

2025-2026

ANNUAL BUSINESS PLAN AND BUDGET





Acknowledgement of Country

We acknowledge the Kurna and Ngadjuri Peoples as the Traditional Owners of the country that makes up the Light Regional Council. We respect their spiritual relationship to their country and acknowledge that as Traditional Custodians, their cultural heritage and beliefs are still as important today.

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Terms used in this plan

ABP	Annual Business Plan (this document)
CAD	Cash Advance Debenture (borrowing) – a borrowing instrument that can be repaid when surplus cash allows to reduce finance costs.
CWMS	Community Waste-Water Management Scheme (common effluent scheme)
Developer	Land development, mostly residential subdivisions for private housing but will progressively involve further commercial developments.
Fees and Charges	In accordance with the <i>Local Government Act</i> councils annually review its many fees/charges – refer website for the register.
FPR	Future projects roadmap – major projects prioritised for future years
GHG	Greenhouse Gas (emissions) by LRC.
IAMP	Infrastructure Asset Management Plan
Internally Generated Funds (IGR)	Funds generated by providing for depreciation (non-cash) in the comprehensive income statement. Provided an operating surplus is forecast these funds are expected to be available to fund the renewal of the assets that are being depreciated
LRC	Light Regional Council
LTFP	Long Term Financial Plan
PPP	Public Private Partnership – a joint venture scheme between LRC and a private sector partner
Strategic Management Plans	Strategic Plan (revised in 2024), IAMP and LTFP
Transportation Infrastructure	Roads (sealed and unsealed, kerbing, footpaths, stormwater drainage)
Website	Light Regional Council website www.light.sa.gov.au



MESSAGE FROM THE ACTING MAYOR

Over the past year, our community has faced significant challenges. From the impact of ongoing drought conditions on our primary producers to the broader pressures of a rising cost of living, the effects have been deeply felt across our region.

While we are a resilient and resourceful community, it is important to acknowledge the weight of these challenges. Council is committed to doing all it can to support our residents by continuing to deliver the essential services you expect – without adding to the burdens you face.

It is with this in mind that we present to you the 2025–2026 Annual Business Plan, Budget and Long-Term Financial Plan. These documents set out priorities for the coming year and years ahead and are guided by our responsibility to serve the community while ensuring long-term financial sustainability.

The Annual Business Plan embodies our shared values, priorities, and aspirations. It represents a careful balancing act in responding to the increasing cost of providing core services and infrastructure while identifying efficiencies, streamlining operations, and working to minimise rate increases.





The expected rapid growth of the Roseworthy township, alongside continued development in Freeling and Kapunda, is bringing with it significant new infrastructure demands. These pressures will only intensify in the years ahead, and Council is planning responsibly to meet them. However, these challenges also bring opportunities for investment in our region.

Our commitment to sound financial management remains steadfast, but not at the expense of meeting the needs and expectations of the community. We understand how much residents and local businesses rely on Council to deliver services and infrastructure, while helping to shape a region that is successful, resilient and inclusive — where everyone has the opportunity to thrive.

As always, Council has made every effort to minimise the impact of rates on the community while continuing to invest in essential services. This has been made more complex by ongoing significant valuation increases for some land uses, including primary production and residential, while commercial valuations have remained flat and viticulture land has devalued. To offset the impact of significant valuation increases, Council has determined to provide a rebate/ reduced rate in the dollar. A rate rebate is available, on application and subject to certain conditions, that will limit the maximum increase in general rates payable to 10%.

In the year ahead, Council will continue to deliver services and programs that are carefully considered, responsive to community needs, and aligned with our long-term vision. Together, we will meet the challenges before us and work toward a stronger, more connected future.

I extend my sincere thanks to our community, dedicated staff and Councillors for your input, support, and collaboration throughout the year and in shaping this Plan.

Michael Phillips-Ryder
Acting Mayor



HOW THE PLAN WAS PREPARED

The Annual Business Plan (ABP) process enables Council to review its annual and four (4) year financial plans and Long-Term Financial Plan. The process includes the review and refinement of budgetary considerations concerning the cost and level of service provision; management of Council's assets; proposed infrastructure programs; economic development initiatives; and new projects and initiatives proposed. All initiatives and their expenditure are assessed against the financial impact on the community, ratepayers and Council.

Several economic and operational influences and assumptions were reviewed and revised to update existing financial plans.

Light Regional Council's suite of strategic plans, listed below, are the underpinning documents from which the 2025/2026 Annual Business Plan (ABP) is formulated:

- Strategic Plan 2024-2028
- Infrastructure and Asset Management Plan (IAMP)
- Long Term Financial Plan (LTFP) 2025-2035
- Four (4) year Capital Works and Budget program.

During 2024/25 the IAMP's 'Land and Building' assets were reviewed. The review included a re-assessment of construction costs and useful lives and increase in depreciation. The 'handover' of infrastructure assets from developers will accelerate rapidly, bring with it additional responsibilities.

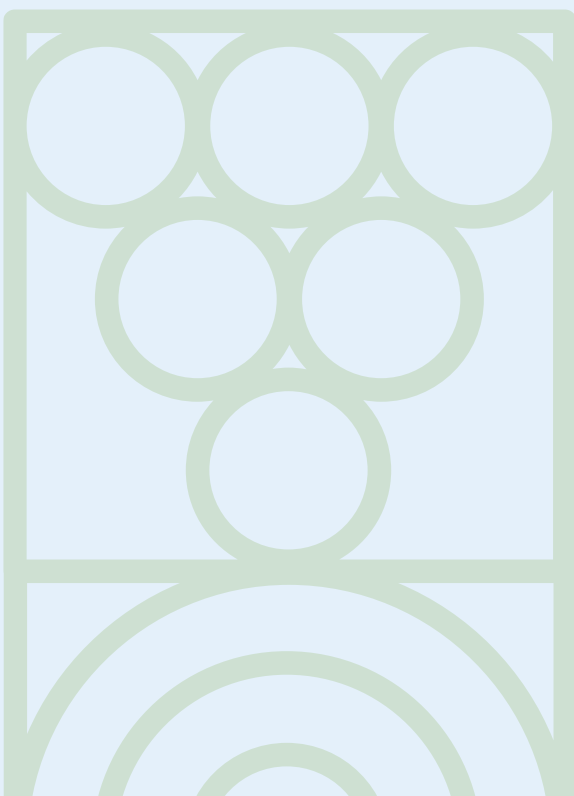


This plan proposes the 2025/2026 budget allocation and advises of the projects and services that are planned to be delivered to the community over the next 12 months and a four (4) year capital 'works' program. Activities to be undertaken included in this ABP:

- Summary of the long-term financial objectives
- An outline of Council's objectives for the 2025/2026 financial year, including activities to be undertaken to achieve those objectives and the targets (financial and non-financial) to be used to assess the performance against its objectives over the financial year

- Summary of proposed operating expenditure, capital expenditure and sources of revenue, whilst considering the financial requirements for the financial year
- Property valuation and rating structure and associated policies
- An assessment of the impact of the rates structure and policies on the community, based on analysis that has been undertaken.

Following the public consultation process, Council reviews public feedback received and will consider the final plan at the **15 July 2025** Special Council Meeting.



SNAPSHOT OF THE REGION

\$977m

Gross Regional Product
(2023 RDA)



1276.8

Area of the Light Region



16,616

Residents (2023 estimate -
1.8% increase from previous year)

40 Years

Median Age (2021 Census - SA Median = 39 Years)

2,610

Households with children
(2021 Census)

\$592,500

Median house
price affordability
(2025 Domain.com -
SA Median = \$930,000)



99%

Households with internet
connection (2023)

12.3%

Households renting
(2021 Census)

70%

Residents who live in the region but
work outside of it (2021 Census)

Value of Production in the Region (ABS, 2021)



\$19.7m
Hay



\$29.8m
Wheat
\$16.1m
Barley



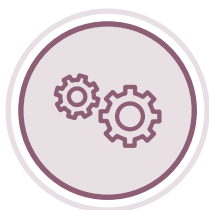
\$31m
Wine Grapes



\$20.8m
Pigs

COMMUNITY SERVICE AND PROGRAMS

What makes the region a great place to live, work and play.



Maintenance of Community Halls and Facilities

Town Halls, Institutes, Hewett Centre, RSL's, Herald Printing Office, Libraries



Library Services

Three branch libraries plus outreach locations. Programs and resources to support lifelong learning, literacy, social connectivity, and skill development.



Services for the Aged and Disabled

Provide home maintenance and support services through The Barossa Region Home Assist Scheme.



Community Development

Grant and sponsorship programs, community, advice, advocating for the health and wellbeing of the community.



Children and Youth Services

Providing programs and services for young people, self-development opportunities, immunisation program and youth sponsorship.



Cultural and Heritage

Kapunda Museum and Community Art Gallery. Grant funding under the Heritage Incentive Scheme to owners of local heritage places.



Community Transport

Services to assist those in the community who are transport disadvantaged, such as the aged and younger disabled residents without access to transport.



Parks, Gardens and Recreation Facilities

Planning, planting and maintenance of reserves, ovals, and gardens. Maintenance of the Kapunda Swimming Pool.



Economic Development

Economic development plan, encouraging investment in the region, supporting the agribusiness and tourism industries.



Street Lighting

Maintaining 1,200 existing public lights and installing new lighting, including reserve lighting, sports field, court and car park lighting.



Public Health

Regulating food safety, vermin control, waste-water management in Kapunda, Freeling, Greenock, Roseworthy, and Neil Ave in Nuriootpa.



Infrastructure and Asset Management

Maintenance of shelters, cemeteries, footpaths on local streets, shared use paths, and sealed, sheeted and formed roads.



Tourism and Events

Kapunda Visitor Information Centre (accredited), visitor experience, event promotion, and website lightcountry.com.au



Planning and Development

Provision of planning and building related services, ensuring compliance with development legislation.



Compliance and Parking

Dog and cat management, nuisance, and litter control, permits for fires and burn offs, parking enforcement.



Emergency Planning

Provide advice to residents on fire risk management, local and zone emergency management plans.



Streetscaping

Planning, planting and maintenance of verges and streetscapes. Street tree planting, maintenance and weed control. Emptying of public bins.



Waste Management and Recycling

Domestic kerbside collection, hard rubbish, e-waste, green waste, litter control, illegal dumping.



Stormwater Management

Stormwater drainage within the townships is monitored and maintained to prevent flooding.



Sustainability and Biodiversity

Maintaining and creating natural spaces that sustain local biodiversity.



2025/2026 HIGHLIGHTS

- Long term financial sustainability - key sustainability measures and reasonable rate increase.
- Identification and prioritisation of major future projects to improve the quality of life of all residents.
- 4-year capital works program aligned to the recommendations from the revised IAMP, including renewal funding of \$7.4 million consistent with the strategic plan goal.
- Progressive implementation of GHG reductions following the GHG audit in 2023/2024.
- Balanced operating budget with a small surplus forecast.

MEASURING PERFORMANCE

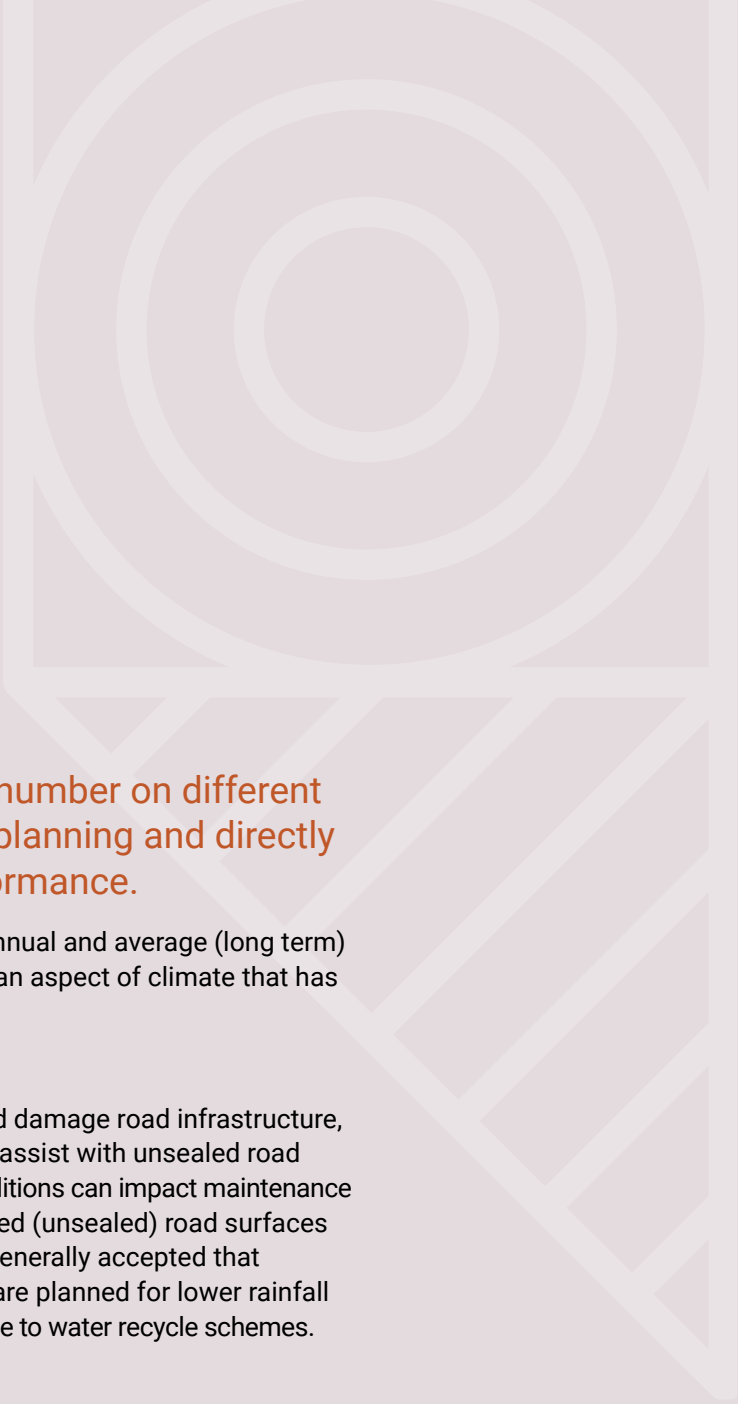
Success is measured by the achievement of key financial and strategic objectives and performance indicators aligned to the 2024-2028 Strategic Plan, Long-Term Financial Plan, Infrastructure and Asset Management Plan (IAMP) and supporting corporate documentation.

