www.rba.gov.au/publications/smp/2023/nov/economic-outlook.html
57 The District Council of Robe area is ranked 56 among 71 South Australian '*local government areas*' (including Anangu Pitjantjatjara and Maralinga Tjarutja Aboriginal community areas and 'unincorporated SA') on the Australian Bureau of Statistics SEIFA Index of Economic Resources (2016), where a lower score (e.g., 1) denotes relatively lower access to economic resources in general, compared with other areas, available at: https://www.abs.gov.au/statistics/people/people-and-communities/socio-economic-indexes-areas-seifa-australia/2021.



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APPENDIX 4 - ESCOSA RECOMMENDATIONS AND COUNCIL RESPONSE

In response to the ESCOSA advice found in appendix 3, the following are Council's responses to the 9 recommendations.

RECOMMENDATION 1
Review and update the most recent long term financial plan immediately for Council endorsement and publication as per the Local Government Act.

Response
Council, at its 8 May 2024 adopted a new Strategic Plan 2024-2028 which has clear priority actions which can be integrated into relevant plans, primarily to the Long Term Financial Plan. The draft 2024-2034 Long Term Financial Plan (LTFP) has been prepared and is currently undergoing a community engagement campaign adjacent this draft 2024-2025 Annual Business Plan.

RECOMMENDATION 2
Align long-term financial plan projections with its annual business plan and budget for 2024-25 to provide transparency to the community about any changes to forward projections, including rate projections, and the longer-term impacts of its short-term decisions.

Response
Year one of the LTFP is the draft budget for the 2024-2025 financial year and the ensuing nine (9) years of the plan include rate projects and known projects from the Strategic Plan 2024-2028.

RECOMMENDATION 3
Consider options to increase income to move towards a more financially sustainable position.

Response
Council's financial strategy contained in the draft LTFP includes projected rate revenue increases. However, it is noted that other sources of income need to be reviewed, and this includes reviewing services to ensure that where appropriate, cost recovery is achieved. The Strategic Plan 2024-2028 includes a priority action to Investigate the sale of marina leases, with the view to increasing income for renewal and full cost recovery of the Lake Butler Marina.

RECOMMENDATION 4
Consider decreasing costs by reducing service levels to remain within financial sustainability constraints.

Response
Similarly to the above response, the LTFP contains a financial strategy which states it will review services provided by Council throughout the course of the plan. Cost pressures related to delivery of some services will be assessed and rationalised for efficiency and to reduce the financial impact to ratepayers and to align service levels with available resources.

RECOMMENDATION 5
Review annual budget and long-term financial plan immediately following the update of strategic direction and endorsement of draft Asset Management Plans.

Response
As indicated above, Council adopted the new Strategic Plan 2024-2028 on 8 May 2024. This Plan has a strategic direction titled 'Council's Organisational Response'. There are specific priority actions listed under this strategic direction which relates to asset management plans and long term financial planning. At the time of the ESCOSA review, there was no current Strategic Plan, LTFP or Asset Management Plans. At the time of preparing this report, in addition to the new Strategic Plan, Council has finalised the Buildings & Structures Asset Management Plan, with the Lake Butler Marina currently undergoing community engagement and significant progress has been made on Open Spaces, CWMS and Transport Asset Management Plans.

APPENDIX 4 - ESCOSA RECOMMENDATIONS AND COUNCIL RESPONSE

RECOMMENDATION 6
Urgently review and adopt draft AMPs to align with strategic directions and facilitate accuracy in asset-related expenditure.

Response
Council has finalised the Buildings & Structures Asset Management Plan, with the Lake Butler Marina currently undergoing community engagement and significant progress has been made on Open Spaces, CWMS and Transport asset management plans.

RECOMMENDATION 7
Provide more funding to the renewal of its assets, rather than prioritizing initiatives that involve new or upgraded infrastructure.

Response
Council is aware that its asset renewal funding ratio needs significant elevation. The current year budget has a 104% ratio, increasing to 274% in the draft 2024-2025 Annual Business Plan, with an average of 257% per annum over the 10-year LTFP period). In terms of dollars, this is $4.412m on renewal and only $248k on new.

RECOMMENDATION 8
Urgently update the Infrastructure AMP (transport assets) to align with strategic directions and facilitate accuracy in asset-related expenditure forecasts.

Response
Council has engaged an interim Asset Manager who has been employed since March 2024. This role has a sole focus on addressing all outstanding asset management plans.

RECOMMENDATION 9
Review rate increases relative to proposed service levels to align with revised and endorsed AMPs to ensure adequate revenue to maintain funding of council services at a sustainable level.

Response
In 2024-2025 Council proposes a 6.5% general rate revenue increase, which is 1% above the CPI estimate of 4.3%, plus growth from new assessments of 1.2%. The Strategic Plan 2024-2028 includes projects such as service level reviews in relation to rationalisation of beach access, which is envisaged to reduce operational and capital expenditure and expected to pave the way towards other service level reviews.