When evaluating activities undertaken during any given financial year, several factors are considered, one being the future financial sustainability (refer CEO Financial Sustainability Statement in the Long term financial plan (LTFP) document). These measures are all 'long-term' so the trend over time is as important as the result or target for any individual financial year. Refer section 'Long Term ratios'. The LTFP demonstrates Council's financial sustainability and was prepared considering:

- The revenue and expenditure results for the past five years;
- Intergenerational equity to ensure future generations of ratepayers do not face overwhelming debt provided to the current generation;
- Expenditure programs, both operating and capital aligned to Strategic Plans; and
- Rate revenue increases that are responsible and reflect the community's ability to pay.

Several service reviews were completed during 2024/2025, and further review of programs will be undertaken in 2025/26.





CLIMATE

Climate and weather have a number of different influences on LRC business planning and directly impacts organisational performance.

The following chart presents monthly, annual and average (long term) rainfall statistics in the region, as being an aspect of climate that has the most influence. Influences include:

1 Operations and asset management

high rainfall can disrupt operations and damage road infrastructure, although reasonable rainfall can also assist with unsealed road maintenance. Conversely, very dry conditions can impact maintenance grading activities, the quality of sheeted (unsealed) road surfaces and life of sheeted road assets. It is generally accepted that infrastructure construction activities are planned for lower rainfall months. Higher rainfall is an advantage to water recycle schemes.

2 Economy

rainfall is a fundamental input to the local economy heavily dependent on agriculture, not only directly but also indirectly to the businesses and services that support agriculture.

3 Bushfire risk

high rainfall results in higher-than-normal vegetation growth, which when dry later increases bushfire risk.

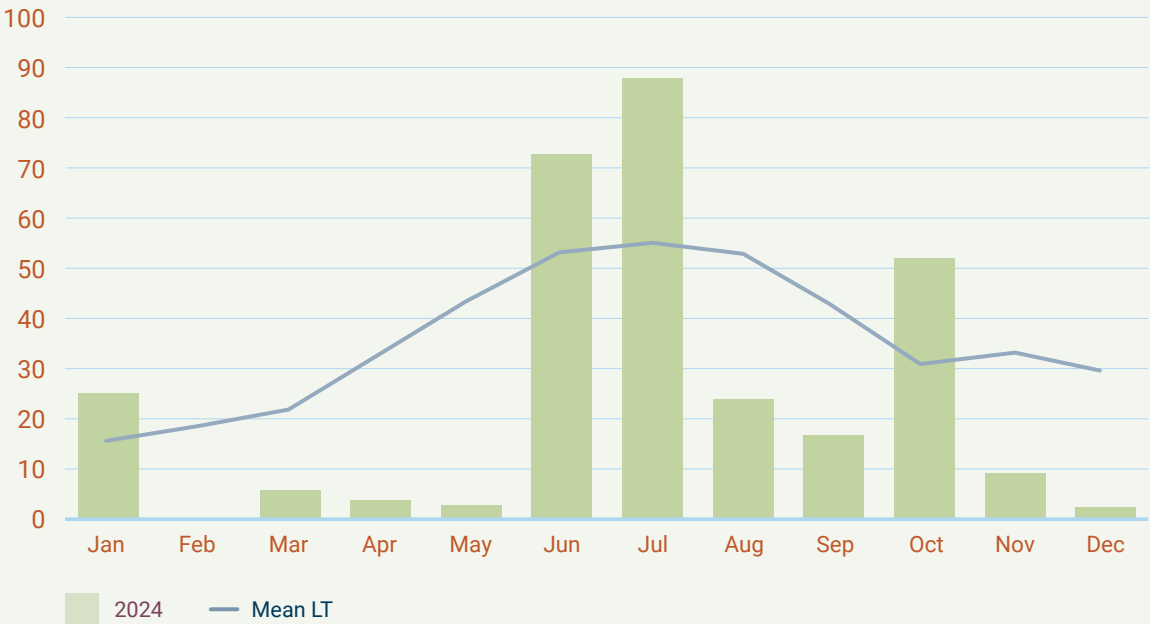
Business planning assumes average rainfall and seasonal patterns, but the workforce needs to be adaptive to high seasonal variability.

Analysis

2024 was another ‘well below average rainfall year’, with annual rainfall being 30% less the long-term average, even though 4 months had rainfall greater than the long-term average. This followed a below-average rainfall in 2023 (33% less than long-term average).

It was a low rainfall autumn followed by good rainfall in June and July, but August and September rainfall were well below average. In the past 7 years there have been 3 years where rainfall was significantly less than the long-term average rainfall, 1 high rainfall year and 3 years approximately equal to the long-term annual average. 2024 was the driest year overall of only 70% of the long-term average, most obvious in the period March through to May, as well as August and September.

Rainfall (Nuriootpa) 2024 v Long Term Average



Rainfall	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2024	25.2	0.0	5.8	3.8	2.8	72.6	87.8	23.8	16.8	52.0	9.2	2.4	302.2
2023	7.4	5.2	24.6	28.6	52.8	57.0	31.0	24.8	12.2	12.2	31.8	34.2	321.8
2022	22.1	5.0	25.8	10.5	98.6	64.9	31.6	74.1	70.8	108.1	124.6	20.2	656.3
2021	6.2	20.2	15.2	11.5	19.7	73.9	126.1	62.1	22.5	33.2	63.6	2.8	457.0
2020	7.8	27.0	3.5	87.5	47.3	49.9	19.2	82.1	51.3	59.0	18.3	12.2	465.1
2019	0.2	9.2	4.3	0.4	64.6	51.2	47.6	53.6	42.6	12.0	14.3	8.0	308.0
2018	14.8	6.2	8.0	27.2	43.5	37.5	38.2	70.3	25.2	21.2	39.9	15.6	347.6
2017	39.1	39.0	10.2	44.0	21.1	13.8	95.6	97.3	37.4	29.0	42.7	21.8	491.0
2016	30.0	12.3	45.6	14.5	88.2	94.2	86.6	63.7	181.1	46.9	23.5	51.4	738.0
LT Average	15.9	18.8	22.1	32.6	43.6	53.4	55.3	53.0	43.1	31.2	33.4	29.9	



STRATEGIC DIRECTION

A new plan was developed for 2024 - 2028. The plan outlines the shared aspirations of the community and Council for the future development of the area. By articulating the collective vision, the plan is a roadmap for the next four years, explaining the strategic focus areas, key projects, and essential services that Council will prioritise to actively work towards achieving these overarching goals.

The Light Regional community played an important role in shaping the plan, ensuring that it reflects the needs and expectations of the residents.

The full Strategic Plan can be found on our website www.light.sa.gov.au

Our Council

Vision

Respecting the past, partnering with our community, and sustainably creating our future.

Core Principles

Light Regional Council is guided by a focus on 'Core Principles' of Growth, Reform, Innovation and Discipline.

Mission

To be regarded as an exemplary Council that puts the people of Light first, while creating a place that is also welcoming to visitors. Through the services we deliver, we will provide the basis for a community that can grow sustainably, but always within our environmental and financial means.

Values

As a Council we will be guided at all times by:

- Foundation values of respect, honesty, integrity and transparency
- Showing high performance leadership
- Having a constant awareness of the community we serve
- Our need to be viable in financial, environmental and human resources through the core principles
- Striving for quality outcomes
- A focus on achieving positive environmental, social and governance outcomes from Council's activities.

Long Term Goals



Leadership

An inclusive, accountable and collaborative Council that supports business and community.



Transport

Quality road, path, public and community transport networks that make it easy to get around.



Community

A vibrant country community, growing sustainably, with housing, services and places that support a healthy and happy life for all.



Sustainability

A thriving, healthy and resilient community working together to protect and restore our environment now and for the future.



Economy

A diverse economy sustained by its rural identity and heritage.

Focus for next 4 years

Goal	Focus
Community	• Advocacy for health care • Improving sport and community facilities • Ensuring places and activities for people of all ages, abilities, backgrounds and means • Identifying and advocating for affordable housing, infrastructure and facilities for the existing and growing population
Transport	• Improving the quality and safety of Council roads • Advocacy for improved bus and rail services, roads and speed limits • Creating pleasant and connected pedestrian and cycle routes • Exploring community transport opportunities
Sustainability	• Protecting and resorting natural areas and creating sustainable landscapes • Encouraging community environmental sustainability • Preparedness of community and Council for extreme weather events • Striving towards environmental sustainability of operations by the progressive reduction of GHG emissions to achieve net zero
Economy	• Protecting agriculture and character areas and enhancing associated industries, including manufacturing • Encouraging value add enterprises and economic diversification • Investing in initiatives designed to attract investments that also benefit our community • Creating vibrant mainstreets and infrastructure to support local businesses • Improving tourism information and wayfinding to extend visitation
Leadership	• Enhancing community engagement for all ages and backgrounds • Improving the customer experience and enhancing the customer satisfaction • Transparency of Council decisions • Leading collaboration to share resources and strengthen advocacy



Projects identified in the Strategic Plan

		LONG TERM GOALS				
Project		Community	Transport	Sustainability	Economy	Leadership
Sport and recreation precinct master plans	Develop master plans for the major township sporting and recreation precincts to address gaps in off-field amenity provisions and ensure facilities are fit for purpose based on their hierarchy/classification and our growing communities.					
Walking and cycling network program	Walking and cycling network mapping and targeted improvements to support health and wellbeing, access to community and tourist destinations, encourage low emission transport and activating disused rail corridors where appropriate.					
Township improvement program	Collaboration with each township to identify targeted upgrades to main streets, transport corridors and community facilities that consider accessibility, community inclusion, greening and visitor attraction.					
Roseworthy recreation and community facilities	Explore and prepare a collaborative plan for new community and recreation facilities to service the Roseworthy area to meet growing community need.					
Net zero	Reduce Council's GHG emissions to achieve net zero by 2050 and help the community to achieve similar emission reductions.					
Customer success	Develop a strategy that establishes a customer-centric culture and enhances the customer experience and engagement, with a focus on continual improvement to optimise performance and elevate service delivery across all functions.					
Drovers Encounter	Partner with Investors and Operators to implement the Drovers Encounter - a multi-dimensional authentic Australian tourism experience in Kapunda centred around culinary, cultural and entertainment experiences to enhance the local economy and jobs.					
Regional collaboration and advocacy	Establish collaborative governance relationships and agendas in the region to strengthen advocacy and investment and share resources for improved regional outcomes in planning, healthcare, public and community transport, roads, recreation and wellbeing.					
Council road review program	Program of mapping, reclassification and prioritised upgrades to improve the quality and safety of Council's roads.					
Strategic land	Secure land that could be developed for affordable housing, community facilities, operational efficiencies or economic stimulus opportunities.					

SIGNIFICANT INFLUENCES

The following budget parameters and assumptions were applied for the purpose of preparing the 2025/2026 ABP and Budget.

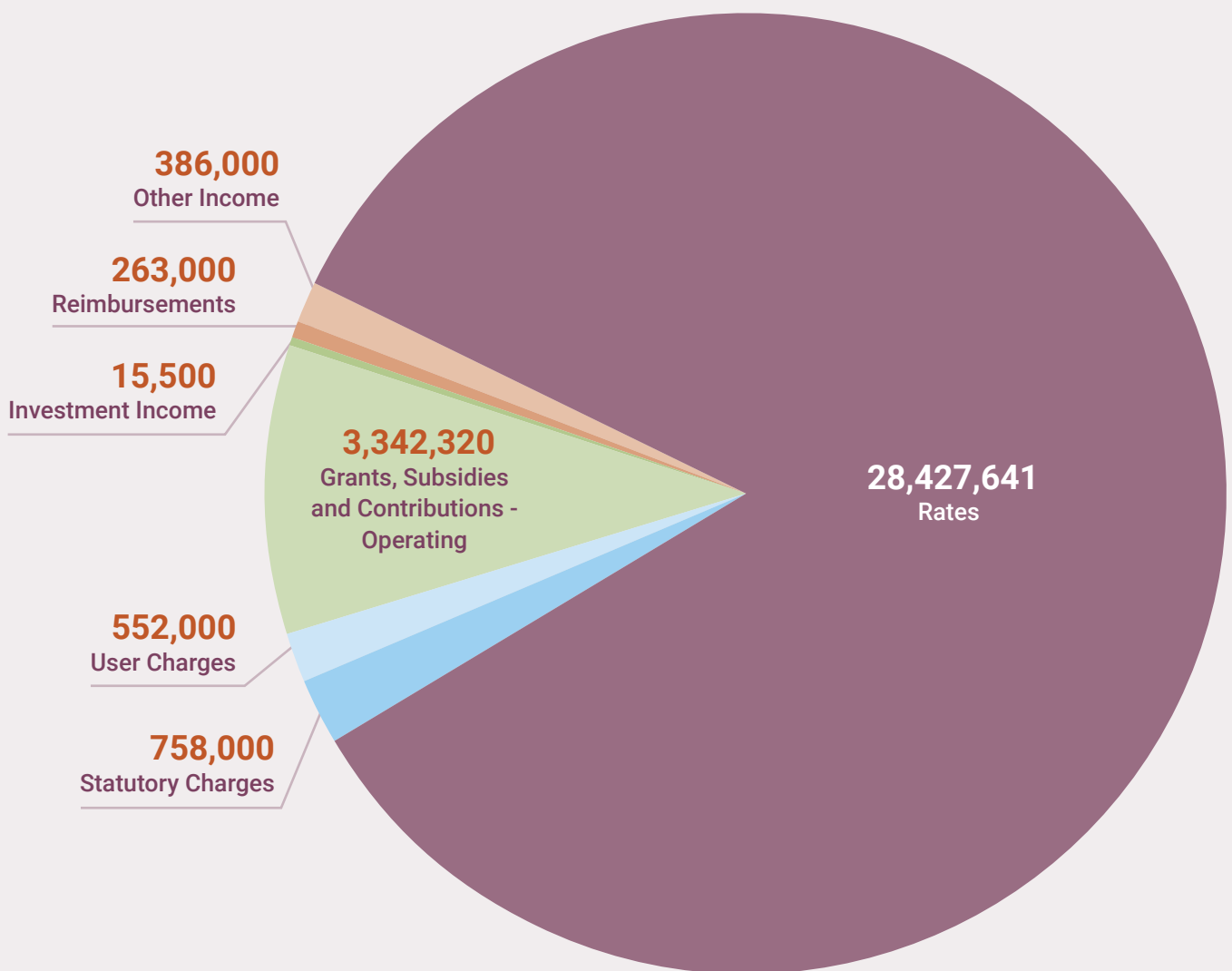
- The Operating Budget be developed with reference to and within the framework of the adopted 2025-2035 updated Long Term Financial Plan (LTFP); Infrastructure Asset Management Plan (IAMP); and the 4-year budget.
- Operating surplus **0-5%** of revenue (sustainability ratio).
- Material, Contracts and Other Expenses indexation be set at 3% in the absence of any other reliable way of estimating this expenditure group, excluding specific cost items where known cost will exceed this stretch target, e.g. energy (diesel fuel, electricity, insurance, specific contracts).
- Wages and Salaries increase by **4%** in 2025/2026 (as per Enterprise Agreements) and then aligned with Reserve Bank wage price forecast for future years.
- Fees and charges not otherwise set by legislation be increased by **3%** at a minimum.
- New Capital Projects consistent with the IAMP and approved within the constraints of the LTFP.
- New services, increases in service levels and one-off projects to be funded through rate revenue increases or by expenditure savings.
- Infrastructure Asset Management Plan (IAMP) forecasts indexed for inflation after 2025 using the local government price index, have been included in the long-term financial plan.
- Participation in regionally significant projects and investigate shared resource opportunities where practicable.
- Annual Business Plan (ABP) objectives for 2025/2026 are aligned with the goals and objectives in Council's Strategic Management Plan 2024-2028.
- Roseworthy Water Scheme - the Bunyip 2 water scheme based on its forecast long term positive net present value.
- Northern and Yorke Landscape Board advised the landscape levy arrangements for the 2025/2026 year will increase by **4.6%**.

ANNUAL BUDGET FOR OPERATIONAL SERVICES

Where Council's Revenue Comes From

Operations and programs are funded by revenue from sources such as general rates, fees and charges levied on services (Statutory Charges and User Charges), grants from State and Commonwealth Governments, interest income from investing excess cash in short-term investments, reimbursements, and other sundry revenue sources. The source of Council's estimated \$33.744m revenue, for the 2025/2026 Financial Year, is described below.

Operating Income by Source \$



Rates

Rates are the main source of funding for the activities undertaken. A projected total of \$27.4m (\$24.6m in 2024/2025 - **excluding** landscape levy collected on behalf of State Government) will be levied in 2025/2026 Financial Year, to fund essential services (non-discretionary) such as waste collection, management of basic infrastructure, public health and safety, as well as discretionary services such as libraries, community programs, and events. Rates revenue includes a separate rate income from the Roseworthy Water Scheme for the 2025/2026 financial year (part of the year from commencement of scheme operations).

Statutory Charges

Statutory charges are fees and fines levied in accordance with legislation including development application fees, animal registrations, Health Act registrations, and parking fines. It is estimated that statutory charges of \$0.758m will be collected in 2025/2026 (\$0.737 in 2024/25).

User Charges

User charges relate to the recovery of service delivery costs through the charging of fees to users of services. These include charges for the use of Council facilities, library printing and photocopy charges, 'section 7' property searches etc. User charges income is estimated at \$0.552m in 2025/2026, an expected increase over 2024/2025 budgeted user charges of \$0.537m.

Grants, subsidies, and contributions

Grants, subsidies, and contributions income includes monies received from State and Commonwealth Government sources that fund the delivery of services to ratepayers. Grants income for the 2025/2026 financial year has been budgeted based on both confirmed and estimated funding levels. The budget includes \$0.678m of Roads to Recovery funding (\$0.587m 2024/2025) and \$2.234m of South Australian Local Government Grants Commission general and roads funding. Developer contributions of approximately \$0.143m are expected towards the 'Bunyip 2' water scheme project.

The Government of South Australia allocates funds annually to support public libraries in South Australia, complementing the funding allocation by individual councils to public libraries. Light Regional Council anticipates \$0.108m of public libraries funding for 2025/2026 (reduced from \$0.118m in 2024/25).

Investment Income

Investment income primarily earned in the form of interest from the investment of cash surpluses throughout the financial year. The repayment of loans given to community organisations is also reflected as income. Investment income for 2025/2026 is forecast at \$0.016m.

Reimbursements

During 2025/2026 Council anticipates it will seek reimbursement of \$0.263m compared to \$0.256m in 2024/2025 from through the provision of various services, such as private works.

Other Income

Other income relates to a range of unclassified items that do not fit within the main revenue categories. It is estimated that other income will be \$0.386m in 2025/2026 financial year compared to \$0.375m budgeted in 2024/2025.

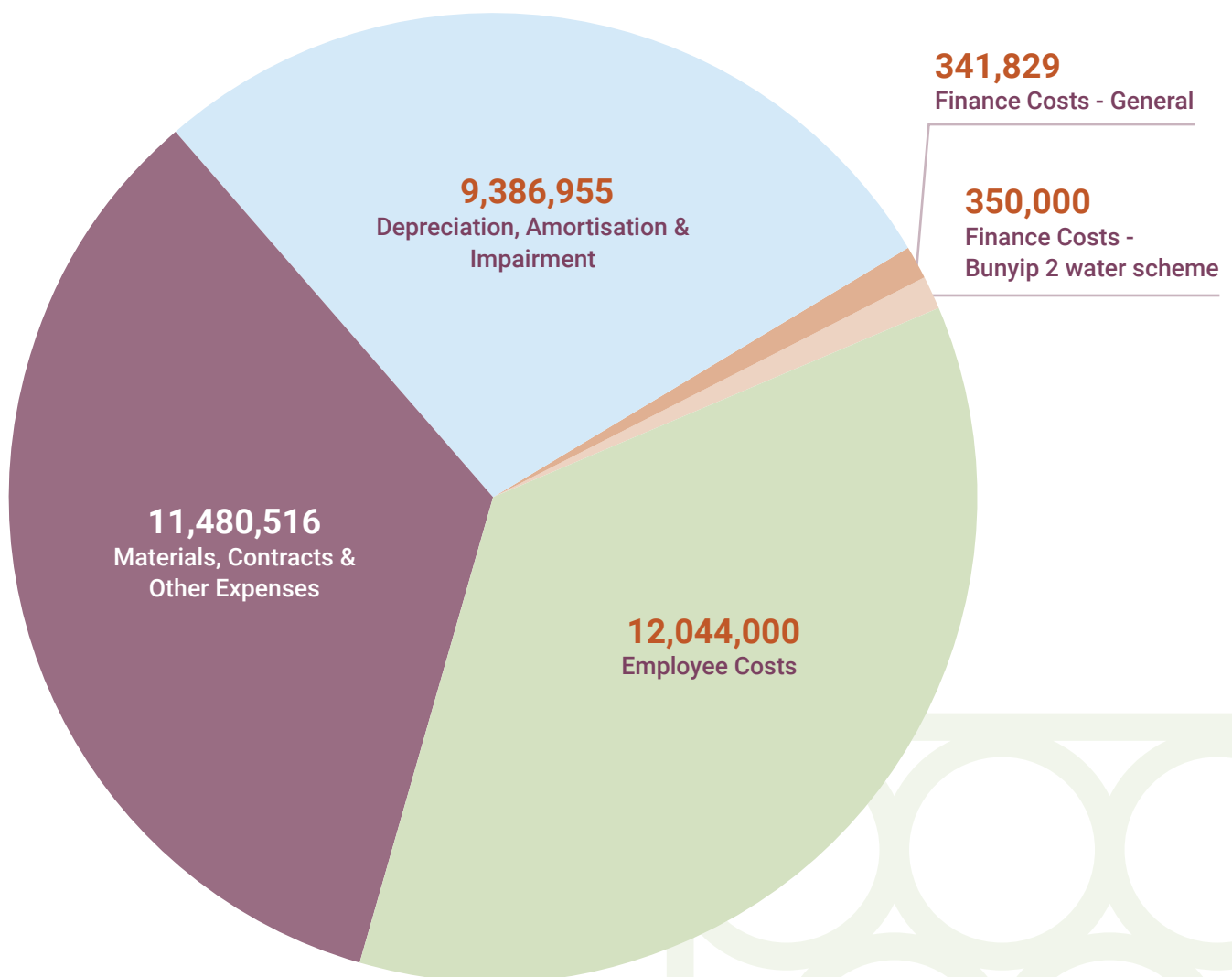


How Each Dollar of Revenue is Spent

A substantial amount of operating expenditure is related to delivering ongoing services such as libraries, and the maintenance of roads, parks, playgrounds, reserves, cemeteries, and economic development and township planning activities. In addition to the usual expected services, specific one-off programs and projects are undertaken (Operating Projects) to meet its strategic objectives.

The following chart illustrates estimated 2025/2026 financial year operating expenditure of \$33.6m by the main expenditure categories

Operating Expenses by Type \$





Employee Expenses

Employee expenses include all labour related expenditure such as salaries, wages, allowances and on-costs (including Annual Leave, Long Service Leave, Superannuation, Workers Compensation Insurance etc.).

For the 2025/2026 financial year, costs are forecast at \$12.044 million compared with a budgeted amount of \$10.564 million in 2024/2025. The increase includes:

- An increase in the second year of the Enterprise Agreements of 4%
- An increase in statutory superannuation contributions of 0.5%
- Gradual progression through classification levels
- Resourcing levels that enable business obligations to be met, provide necessary community services, meet legislative requirements, and deliver significant infrastructure programs
- Estimated employee costs 'capitalised' to infrastructure construction projects and recovered from maintenance activities.

Another measure, widely used in other governments, accurately calculates the staff turnover 'gap', and is known as 'paid FTE'. 'Paid FTE' is calculated by dividing the total amount of work hours paid (inclusive of any overtime) by the number of working hours in a year.

The 2025/2026 budget has been prepared based on 'paid' FTE acknowledging that staff turnover is expected to continue for the foreseeable future and the need to continue to deliver services with 'less'. 'Paid FTE' will be monitored carefully during the year to determine whether an additional staffing strategy is necessary. Refer performance measure table in the long-term financial plan document.

Materials, Contracts and Other Expenses

Materials include items such as electricity, water, fuel, civil construction materials, printing, and other miscellaneous costs.

Contracts relate to the provision of services by external providers and include items such as waste collection, security, leases and some infrastructure repairs and maintenance.

Other Expenses relate to a range of items including contributions to community groups, advertising, insurances, motor vehicle registrations, payment of the Landscape Levy and other miscellaneous expenditure.

It is estimated that \$11.480 million will be required for materials, contracts, and other expenses during the 2025/2026 financial year, compared to a budget of \$10.585 million in 2024/2025.

Depreciation, Amortisation, and Impairment

Depreciation is an accounting charge that measures consumption of property, plant and equipment (including infrastructure assets such as roads and stormwater drainage) over the estimated effective useful life of the assets. Another measure of infrastructure sustainability is a comparison of the long-term average infrastructure renewal expenditure with the long-term average depreciation. The long-term financial plan includes estimates of depreciation for infrastructure assets 'handed over' by land developers. A review of asset condition and lives is being progressively undertaken which may have an impact on depreciation with the next phase being buildings and related infrastructure.

During 2024/2025 a condition assessment and revaluation of all land and building assets was completed.

2025/2026 depreciation includes \$0.161m for Roseworthy and Kidman Rise assets handed over by developers. The accumulated depreciation for 'handover' assets is estimated at \$4.69 million by the end of the 10 year long term financial plan.

The forecast amount of depreciation for 2025/2026 is \$9.387 million compared with \$8.704 million originally budgeted for 2024/2025, an increase of \$0.699 million or 8%.

Finance Costs

Finance costs mainly relate to interest charged by the Local Government Finance Authority on funds that have been borrowed. Interest costs have been estimated based on the current loan portfolio as of May 2025 plus interest on new loans in 2025/2026.

Interest costs for 2025/2026 are forecast at \$0.692 million (\$0.549 million in 2024/2025) and reflects interest rates for variable loans and Cash Advance Debenture (CAD) borrowings during the 2025/2026 financial year. The key assumption is that there will be two (2) reductions in interest rates of 0.25% during the 2025/2026 financial year. Interest cost forecasts include an estimate of offsets when surplus cash is used to reduce the amount of drawn CAD.

This annual business plan proposes a \$8.5 million loan in 2025/26, which will be used to offset drawdowns from cash advance debentures which will be extinguished. The remaining loan funds will be used to fund an expansion of the capital expenditure budget for major new projects.





Budgeted Statement of Comprehensive Income

The Statement of Comprehensive Income, which incorporates all operating income and expenses is provided below. A surplus operating result is forecast for the 2025/2026 financial year (surplus of \$0.141m).

The 'Bunyip 2' (Roseworthy Water Scheme) project involves commercial information of a confidential nature and was approved by Council 'in confidence' under the Local Government Act, 1999 in April 2022. The details of this project will be released in due course. Council approved the Bunyip 2 water scheme to proceed subject to the receipt of State Government grants and the approval of loan funds, based on its long-term positive net present value forecast.

The budgeted operating result for 2025/2026 varies unfavourably by \$0.880m against the projected surplus (inclusive of Bunyip 2 PPP project) of \$1.021m as stated in the 2024-2035 Long Term Financial Plan adopted by Council in July 2024.

Measured against the projections for 2024/2025, adopted by Council in the 2024-2035 LTFP, the key variances include:

Revenue

- Additional rate revenue of \$0.793 million mainly related to property growth (new allotments and building construction). 2024/2025 LTFP assumed a higher nominal general increase for 2025/2026 than included in this plan.
- Grants and subsidies - \$0.227 million more than the LTFP target

Expenditure

- Employee costs - \$1.163 million more than the LTFP target
- Depreciation - \$0.446 million more than the LTFP target
- Finance charges - \$0.128 million more than the LTFP target

Statement of Comprehensive Income

				A	B	C = A - B
	2023 Actual	2024 Actual	2025 Adopted Budget	2026 Proposed Budget	2026 LTFP	Variance from LTFP
Operating Income						
Rates	22,489,000	23,178,000	25,638,338	28,427,641	27,633,716	793,925
Statutory Charges	716,000	688,000	737,000	758,000	758,000	0
User Charges	581,000	431,000	537,000	552,000	553,000	(1,000)
Grants, Subsidies and Contributions - Operating	4,538,000	6,206,000	2,849,000	3,342,320	3,115,000	227,320
Investment Income	33,000	18,000	31,000	15,500	23,000	(7,500)
Reimbursements	1,021,000	256,000	256,000	263,000	263,000	0
Other Income	306,000	193,000	375,000	386,000	386,000	0
Total Income	29,684,000	30,970,000	30,423,338	33,744,461	32,731,716	1,012,745
Operating Expenses						
Employee Costs	9,780,000	10,029,000	10,564,340	12,044,000	10,881,000	1,163,000
Materials, Contracts & Other Services	11,912,000	10,649,000	10,585,136	11,480,516	11,325,100	155,416
Depreciation, Amortisation & Impairment	6,835,000	8,544,000	8,704,231	9,386,955	8,941,000	445,955
Finance Costs - general	387,000	365,000	204,900	341,829	307,800	34,029
Finance Costs - Bunyip 2 water scheme		257,000	344,000	350,000	256,000	94,000
Net loss - Equity Accounted Council Businesses	10,000	66,000	-	-	-	-
Total Expenses	28,924,000	29,910,000	30,402,607	33,603,300	31,710,900	1,892,400
Operating Surplus / (Deficit)	760,000	1,060,000	20,731	141,161	1,020,816	(879,655)
Asset Disposal & Fair Value Adjustments	(1,327,000)	(2,476,000)	(2,000,000)	(2,000,000)	(2,000,000)	0
Amounts Received Specifically for New or Upgraded Assets	1,582,000	6,194,000	3,888,000	2,726,000	4,634,000	(1,908,000)
Physical Resources Received Free of Charge	1,791,000	5,605,000	2,170,347	6,617,000	3,488,744	3,128,256
Net Surplus / (Deficit)	2,806,000	10,383,000	4,079,078	7,484,161	7,143,560	340,601
Other Comprehensive Income						
Changes in Asset Revaluation Surplus	-	22,028,000				
Equity Accounted Council Businesses	40,000	2,259,000				
Impairment (Expense) / Recoupments Offset to Asset Reval.	531,000	1,744,000				
Total Other Comprehensive Income	571,000	26,031,000	-	-	-	-
Total Comprehensive Income	3,377,000	36,414,000	4,079,078	7,484,161	7,143,560	340,601

FOUR YEAR BUDGET

In addition to the LTFP, the 2025/2026 ABP details key projects, new initiatives, capital works and operational programs for the first four years of the LTFP, referred to as the Four-Year Budget (4YB).

The purpose of including the 4YB in addition to the LTFP and detailed financial and non-financial information for the 2025/2026 financial year is to:

- Communicate the medium-term strategies and outcomes for the next four (4) years aligned to the strategic plan
- Implement a systematic approach towards organisational planning and reviewing, prioritising, and monitoring strategies, projects and initiatives
- Support Council's budget deliberations by providing additional decision-making assistance
- Facilitate alignment to Council's suite of corporate documents, the Strategic Plan 2024-2028, LTFP 2024-2034 and IAMP.

In the 4YB Income Statement, a surplus operating position is forecast for 2025/2026 and for the duration of the 4 years. The first year of the 4YB includes several new initiatives and projects as outlined in the 4-Year Operating Projects Budget. Year 2 of the 4YB takes up the full year cost of new 2025/2026 initiatives and any incomplete 2024/2025 initiatives.

Additional analysis is provided to indicate an adjusted surplus excluding the 'Bunyip 2' water scheme transactions. To illustrate, in 2025/2026 the Statement of Comprehensive Income includes net costs of \$0.683 million (being interest, water costs, less developer contributions to the scheme). The better 'underlying' surplus excluding these net costs is shown as 'excluding Bunyip'.



Statement of Comprehensive Income for the Years ending 30 June 2029

	Budget 2024/25 \$	Projected Years 2025/26 \$	2026/27 \$	2027/28 \$	2028/29 \$
Income					
Rates	25,638,338	28,427,641	30,217,700	32,316,000	34,480,300
Statutory Charges	737,000	758,000	777,000	796,000	816,000
User Charges	537,000	552,000	566,000	580,000	594,000
Grants, Subsidies and Contributions - Operating	2,849,000	3,342,320	3,546,267	3,657,649	3,728,649
Investment Income	31,000	15,500	7,750	1,000	2,000
Reimbursements	256,000	263,000	270,000	277,000	284,000
Other Income	375,000	386,000	396,000	406,000	416,000
Net gain - equity accounted Council businesses	-	-	-	-	-
Total Income	30,423,338	33,744,461	35,780,717	38,033,649	40,320,949
Expenses					
Employee Costs	10,564,340	12,044,000	12,653,000	12,859,000	13,245,000
Materials, Contracts & Other Expenses	10,585,136	11,480,516	11,804,650	12,492,950	13,074,250
Depreciation, Amortisation & Impairment	8,704,231	9,386,955	10,094,380	10,933,180	11,780,530
Finance Costs - General	204,900	341,829	682,805	542,802	525,289
Finance Costs - Bunyip 2 water scheme	344,000	350,000	360,000	370,000	400,000
Finance Costs - Future projects roadmap	-	-	-	181,699	277,107
Net loss - Equity Accounted Council Businesses	-	-	-	-	-
Total Expenses	30,402,607	33,603,300	35,594,835	37,379,631	39,302,176
Operating Surplus / (Deficit)	20,731	141,161	185,882	654,018	1,018,773
Net Impact of Bunyip 2 (contribs, opex & interest)	201,000	(693,000)	(683,000)	(673,000)	(643,000)
Operating Surplus / (Deficit) excluding Bunyip 2	221,731	(551,839)	(497,118)	(18,982)	375,773
Asset Disposal & Fair Value Adjustments	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(1,500,000)
Amounts Received Specifically for New or Upgraded Assets	3,888,000	2,726,000	3,593,000	2,240,000	2,760,000
Physical Resources Received Free of Charge (developments)	2,170,347	6,617,000	10,840,000	15,816,000	17,873,000
Net Surplus / (Deficit)	4,079,078	7,484,161	12,618,882	16,710,018	20,151,773



Programs

The Four-Year Statement of Comprehensive Income shown on the previous page incorporates various existing and new initiatives.

Projects/concepts	Budget 2024/25 \$	Year 1 2025/26 \$	Year 2 2026/27 \$	Year 3 2027/28 \$	Year 4 2028/29 \$
Operating Initiatives (OI) - project expenditure					
LRC growth strategy, rezoning (not capex)	-	-	-	150,000	150,000
Kapunda Railway Goods Shed Precinct Revitalisation - design	-	-	-	-	30,000
Greenock Village Marsh Walk upgrade (sculpture trail) (not capex)	-	-	-	40,000	40,000
Greening Plan publishing	-	5,000	-	-	-
Greenock Creek exotic vegetation removal	-	50,000	-	-	-
Roadside weed management - selective species	-	30,000	-	-	-
Sustainability strategy	64,000	64,000	64,000	64,000	64,000
Reconciliation strategy	27,000	-	-	-	-
Strategic Plan	10,000	-	-	-	14,000
Review of Character Preservation	20,000	-	-	-	-
Regional Public Health Plan Coordinator Contribution	13,250	-	26,250	26,250	26,250
Contract management system licence fees	-	60,000	60,000	60,000	60,000
Other projects to be prioritised by Council	100,000	-	-	-	-
Total 'Operating' business cases/concepts	234,250	209,000	150,250	340,250	384,250

Growth strategy

General provision for specialist expertise (consulting and legal expenses) associated with responding to the growth strategy.

Sustainability Strategy

The Sustainability Strategy follows LRC's Environmental Sustainability Strategy and Action Plan. Actions that are undertaken include kerbside waste investigations, another audit review of Council's operational greenhouse gas emissions, increase of renewable energy generation and to prepare and commence delivery of a sustainability communication and engagement plan.

Following the audit of Council's operational greenhouse gas emissions a draft GHG reduction strategy and targets were included in the LTFP in 2024/25 to track the path to 'Net Zero'. The LTFP includes targets for a combination of direct offsets (purchase Australian-compliant GHG offset certificates) and indirect offsets (e.g. Green energy), as well as GHG reduction targets, e.g. greening projects. The 2025/2026 ABP incorporates green energy projects, \$55,200 for GHG offset certificates for waste-water GHG (offset by a service charge increase in 2024/2025 and 2025/2026 - additional 3.1% increase above CWMS expenses), and has a general allocation for projects that may include other 'greening' initiatives. Note that the Council and management is adamant that offset certificates, (funded from the CWMS reserve) will only be purchased if the certificates come from reputable and proven Australian sources.

Reconciliation Strategy

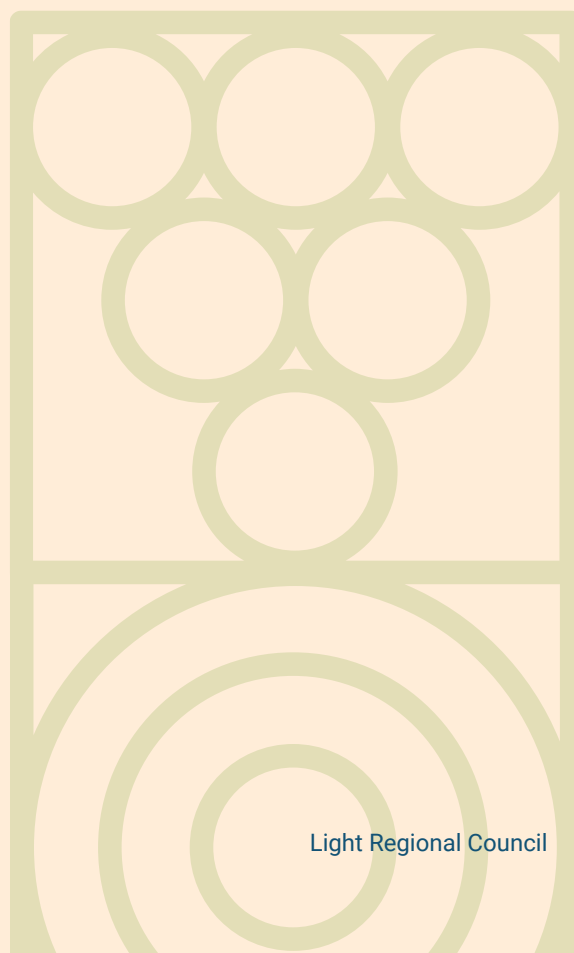
Various actions to be undertaken as outlined by its first Reconciliation Action Plan. This includes partnering with Kaurna and Ngadjuri peoples to incorporate Indigenous biocultural and water knowledge into Council's biodiversity management planning and supporting NAIDOC initiatives.

Strategic Plan

The Council must undertake a comprehensive review of its strategic plan within 2 years after each general election of the Council (Local Government Act, 1999 - section 122 (4)). The council has reviewed its strategic direction 'from the ground up' and developed a new plan with external assistance to facilitate engagement, research and development of the strategic plan and contribute broader inputs to this process. The ABP is aligned to the new strategic plan. The next strategic plan review is due in 2028/29.

Other projects

Subject to community consultation feedback and project prioritisation.



CAPITAL PROJECTS PROGRAM

Council is responsible for a large portfolio of assets with depreciation expense of **\$9.387 million** projected for the 2025/2026 financial year. It is therefore critical for the long-term sustainability of assets for practises that optimise assets useful lives for the benefit of the community.

Projects/concepts	Year 1 2025/26 \$	Year 2 2026/27 \$	Year 3 2027/28 \$	Year 4 2028/29 \$
Capital expenditure (including Leases, excluding Capital Works)				
RTE office accommodation feasibility/ finance lease	100,000	100,000	-	-
Information Technology Computer Hardware Refresh/ other leases	230,000	236,000	242,000	248,000
Other capital projects				
Future 'Roadmap' projects	170,000	370,000	3,370,000	4,570,000
Total Capital projects (excluding Capital Works)	500,000	706,000	3,612,000	4,818,000
Funding for FPR capex projects	(60,000)	(260,000)	(1,760,000)	(2,760,000)
Net FPR cost	440,000	446,000	1,852,000	2,058,000
Operating initiatives (OI) - project expenditure				
Projects selected (refer table)	209,000	150,250	340,250	384,250
Operating initiatives - funding	-	-	-	-
Net Operating initiative cost	209,000	150,250	340,250	384,250
Capital Works Program				
Community Infrastructure Grants Program	100,000	100,000	100,000	100,000
Capital Assets - new/upgrade (grant funded)	6,330,000	5,280,000	1,260,000	620,000
Capital Assets - new/upgrade (grants)	(2,666,000)	(3,333,000)	(480,000)	0
Capital Asset Renewal Program	7,347,000	7,412,100	7,591,417	8,352,491
Capital Asset Upgrade/Expansion Program - CWMS	-	1,500,000	3,000,000	1,000,000
Capital Asset Renewal Program - CWMS	516,000	531,000	544,000	558,000
Vehicle/Plant Replacement & Renewal Program	854,000	875,000	896,000	918,000
Net Capital Works Project Costs	12,481,000	12,365,100	12,911,417	11,548,491



New upgraded assets

Capital Works Program - Roads and related infrastructure Excludes projects in conjunction with DIT road infrastructure (also refer next table for related funding)	Year 1 2025/26 \$	Year 2 2026/27 \$	Year 3 2027/28 \$	Year 4 2028/29 \$
Unsealed to Sealed/Unsealed upgrade				
Bethel Road Stage 2 & 3 (commenced 2024/25)	2,000,000	2,000,000	-	-
Branson Road	160,000	-	-	-
Belvidere Road	-	2,000,000	-	-
Dawkins (Wilkinson to Goodger)	-	500,000	-	-
College Road (SLRP)	2,000,000	-	-	-
Ebenezer Road	1,250,000	-	-	-
Gartrell Road	-	-	480,000	-
Unsealed Roads upgrade program (URUP) - various projects	180,000	180,000	180,000	180,000
Sealed Roads Upgrade program (SRUP) kerb & gutter	290,000	450,000	450,000	290,000
Future project roadmap (FPR) lighting & footpaths	150,000	150,000	150,000	150,000
Twartz Road (resheet)	300,000	-	-	-
Total expenditure	6,330,000	5,280,000	1,260,000	620,000
New upgraded assets - external funding				
Bethel Road - special local roads (grant)	(1,333,000)	(1,333,000)	-	-
Belvidere Road	-	(2,000,000)	-	-
College Road (SLRP)	(1,333,000)	-	-	-
Gartrell Road (SLRIP)	-	-	(480,000)	-
Total grants	(2,666,000)	(3,333,000)	(480,000)	-
New/upgraded assets - LRC contribution (net of grants) - renewal component	3,664,000	1,947,000	780,000	620,000

Future Initiatives/projects roadmap (FRP)	Year 1 2025/26 \$	Year 2 2026/27 \$	Year 3 2027/28 \$	Year 4 2028/29 \$
Clare Road upgrade (DIT road asset, LRC kerb/sw/footpaths) - LRC	-	-	1,500,000	1,500,000
Clare Road upgrade (DIT road asset, LRC kerb/sw/footpaths) - DIT	-	-	1,500,000	1,500,000
Dutton Park (Kapunda) new sporting facilities - master plan/rebuild	-	-	-	200,000
Roseworthy Township Expansion oval clubroom/parking - ex Social Deed	-	-	-	1,000,000
Bicycle path from Gawler to Roseworthy	-	200,000	200,000	200,000
Enterprise System Upgrade	50,000	50,000	50,000	50,000
Other FPR initiatives - allowance for smaller projects - refer separate project list (below)	120,000	120,000	120,000	120,000
Total	170,000	370,000	3,370,000	4,570,000
Future Initiatives/projects roadmap (FRP) - grant/funding contributions/funding source				
Clare Road upgrade (DIT road asset, LRC kerb/sw/footpaths) - DIT	-	-	1,500,000	1,500,000
Roseworthy Township Expansion oval clubroom/parking - ex Social Deed - social infrastructure deed/clubrooms	-	-	-	1,000,000
Bicycle path from Gawler to Roseworthy - social infrastructure deed/clubrooms	-	200,000	200,000	200,000
Other FPR initiatives - allowance for smaller projects	60,000	60,000	60,000	60,000
Total	60,000	260,000	1,760,000	2,760,000





LOANS

New Long-term loans

The revised borrowing strategy proposes four (4) loans over the next four (4) financial years:

- 2025/2026 - \$ 8.5 million for the purpose of conversion of cash advance debentures (CAD) (estimated balances drawn in 2025/26 excluding the 'Bunyip water scheme' CAD) to fixed term, fixed interest borrowing (approximately \$8.5 million).
- 2026/2027 through to 2028/2029 it is proposed to borrow \$3.5 million, \$2.0 million and \$2.0 million for the purpose of Council's contribution towards major projects included in this plan (refer capital budget).
- 2030/31 - Finance lease with annual loan repayments of approximately \$2 million for office accommodation and library in the Roseworthy extension development.

During the 2023/2024 financial year Council secured a Cash Advance Debenture (CAD) for the 'Bunyip 2' Roseworthy Water Scheme and a strategic land purchase but is subject to commercial arrangements and have been considered by Council 'in confidence' under the *Local Government Act 1999*, with the details to be released in due course.

There were some delays in the finalisation of 'Bunyip 2' which is now expected to be completed during 2025/2026. Similar to challenges being experienced elsewhere in the Australian economy the delays were mainly related to major contractor procurement.

To support cashflow variability during the quarterly rate receipt cycle the CADs that have not been surrendered (refer 'Existing loans') that have been previously approved will also be utilised. The actual timing and the amount will be managed based on cash available from day-to-day by operations in line with Council's Treasury Management Policy.

Existing loans

The estimated balance of the unpaid loan principal as at 1 July 2025 is \$2.065 million which includes loans that support assets owned by community organisations on Council land and are repayable to Council by those organisations.

A review of the utilisation of approved CADs will be undertaken during 2025/2026 in association with a review of the Treasury Management Policy and intergenerational fairness. There are currently two (2) CADs that could be surrendered, and it is proposed that minimum annual drawdowns (approximately \$8.5 million) of other CADs be converted to a long-term fixed interest debenture including considering that interest rates may reach the bottom of their 'cycle' during 2025/2026.



Borrowing strategy

The borrowing strategy explains that there are four (4) reasons for Council borrowing from the Local Government Finance Authority (LGFA):

- 1 Credit foncier (principal and interest) debentures made available to and repaid by community organisations (mainly sporting and recreational facilities) for the improvement of their assets.
- 2 Cash advance debentures for the purpose of cash flow management, mainly to take advantage of the benefits of operational 'during-year' surplus cash flow to minimise interest costs.
- 3 Cash advance debentures for projects where it is expected that there will be a repayment of the loan during or after the successful completion of the project. This approach is being used for the Bunyip 2 'water scheme'.
- 4 Credit foncier (principal and interest) debentures for infrastructure intergenerational assets to enable the cost of the asset to be (as best possible subject to the maximum loan length available) spread over the life of the asset meaning the ratepayer beneficiaries of the asset share in its cost. The policy requires that "the council should, in making any decision, take into account the financial effects of the decision on future generations". This principle includes that the Council should consider intergenerational fairness including that there should not be volatile shifts in rating levels as a consequence of expenditure on infrastructure assets.



Capital expenditure 'funding'

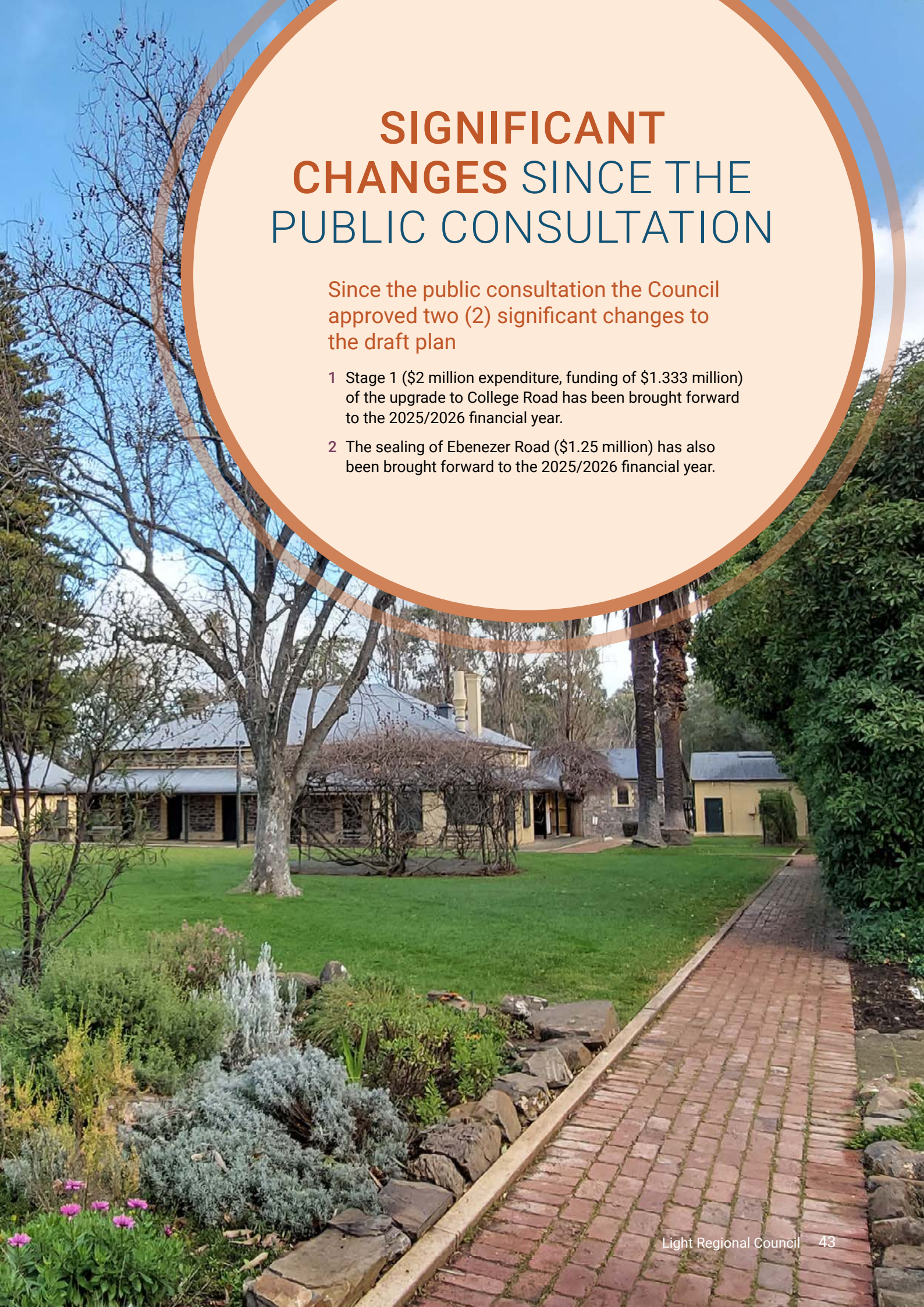
The following table reconciles forecast overall capital outlays with the sources of funds used.
A shortfall in funds is drawn from available CADs.

	2024/25 \$000	2025/26 \$000	2026/27 \$000	2027/28 \$000	2028/29 \$000	2029/30 \$000	2030/31 \$000	2031/32 \$000	2032/33 \$000	2033/34 \$000	2034/35 \$000
Outlays											
Future Initiatives/projects roadmap (FRP)	7,444	3,250	5,650	4,630	6,523	5,170	6,720	4,370	3,770	2,170	4,170
Renewal/replacement assets (Incl. asset reserve)	13,980	8,817	10,925	9,031	10,825	11,615	12,824	13,777	14,808	16,127	16,426
RTE Accommodation finance lease (principal payments)	-	-	-	-	-	-	702	800	820	841	862
Other assets incl finance leases	97	230	236	242	248	254	260	266	272	279	286
CWMS - upgrade & renewal	500	516	2,031	3,544	1,558	572	738	756	774	793	817
Reserve appropriation (transfer to) - CWMS	833	-	-	-	-	-	-	-	-	-	-
Bunyip 2 water scheme	2,000	1,000	500	500	500	-	8,000	-	-	-	-
FRP loan repayments	-	-	385	563	729	805	842	887	934	984	1,036
Other outlays (e.g RTE growth), unspent loans, investments	-	1,278	(105)	(879)	(29)	(913)	3,008	6,433	(1,513)	(2,066)	(2,245)
Total Outlays	24,854	15,091	19,622	17,631	20,354	17,503	33,094	27,289	19,865	19,128	21,352
Funded by											
Grants - specific purpose for assets	(6,444)	(1,333)	(3,333)	(480)	(1,333)	(2,778)	-	-	-	-	-
Future Initiatives/projects roadmap (FRP) - grant funding	-	(60)	(260)	(1,760)	(2,760)	-	(5,560)	(3,660)	(3,160)	(1,060)	(2,310)
Contributions (developer Bunyip 2)	(143)	(143)	(143)	(143)	(143)	(143)	(143)	(143)	(143)	(143)	(143)
Sales of assets **	-	-	-	-	-	-	(4,000)	-	-	-	-
Reserve funds - CWMS	(833)	(868)	(892)	(915)	(937)	(959)	(830)	(849)	(871)	(891)	(907)
Bunyip 2 water scheme - rates/takeout	-	(900)	(900)	(900)	(900)	(900)	(900)	(8,000)	-	-	-
Internally generated funds - depreciation/amortisation	(8,704)	(9,387)	(10,094)	(10,933)	(11,781)	(12,723)	(13,661)	(14,637)	(15,691)	(17,034)	(17,992)
Internally generated funds reduction - if any opex losses	-	-	-	-	-	-	-	-	-	-	-
Borrowing - FRP (3 loans)	-	(3,500)	(2,000)	(2,000)	-	-	-	-	-	-	-
Borrowing - CAD use (Bunyip 2)/take-out value 2030/31	(2,000)	(1,000)	(500)	(500)	(500)	-	(8,000)	-	-	-	-
Borrowing - CAD use 'other' ***	(6,730)	(1,400)	-	-	-	-	-	-	-	-	-
Total funds	(24,854)	(15,091)	(19,622)	(17,631)	(20,354)	(17,503)	(33,094)	(27,289)	(19,865)	(19,128)	(21,352)
Net outlays/funds	-	-	-	-	-	-	-	-	-	-	-

* Bunyip 2 is not LRC capex (advances/loan to Bunyip Water), but treated as such for funding purposes

** Includes strategic land sales

*** only in-year cash flow from 2025/26

The background of the slide is a photograph of a park. In the foreground, a red brick path leads from the bottom right towards the center. To the left of the path is a garden bed with various plants, including some with pink flowers and others with silvery foliage. In the middle ground, there is a large, leafless tree on the left and a tall palm tree on the right. In the background, a long, single-story building with a grey roof and stone walls is visible. The sky is blue with some light clouds.

SIGNIFICANT CHANGES SINCE THE PUBLIC CONSULTATION

Since the public consultation the Council approved two (2) significant changes to the draft plan

- 1 Stage 1 (\$2 million expenditure, funding of \$1.333 million) of the upgrade to College Road has been brought forward to the 2025/2026 financial year.
- 2 The sealing of Ebenezer Road (\$1.25 million) has also been brought forward to the 2025/2026 financial year.

APPENDIX A

RATING STRUCTURE & POLICY

In proposing its rates for the 2025/2026 Financial Year, Council considered its Rate Revenue Policy (approved in 2023), the Strategic Management Plan 2024-2028, the current economic climate, the budget requirements for the 2025/2026 financial year and the impact of rates on the community. Land use categories as provided in the Local Government (General) Regulations 1999 are used as the basis of Council's general rate calculation. Section 147 of the Local Government Act 1999 provides Council with the power to rate all land within Light Regional Council – except for land specifically exempted, such as Crown land and land occupied by Council (unless leased).

Capital value is determined by the State Valuation Office as the basis for valuing land and calculating rates, as it is felt this method provides the fairest and most efficient method of distributing the rate burden across all rate payers. If a property owner is dissatisfied with a property valuation, then an objection may be made to the Valuer-General in writing, within 60 days of receiving notice of the valuation, explaining the basis for the objection. It is important to note that Council has no role in the valuation process.

Objections

If a ratepayer believes that a particular property has been wrongly classified by Council as to its land use, then they may object (to Council) to that land use within 60 days of being notified. For further information on this matter, ratepayers may contact Council's Rates Assessment Officer.

Impact of Rates

In the 2025/2026 budget, Council proposes to collect \$22.276 million of general rate revenue in a total operating revenue budget of \$33.745 million. The final value of general rates revenue will be based on the final Valuer General's Light region valuation on or around 30 June 2025.

Income also includes separate charges for Refuse Collection and Community Wastewater Management Systems, and Council acts as a collection agent on behalf of the State Government regarding the collection of income for the Regional Landscape Boards.

The total capital valuation of the region (rateable properties) has increased by 18% (13.96% in 2025) between 1 July 2024 and 30 June 2025. This excludes new assessments. The number of rateable properties increased by 1.2%. The table on the next page expands on the information above and provides comparative assessment, valuation, and rating data by Land Use Code.

Comparative Assessment and Valuation Data

Land Use	2024-25 Financial Year		2025-26 Financial Year (as at Week 52)						
			Existing Assessments		New Assessments		Total Assessments		
	No. of Assessments	Total District Valuation \$	No. of Existing Assessments	Total Region Valuation \$	No. of New Assessments	Total New Assessments Valuation \$	No. of Assessments	Total District Valuation \$	% Increase in Valuation
Residential	5,128	2,643,353,630	5,291	3,129,923,364	49	20,313,000	5,340	3,150,236,364	19.18%
Commercial Shop	63	26,879,607	65	27,568,426	5	780,000	70	28,348,426	5.46%
Commercial Office	11	4,032,799	16	7,792,799			16	7,792,799	93.24%
Commercial Other	282	146,371,894	283	156,224,787	1	50,243	284	156,275,030	6.77%
Industrial Light	29	13,170,644	26	9,665,987	1	2,900,000	27	12,565,987	-4.59%
Industrial Other	42	159,203,374	42	159,773,227			42	159,773,227	0.36%
Primary Production	2,384	2,546,008,158	2,367	2,847,185,714	33	32,849,000	2,400	2,880,034,714	13.12%
Vacant Land	530	119,197,640	343	96,218,354	191	54,285,500	534	150,503,854	26.26%
Other	95	129,757,997	95	132,578,038			95	132,578,038	2.17%
Total Rateable	8,564	5,787,975,743	8,528	6,566,930,696	280	111,177,743	8,808	6,678,108,439	15.38%
Non-Rateable	439	85,984,717	414	94,851,821	8	373,020	442	95,224,841	10.75%
Total Assessments	9,003	5,873,944,500	8,942	6,661,782,517	288	111,550,763	9,230	6,773,333,280	15.31%

Rate in the \$ by Land Use

Land Use	2025	2026	Change Value	Change %
Residential	0.003630	0.003430	-0.000200	-5.51%
Commercial Shop	0.005240	0.005400	0.000160	3.05%
Commercial Office	0.005240	0.005400	0.000160	3.05%
Commercial Other	0.007720	0.007950	0.000230	2.98%
Industrial Light	0.009275	0.009550	0.000275	2.96%
Industrial Other	0.009275	0.009550	0.000275	2.96%
Primary Production	0.002895	0.002736	-0.000159	-5.49%
Vacant Land	0.007500	0.007500	0	0.00%
Other	0.003630	0.003430	-0.000200	-5.51%



Differential General Rates

A differential rate is applied to industrial, primary production, commercial properties and vacant land. This additional amount is based on the principle that industrial and commercial properties are a greater burden on infrastructure and achieve direct benefits from parking and health regulations, events and tourism etc. For vacant land, the differential rate discourages holding vacant property and encourages development.

Every resident benefits in some part from the general amenity of the area, whether that is at the present time or in the future. The amenity includes the local economy, general Council operations and the ability to use facilities. Council rating is a system of taxation against property prescribed by the *Local Government Act 1999*. However, Council has assessed that the level of differential rating imposed is governed in part by the ability to pay, the potential for income tax deduction and the perception of accessibility or useability of council services by the residents and consumers.

Commercial Properties

Commercial properties generally have available to them, their employees, and customers, the same services as other ratepayers. However, in most cases commercial users have a greater impact on the main services such as road maintenance and generally derive a greater benefit from the services provided.

Industrial Properties

Industrial properties generally have available to them, their employees, and customers, the same services as other ratepayers. However, in most cases industrial users have a greater impact on the main services such as road maintenance and generally derive a greater benefit from the services provided, particularly where, for example, large amounts of raw or unrefined product are delivered to site for processing, utilising Council's infrastructure.

Primary Production Properties

Primary Production properties tend to be more remote from some of the services provided by Council. In terms of infrastructure adjacent to their properties they may not have sealed or formed roads, footpaths, or street lighting. However, they do have capacity to enjoy the formed roads, footpaths or street lighting and enjoy the same level of amenity as other residents of the Council area.

Minimum Rate

A council may impose a minimum amount payable by way of rates if it has not imposed a fixed charge. 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. Where a council imposes a minimum rate, it must not apply to more than 35% of properties in the council area.

In 2025/2026 Council proposes to levy a minimum rate of \$995 (\$965 in 2024/2025) which will affect 456 or 5.2% of the 8,726 rateable properties. It is appropriate that all rateable properties make a base level contribution to the cost of administering Council's activities and to the cost of creating and maintaining the physical infrastructure that supports each property. The minimum rate will apply to residential assessments valued at less than **\$290,000**. The average residential property value has increased to approximately **\$590,000**.

Regional Landscape Board Levies

(formally the Natural Resource Management Board (NRM))

The whole of the Council area is located within the boundaries of the Northern and Yorke Landscape Board. Contributions are sought in 2025/2026 totalling \$0.584 million.

Council is operating as a revenue collector for the Regional Landscape Board in this regard. It does not retain this revenue or determine how revenue is spent.

Service Charges

Council provides a Community Wastewater Management System to residential and commercial properties in Kapunda, Freeling, Greenock, and Roseworthy. The estimated full cost of service for the 2025/2026 financial year is \$1.926 million. Council recovers this cost through various means including the imposition of a service charge of \$650 per unit (\$630 in 2024/2025) for all properties where the service is available. Where the service is provided to land (an assessment) to which a rate rebate applies, a CWMS service charge is levied against the land. The increase is inclusive of a GHG offset.

The provision of CWMS is a regulated service and the Essential Services Commission of SA has issued a price determination and guidelines for councils to follow regarding the pricing of CWMS. The guidelines and price determination result from work done at the Commonwealth Government level, and adopted by State and Territory Governments, to ensure that the full cost of providing water and sewerage services is recovered from users. This approach ensures the sustainability of service provision over time. The proposed increases are reviewed annually and are adjusted in accordance with the costs of the scheme at that time.

A refuse collection service inclusive of recycling collections is provided within the townships of Kapunda, Freeling, Hewett, Greenock, Roseworthy, and Wasleys. The service is also provided to those ratepayers in Council's area that can access the service along the designated collection routes. The full cost of service for 2025/2026 is budgeted to be \$2.299m. It is proposed to recover this cost through a service charge of \$390 (\$380 in 2024/2025) for each property within the designated 3 bin service area (i.e., collection of domestic, recyclable and green organic refuse); and through a service charge of \$260 (\$255 in 2024/2025) for each property within the designated 2 bin service area (i.e. collection of domestic and recyclable refuse only). Where the service is provided to land (an assessment) to which a rate rebate applies, a refuse collection service charge is levied against the land.

Payment of Rates

Under Section 181 of the Local Government Act 1999, Council must provide the opportunity for all ratepayers to pay rates by quarterly instalments. Council payment dates for the 2025/2026 Financial Year will be 5th September 2025, 5th December 2025, 6th March 2026 and 5th June 2026.

Late Payment of Rates

The *Local Government Act 1999* provides that councils impose an initial penalty of 2% on any payment for rates, whether by instalment or otherwise, that is received late. A payment that continues to be late is then charged an interest rate, set each year according to a formula in the Act, for each month it continues to be late. Late payment penalties are applied in accordance with the *Local Government Act 1999*.

Appropriate delegations are made by Council to the Chief Executive Officer and other staff to undertake collection action on behalf of Council.

A final notice is issued when rates are overdue, i.e. unpaid by the due date. Should rates remain unpaid more than 21 days after the issue of the final notice, then the debt will be referred to a debt collection agency for collection.

The debt collection agency charges collection fees that are recoverable from the ratepayer. All costs incurred by Council in the recovery of outstanding rates and fines are payable by the ratepayer. When payment by the ratepayer is received for overdue rates, the money received is applied as follows:

- I firstly – in payment of any costs awarded to, or recoverable by, the Council in any court proceedings undertaken for the recovery of the rates
- II secondly – in satisfaction for any liability for interest
- III thirdly – in payment of any fine
- IV fourthly – in satisfaction of liabilities for rates in the order in which those liabilities arose in payment of rates, in date order of their imposition (starting with the oldest account first).

Remission and Postponement of Rates

Postponement of Rates – Hardship

Section 182 of the *Local Government Act 1999* permits Council, on the application of the ratepayer, to remit rates partially or wholly or to postpone rates, based on hardship. Where a ratepayer is suffering hardship in paying rates, they are invited to contact Council's Rates Assessment Officer, on (08) 8525 3200 to discuss the matter. Such enquiries are treated confidentially.

Council is conscious that the current drought conditions may cause financial difficulties. It is aware of the following:

- 1 In accordance with the National Drought Agreement, Australian, State and Territory Governments do not make drought declarations and that drought, disaster and rural support should be based on need – providing a simpler, fairer and more proactive approach.
- 2 The Australian Government Bureau of Meteorology issued a Drought Statement dated 6 March 2025 that shows the Light Regional Council area as having severe deficiency / lowest on record rainfall for the previous 13 – 23 months.
- 3 The Council Rates Hardship Policy is able to provide drought, disaster and rural support based on need.
- 4 The Chief Executive Officer will be promoting the Rates Hardship Policy, together with the free, independent and confidential rural financial counsellor support available to primary producers and small businesses as an acceptable representative to, in accordance with the Hardship Policy, apply for financial arrangements dependent on individual circumstances.

Relief from rapid increases in property valuations

For 2025/2026 the rebate for relief of rapid increases in property valuations will again be provided. The relief proposed is to apply a maximum percentage increase of 10% (excluding any discretionary rebate approved in 2024/25) of the amount of General rates payable. For applications refer to the LRC website, which includes the rules of eligibility and application instructions.

Seniors Rate Postponement

Section 182A of the *Local Government Act 1999* provides the option for State Senior Card holders to apply to postpone part of their Council rates on a long-term basis. The deferred amount is subject to monthly interest charge, with the accrued debt being payable on the disposal or sale of the property. Postponement is like a reverse mortgage by relying on the equity in the property. A ratepayer who has a State Seniors Card may apply for postponement of a portion of the Council rates payable on property they own if it is their principal place of residence and if no other person other than their spouse has an interest as owner of the property and there is appropriate equity in the property. Further information can be obtained from Council's Senior Rates Assessment Officer on (08) 8525 3200.

Rebate of Rates

The Local Government Act 1999 makes it mandatory for Councils to rebate the rates for certain land uses. This includes 100% rate rebates on places of worship, public cemeteries, hospitals, and land occupied by universities; and 75% rate rebates on educational facilities (subject to some qualifications).

Discretionary rebates may be applied by Council under Section 166 of the Act. Council annually considers many applications for rate rebates and has in the past, and is again for the 2025/2026 financial year, proposing to rebate rates charged to various district community and sporting organisations.

The Rate Revenue Policy requires that eligibility for discretionary rebates be reviewed each term of Council, except for rebates agreed for development purposes which have a limited timeframe or conditions.

Sale of Land for Non-Payment of Council Rates

The *Local Government Act 1999* provides that a council may sell any property where the rates have been in arrears for three years (3) or more. The principal ratepayer and the landowner must be notified (if not the same person) of the intention to sell the land and provide the details of the outstanding amounts. If payment of the outstanding amount is not received within one month the property may be sold. Except in extraordinary circumstances, Council enforces the sale of land for arrears of rates.



APPENDIX B STATEMENTS ON EXPECTED RATE REVENUE



Statement on Expected Rate Revenue

Expected Rates Revenue

	2024/25 (as adopted)	2025/26 (estimated)		Change	Comments
General Rates Revenue					
General Rates (existing properties*)	\$20,468,408	\$21,603,000			'Existing properties' excludes the estimated high value increase discretionary rebate. New properties ineligible. Net includes the value of new properties and construction.
Less: Mandatory Rebates	(\$454,223)	(\$442,000)		-2.7%	
Less: Discretionary Rebates	(\$164,768)	(\$170,000)		3.2%	
Less: High value increase rebate	(\$457,000)	(\$470,000)			
General Rates (existing properties*)	\$19,392,417	\$20,521,000	(a)	5.8%	
General Rates (new properties)	\$383,539	\$702,310	(b)		
General Rates (new properties - prior years)	\$449,859	\$905,000	(b)		
General Rates (completed construction)	\$45,618	\$147,690	(b)		
General Rates (GROSS)	\$20,271,433	\$22,276,000	(c)		
General Rates (NET)	\$20,271,433	\$22,276,000	(e)	9.9%	
* Excluding new land in prior years with ongoing building construction					
(e)=(c)+(d)					
Other Rate (inc. service charges)					
Regional Landscape Levy	\$558,025	\$584,116	(f)		The Regional Landscape Levy is a State tax, it is not retained by council.
Waste Collection	\$2,163,560	\$2,298,575	(g)		Including property growth
Water supply	-	-	(h)		Not applicable
CWMS	\$1,861,020	\$2,163,560	(i)		Including property growth
Separate and Special Rates	\$900,000	\$900,000	(j)		Water re-use schemes
Electricity Supply	-	-	(k)		Not applicable
	\$5,482,605	\$5,946,251			
Add: Penalties & legal recoveries	\$191,300	\$300,000			
Less: Discretionary Other Rebates	(\$900,000)	-	(l)		\$450k for water scheme in 2024/25 (half year)
Expected Total Revenue	\$24,296,013	\$27,638,135	(m)	13.8%	Excluding the Landscape Levy and Bunyip 2 developer contributions
	(m)=(e)+(g)+(h)+(i)+(j)+(k)+(l)				

Estimated Growth in Number of Rateable Properties

	2024/25 (as adopted)	2025/26 (estimated)		Change	Comments
Number of rateable properties	8,568 Actual	8,674 Estimate	(n)	1.2%	

'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

	2024/25 (as adopted)	2025/26 (estimated)		Change	Comments
Average per rateable properties	\$2,366	\$2,553	(o)	7.9%	

$$(o)=(c)/(n)$$

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). General rates received from 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

Religious purposes - 100 per cent

Public Cemeteries - 100 per cent

Educational purposes - 75 per cent

Community Services - 75 per cent

Royal Zoological Society of SA - 100 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 Regulation 6(1)(ea) of the *Local Government (Financial Management) Regulations 2011*.

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

(i) Community Wastewater Management Systems

(l) 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).

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

(n) 'Growth' as defined in Regulation 6(2) of the *Local Government (Financial Management) Regulations 2011*.

Expected Rates Revenue

	Total Expected Revenue			No. of rateable properties		Average per rateable property			Cents in the \$	
	2024/25	2025/26	Change	2024/25	2025/26	2024/25	2025/26	Change	2025/26	
Land Use (General Rates - GROSS)										
Residential	\$9,537,788	\$10,851,662	13.8%	5,128	5,165	\$1,860	\$2,101 (p)	\$241	13.0%	0.3430
Commercial - Shop	\$135,412	\$144,778	6.9%	63	63	\$2,149	\$2,298 (p)	\$149	6.9%	0.5400
Commercial - Office	\$22,069	\$43,049	95.1%	11	13	\$2,006	\$3,311 (p)	\$1,305	65.1%	0.5400
Commercial - Other	\$1,026,584	\$1,087,205	5.9%	283	282	\$3,628	\$3,855 (p)	\$227	6.3%	0.7950
Industry - Light	\$122,158	\$119,289	-2.3%	29	27	\$4,212	\$4,418 (p)	\$206	4.9%	0.9550
Industry - Other	\$1,476,612	\$1,524,164	3.2%	42	42	\$35,157	\$36,290 (p)	\$1,133	3.2%	0.9550
Primary Production	\$6,952,051	\$7,385,205	6.2%	2,387	2,395	\$2,912	\$3,084 (p)	\$172	5.9%	0.2736
Vacant Land	\$904,034	\$1,026,503	13.5%	530	644	\$1,706	\$1,594 (p)	-\$112	-6.6%	0.7500
Other	\$94,725	\$94,145	-0.6%	95	95	\$997	\$991 (p)	-\$6	-0.6%	0.3468
Total Land Use	\$20,271,433	\$22,276,000	9.9%	8,568	8,726	\$2,366	\$2,553 (p)	\$187	8.0%	

These averages include new properties & new construction growth

2025/26 expected revenue inclusive of new properties and new construction, e.g. new house construction on vacant land and excludes estimated high value increase rebates. Vacant land includes new allotments additions less allotments transferred to other land uses (mainly residential).

Minimum Rate

	No. of properties to which rate will apply		Rate			
	2025/26	% of total rateable properties	2024/25	2025/26	Change	
Minimum Rate	456	5.2%	\$965	\$995 (r)	\$30	3.1%

Rate revenue policy refers to the number of assessments being approximately 10%, but significant valuation increases have increased many more properties above the minimum valuation threshold.

Notes

- (p) Average per rateable property calculated as General Rates for category, including a minimum rate but excluding any separate rates, divided by number of rateable properties within that category in the relevant financial year.
- (q) Light Regional Council does not apply a fixed charge.
- (r) Where two or more adjoining properties have the same owner and are occupied by the same occupier, only one minimum rate is payable.

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; or

Annual Value - a valuation of the rental potential of the property.

Light Regional Council uses adopted Capital Valuation.

APPENDIX C CAPITAL ASSET RENEWAL PROGRAM

The adopted Infrastructure and Asset Management Plan (IAMP) 2020-2030 with the updated Transport Assets Chapter Technical Asset Management Plan Summary 2024-2035, is included within the Long Term Financial Plan. Council's four year Asset Renewal Program is summarised below.

Note: New kerb and gutter (K&G) as identified within the program is funded through the Road Upgrade Program and additional to the renewal of the roads identified within the Sealed Roads Renewal Program.

4 Year Capital Asset Renewal Program 2025-2029

2025-2026 Roads Sealed Program - Year 1

Road Name	Locality	Proposed Works	Estimate
Parkers Road	Gawler Belt	SS + Reconstruction	\$196,563
Kentish Road	Gawler Belt	SS + Reconstruction	\$297,988
Lange Road	Gawler Belt	Spray Seal (SS)	\$62,065
Francis Street	Kapunda	Asphalt Overlay	\$64,721
Gawler Street	Kapunda	Asphalt Overlay	\$81,743
Friedrick Street	Kapunda	Asphalt Overlay	\$66,639
Rowett Street	Kapunda	Asphalt Overlay	\$74,575
Maxwell Street	Kapunda	Reconstruction	\$200,000
Maxwell Street	Kapunda	Asphalt Overlay	\$46,873
Nash Street	Kapunda	Asphalt Overlay	\$57,344
Queen Street	Greenock	Asphalt Overlay	\$49,807
Barons Court	Greenock	Asphalt Overlay	\$28,600
Koncke Street	Greenock	Asphalt Overlay	\$97,500
Bethel Road	Kapunda	Partial Reconstruction	\$188,015
Kernow Place	Kapunda	Asphalt Overlay	\$73,644
Templers Road	Wasleys	Spray Seal	\$360,435
Bernard Court	Gawler Belt	Kerb Repairs + Asphalt Overlay	\$220,846
Prescott	Gawler Belt	Kerb Repairs + Asphalt Overlay	\$18,954
Kapunda Street	Kapunda	Road Upgrade Including K&G	\$238,691
Kapunda Street	Kapunda	Asphalt Overlay	\$125,310
Research Road	Nuriootpa	Spray Seal	\$44,690
Road design and investigation future years			\$50,000
Road Signs			\$20,000
Total			\$2,665,000

2026-2027 Roads Sealed Program - Year 2

Road Name	Locality	Proposed Works	Estimate
Belvidere Road	Ebenezer	Reconstruction	\$1,000,000
Watunga Road	Koonunga	Spray Seal	\$13,494
Goss Road	Wasleys	Asphalt Overlay inc K&G on Western side of Road	\$112,500
Jane Terrace	Wasleys	Road Upgrade Including K&G	\$217,000
Annie Terrace	Wasleys	Reconstruction	\$1,213,492
Pratt Road	Wasleys	SS + Reconstruction	\$458,614
Road design and investigation future years			\$50,000
Road Signs			\$20,000
Note: Year 2 Belvidere Road subject to grant funding through the Special Local Roads and Infrastructure Program (SLRIP).			
Total			\$3,085,100

2027-2028 Roads Sealed Program - Year 3

Road Name	Locality	Proposed Works	Estimate
Stockport Road	Freeling	Spray Seal	\$34,375
North Terrace	Kapunda	SS + Reconstruction	\$101,397
Railway Road	Kapunda	Road Upgrade Including K&G	\$130,500
Seppeltsfield Road	Nuriootpa	Spray Seal	\$467,900
Seppeltsfield Road	Seppeltsfield	Spray Seal	\$649,782
White Street	Kapunda	Asphalt Overlay	\$118,520
Bagot Street	Kapunda	Reconstruction	\$173,041
Chapel Street	Kapunda	Road Upgrade Including K&G	\$152,152
Wheatley Street	Kapunda	Asphalt Overlay	\$165,984
Shannon Street	Kapunda	Asphalt Overlay	\$79,823
McCormack Street	Kapunda	Asphalt Overlay	\$46,800
Gartrell Street	Roseworthy	Reconstruction	\$120,000
Kingfisher Drive	Hewett	Reconstruction	\$780,689
Golfcourse Road	Ebenezer	Recondition	\$336,311
Road design and investigation future years			\$50,000
Road Signs			\$20,000
Note: Year 3 Gartrell Street subject to funding through the Special Local Roads and Infrastructure Program (SLRIP).			
Total			\$3,427,273

2028-2029 Roads Sealed Program - Year 4

Road Name	Locality	Proposed Works	Estimate
Pioneer Avenue	Rowland Flat	Spray Seal	\$24,692
Gollinks Road	Rowland Flat	Deep Lift and Spray Seal	\$96,817
Finch Place	Hewett	Asphalt Overlay	\$63,397
Ibis Mews	Hewett	Asphalt Overlay	\$26,693
Sandpiper Way	Hewett	Asphalt Overlay	\$65,293
Wren Place	Hewett	Asphalt Overlay	\$45,523
Goldfinch Way	Hewett	Asphalt Overlay	\$160,199
Sunny Hill Court	Hewett	Asphalt Overlay	\$53,498
Egret Place	Hewett	Asphalt Overlay	\$51,035
Plover Court	Hewett	Asphalt Overlay	\$51,864
Falcon Drive	Hewett	Rejuvenation	\$85,075
Hancock Road	Kapunda	Spray Seal	\$36,050
Ronda Avenue	Roseworthy	SS + Reconstruction	\$551,304
Arthur Road	Roseworthy	SS + Reconstruction	\$134,121
Forster Street	Wasleys	Road Upgrade Including K&G	\$99,400
Fisher Street	Wasleys	Reconstruction and Asphalt Overlay	\$101,769
Oldham Street	Wasleys	Asphalt Overlay	\$40,443
Dunn Court	Wasleys	Asphalt Overlay	\$12,555
Crimson Court	Roseworthy	Asphalt Overlay	\$43,241
Shamrock Way	Roseworthy	Reconstruction + Asphalt Overlay	\$252,305
Jemalong Cres	Roseworthy	Reconstruction + Asphalt Overlay	\$367,714
Meadow Lane	Roseworthy	Asphalt Overlay	\$85,503
Road design and investigation future years			\$50,000
Road Signs			\$20,000
Total			\$2,518,491

2025-2026 Roads Unsealed Program - Year 1

Road Name	Locality	Classification			Estimate
Tableland Road	Saint Kitts	L2	St Kitts West Road	Noack Road	\$289,884
Nain Road	Nain	L2	Mattschoss Road	Konke Street	\$169,890
Dunkley Road	Moppa	L3	Greenock Road	St Johns Road	\$84,960
Quarry Road	Daveyston	L3	Old Kapunda Road	Mattschoss Road	\$154,140
Mattschoss Road	Daveyston	L1&3	Nain Road	Quarry Road	\$67,740
Old Kapunda Road	Greenock	L3	Daveyston Road	1050m from Nain Road	\$249,600
Hempel Road	Greenock	L2	Old Sturt Highway	Seppeltsfield Road	\$288,848
Bottom Old House Road	Fords	L3	880m From Fords Road	Thiele Highway	\$11,600
John Eden	Shea-Oak Log	L2	Thiele Highway	Best Road	\$229,040
Tremlett Road	Shea-Oak Log	L2	John Eden Road	350m from John Eden Road	\$39,200
Carara Hill Road	Ebenezer	L3	Marble Quarry Road	Schneider Road	\$263,760
Schneider Road	Stockwell	L3	Carrara Hill Road	End of Rubble	\$7,140
Sturt Road	Ebenezer	L3	Ebenezer Road	Truro Road	\$139,980
Jaeger Road	Truro	L3	Roer Road	Truro Road	\$126,720
Loffler Road	Truro	L3	Sturt Highway	1400m from Truro Road	\$102,420
Pipeline Road	Ebenezer	L3	Start of Seal	Sturt Road	\$51,600
Dennett Road	Kapunda	L3	Tarlee Road	End of Road	\$41,220
Vinegrove Road	Moppa	L3	Greenock Road	End of Formation	\$169,080
Hawkers Creek Road	Kapunda	L2	Trevena Road	Bethel Road	\$221,952
Farrelly Road	Pinkerton Plains	L3	Jarmyn Road	Coleman Road	\$203,226
Total					\$2,912,000

2026-2027 Roads Unsealed Program - Year 2

Road Name	Locality	Classification			Estimate
Zerk Road	Rosedale	L3	Gomersal Road	Eckerman Road	\$150,480
Braunack Road	Gomersal	L3	Lyndoch Road	Hentschke Road	\$104,640
Apley Heights Road	Kapunda	L3	Tarlee Road	End of Road	\$40,350
Bagot Well Road	Bagot Well	L1	Thiele Highway	Truro Road	\$1,277,056
Cambria Street	Kapunda	LC	Railway Road	Carrington Street	\$4,640
Lewis Street	Kapunda	LC	Railway Parade	End of Road	\$10,360
Leske Road	Freeling	L3	Thiele Highway	350m from Neindorf Road	\$129,000
Fisher Road	Morn Hill	L3	Horocks Highway	Wychunga Road	\$49,380
Christian Road	Linwood	L3	Bald Road	Jas Ryan Road	\$58,650
Jas Ryan Road	Linwood	L3	Christian Road	Walpole Road	\$117,150
Bald Road	Linwood	L3	Horrocks Highway	Closed Road	\$269,400
Walpole Road	Linwood	L3	Bald Road	Jas Ryan Road	\$69,960
Green Road	Morn Hill	L3	Horocks Highway	600m from Horrocks Highway	\$36,000
Kernich Road	Freeling	L3	Muster Road	Mattiske Road	\$69,540
Mattiske Road	Freeling	L3	920m From Ryan Road	Green Road	\$151,612
Peters Road	Linwood	L3	Ryan Road	Jas Ryan Road	\$81,594
Ryan Road	Freeling	L3	Coffey Road	Peters Road	\$27,240
Gramp Road	Freeling	L3	Richards Road	Sturt Highway	\$126,198
Roehr Road	Ebenezer	L3	Schneider Road	Belvidere Road	\$189,000
Lange Road	Freeling	L3	Thiele Highway	750m from Thiele Highway	\$33,750

Total \$2,996,000



2027-2028 Roads Unsealed Program - Year 3

Road Name	Locality	Classification			Estimate
Freshwater Road	St Kitts	L3	Mosey Road	Noack Road	\$43,902
Tableland Road	St Kitts	L2	Noack Road	Public Road (1413)	\$282,534
Dutton Road	St Kitts	L2 & 3	Tableland Road	St Kitts Road	\$107,820
Noack Road	St Kitts	L3	Tableland Road	300m from Tableland Road	\$76,800
St Kitts West Road	St Kitts	L2	Steinert Road	Tableland Road	\$435,610
Oaklynn Road	Hamilton	L3	Marrabel Road	Hydedale Road	\$63,342
Mary Mckillop Walk	Kapunda	L3	East Terrace	676m from Public Road (236)	\$44,460
Weichert Road	Bethel	L2	Wild Dog Hill Road	Bethel Road	\$682,178
Wild Dog Hill Road	Bethel	L2	Horrocks Highway	Weichert Road	\$278,640
St Johns Road	Kapunda	L3	Truro Road	350m from Kotz Road	\$85,860
Scottys Grave Road	Kapunda	L3	Marrabel Road	500m from Marrabel Road	\$30,000
Scottys Grave Road	Kapunda	L3	850m from School Road	Moyle Road	\$25,140
Day Road	Woolsheds	L3	Council Boundary	George Road	\$127,386
George Road	Woolsheds	L3	Day Road	900m from Buckby Road	\$31,095
St Kitts Road	St Kitts	L2&3	Council Boundary	Lusatia Road	\$398,377
Total					\$2,713,144

2028-2029 Roads Unsealed Program - Year 4

Road Name	Locality	Classification			Estimate
Holland Road	Rosedale	L3	End of Seal	Bend in Road	\$126,000
Woods Road	Ward Belt	L3	Parkers Road	1000m from Parkers Road	\$70,560
Heinjus Road	Shea-Oak Log	L3	Les Dunkley	Lienert Road	\$83,160
Lienert Road	Shea-Oak Log	L2	Sturt Highway	Heinjus Road	\$279,440
School Road	Allendale North	L3	Tarlee Road	Ray Road	\$85,896
Wedding Road	Pinkerton Plains	L3	Newman Road	250m from Schwerdt Road	\$102,240
Wedding Road	Pinkerton Plains	L3	200m from Roenfeldt Road	Coleman Road	\$120,384
Heinze Road	Gomersal	L3	Gerald Roberts Road	Stonewell Road	\$372,240
Stonewell Road	Nuriootpa	L3	Sir Condor Laucke Road	End of Road	\$7,205
Stonewell Road	Gomersal	L3	Stelzer Road	Heinze Road	\$33,792
Phelps Road	Roseworthy	L3	Lowe Road	Molloy Road	\$75,636
Almond Corner Road	Fords	L3	Greenock Road	220m from Schwartz Road	\$168,215
Mattiske Road	Stonewell	L2	635m from Stonewell Road	296m from Hanisch Road	\$74,160
Hanisch Road	Stonewell	L3	Mattiske Road	Start of Seal	\$74,250
Both Road	Gomersal	L3	700m from Lienert Road	900m from Les Dunkley	\$96,030
Graingers Road	Wasleys	L3	George Road	Mudla Wirra Road	\$207,108
Keane Road	Nain	L3	Boundary Road	Nain Road	\$167,244
Les Dunkley Road	Shea-Oak Log	L1	Gomersal Road	Sturt Highway	\$660,000
Jarmyn Road	Pinkerton Plains	L3	450m from River Light	McCabe Road	\$344,440
Total					\$3,148,000

2025-2026 Bridge Floodway Renewal Program - Year 1

Project	Comment	Estimate
	no allocation within IAMP	

2026-2027 Bridge Floodway Renewal Program - Year 2

Project	Comment	Estimate
	no allocation within IAMP	

2027-2028 Bridge Floodway Renewal Program - Year 3

Project	Comment	Estimate
	no allocation within IAMP	

2028-2029 Bridge Floodway Renewal Program - Year 4

Project	Comment	Estimate
Ayliffe Bridge	full scope to be determined	\$507,000
Total		\$507,000

2025-2026 Building Renewal Program - Year 1

Project	Comment	Estimate
Kapunda Institute	Main hall lighting, upstairs fitout, external stonework	\$300,000
Kapunda Museum	External stonework including tower repairs, external timberwork	\$220,000
Bagots Fortune Building	Ceiling ventilation, stonework and timberwork repairs	\$50,000
Kapunda Pool	Inspection/assessment of pool for Year 2	\$25,000
Thomson Building	Planning and Design works for Year 3 & 4	\$25,000
Furniture Renewal	Community and Operational Buildings	\$21,000
Total		\$641,000

2026-2027 Building Renewal Program - Year 2

Project	Comment	Estimate
Kapunda Pool	Plant room and chemical storage	\$270,000
Hewett Centre	Event equipment/furniture fixtures and fittings	\$100,000
Wasleys Institute	Solar installation	\$20,000
Freeling Institute	Cellar renewal inc floor	\$229,000
Furniture Renewal	Community and Operational Buildings	\$41,000
Total		\$660,000

2027-2028 Building Renewal Program - Year 3

Project	Comment	Estimate
Thomson Building	General renewal including timberwork, flooring improving access	\$350,000
Kapunda RSL/Craft Shop	General renewal including timberwork and masonry	\$90,000
Freeling Railway Barn	Improvements to access, stonework and timberwork	\$186,000
Furniture Renewal	Community and Operational Buildings	\$50,000
Total		\$676,000

2028-2029 Building Renewal Program - Year 4

Project	Comment	Estimate
Kapunda Senior Citizens	Renewal - Replace and expand existing shed	\$300,000
Renewal Thomson Building	Renewal - Internal and external repointing, internal fitout	\$200,000
Furniture Renewal	Community and Operational Buildings	\$43,000
	To be confirmed	\$150,000
Total		\$693,000

2025-2026 Stormwater Renewal Program - Year 1

Project	Comment	Estimate
Dommenz Road Stormwater Basin	Basin on the Northern side of Dommenz Road and diversion of water down Victor Road	\$310,000
Stormwater renewals	SEP's Cross Drain, Pipe replacement, Junction Box - Renewals	\$297,000
Clare Road SMP	Implementation of Kapunda SMP works	\$217,000
Total		\$824,000

2026-2027 Stormwater Renewal Program - Year 2

Project	Comment	Estimate
Wasleys SMP	Wasley Township Stormwater Management Priority in conjunction with township road upgrades	\$415,000
Stormwater Renewals	SEP's Cross Drain, Pipe replacement, Junction Box - Renewals	\$180,000
Total		\$595,000

2027-2028 Stormwater Renewal Program - Year 3

Project	Comment	Estimate
Kapunda Wetlands - Spillway Improvements	R4-M1 Kapunda SMP Stormwater Quality Management Strategy	\$160,000
Greenock Creek	Greenock Stormwater Management Plan Priority Listing works	\$161,000
Stormwater Renewals	SEP's Cross Drain, Pipe replacement, Junction Box - Renewals	\$266,000
Total		\$587,000

2028-2029 Stormwater Renewal Program - Year 4

Project	Comment	Estimate
Stormwater Renewals	SEP's Cross Drain, Pipe replacement, Junction Box - Renewals	\$66,000
Stormwater Renewals	To be developed as part of the 2026-2030 Capital Program	\$623,000
Total		\$689,000

2025-2026 Open Space Renewal Program - Year 1

Project	Comment	Estimate
Regional renewals	Street and park furniture including fencing and gates	\$256,000

2026-2027 Open Space Renewal Program - Year 2

Project	Comment	Estimate
Regional renewals	Street and park furniture including fencing and gates	\$26,000

2027-2028 Open Space Renewal Program - Year 3

Project	Comment	Estimate
Regional renewals	Street and park furniture including fencing and gates	\$137,000

2028-2029 Open Space Renewal Program - Year 4

Project	Comment	Estimate
Regional renewals	Street and park furniture inc fencing and gates, play equipment	\$744,000

2025-2026 CWMS Renewal Program - Year 1

Project	Comment	Estimate
Pump Stations	3 Phase Power Inlets, Diallers, Hydrostatic Level Sensors, Flow Meters, VSDs, Chamber Repairs	\$75,000
Pump Stations	Hanson St	\$40,000
Pump Stations	Gray St	\$80,000
Pump Stations	Pump Replacements and Purchases	\$20,000
WWTP	Pump & Eq Replacements & Upgrades	\$31,000
WWTP	Solar	\$80,000
Reticulation	Retic Cleaning & Replacement	\$50,000
Reticulation	Manhole Chamber	\$30,000
Reticulation	TTP Lined Lagoon	\$110,000
Total		\$516,000

2026-2027 CWMS Renewal Program - Year 2

Project	Comment	Estimate
Pump Stations	3 Phase Power Inlets, Diallers, Hydrostatic Level Sensors, Flow Meters, VSDs, Chamber Repairs	\$90,000
Pump Stations	Pump Replacements and Purchases	\$20,000
WWTP	Screen - KWWTP	\$110,000
WWTP	Pump & Eq Replacements & Upgrades	\$31,000
WWTP	WWTP Upgrades	\$100,000
Reticulation	Retic Cleaning & Replacement	\$150,000
Reticulation	Manhole Chamber	\$30,000
Total		\$531,000

2027-2028 CWMS Renewal Program - Year 3

Project	Comment	Estimate
Pump Stations	3 Phase Power Inlets, Diallers, Hydrostatic Level Sensors, Flow Meters, VSDs, Chamber Repairs	\$25,000
Pump Stations	Pump Replacements and Purchases	\$20,000
WWTP	Pump & Eq Replacements & Upgrades	\$44,000
WWTP	WWTP Upgrades	260,000
Reticulation	Retic Cleaning & Replacement	\$150,000
Reticulation	Manhole Chamber	\$45,000
Total		\$544,000

2028-2029 CWMS Renewal Program - Year 4

Project	Comment	Estimate
Pump Stations	3 Phase Power Inlets, Diallers	\$28,000
Pump Stations	Pump Replacements and Purchases	\$20,000
WWTP	Pump & Eq Replacements & Upgrades	\$40,000
WWTP	WWTP Upgrades	260,000
Reticulation	Retic Cleaning & Replacement	\$150,000
Reticulation	Manhole Chamber	\$60,000
Total		\$558,000

APPENDIX D

ESCOSA ADVICE

Responses

ESCOSA recommendations	LRC response
Further define the basis, including inflation assumptions, for preparation of Annual Business Plans, budget and long-term financial plan.	New long term financial model developed in 2024/25 that includes significant more detail regarding the assumptions underpinning all forecasts with the forecast statements of comprehensive income and financial position and capital expenditure outlays and funding.
Increase funding to address deferred asset renewals	A comprehensive review was undertaken of 'Transportation Infrastructure Assets' condition in 2024 and resulted in a revised IAMP. The revised IAMP has now increased the recommend value for asset renewal expenditure which has been funded to 100% in the 2024/25 LTFP. \$41 million has been committed to asset renewal, including the renewal component of grant funded road upgrade programs, over the first 4 years of the 2024/25 LTFP in line with IAMP recommendations
Review adequacy of renewal spending by 2028	Transport Infrastructure renewal spending reviewed in 2024 and increased in LTFP. Other asset categories will be progressively reviewed, including building and other open space assets, prior to 2028.
Forecast and include the impact of new assets into the long-term financial plan	This recommendation relates to new assets funded by external grants and the receipt of new infrastructure assets for newly developed areas. Previously, due to the uncertainty of forecasting the approval and receipt of government grants the practice was to only forecast the Council's contribution to such projects. From 2024/25 the total cost of externally funded capital projects has been included in the LTFP, together with the best estimate of expected grants, but only for the next three (3) years as after that time scoping and approval is very uncertain. From 2024/25 it is expected that the first tranches of infra-structure asset 'handover' will begin from Roseworthy expansion developers. Estimates have been made of the value of these assets over the next 3 years where there is some knowledge of the assets being constructed through the development approval process. These estimates will be further refined over time.

OFFICIAL



Advice

Local Government Advice

Light Regional Council

February 2024

OFFICIAL

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Light Regional Council

AT A GLANCE

OVERVIEW

The Essential Services Commission finds the Light Regional Council's current and projected financial performance **sustainable** taking into account the council's average expected growth in properties of 3.2% p.a. over the next 10 years, and the planned average rate increases per property of 0.6% p.a. over this period

RISKS IMPACTING SUSTAINABILITY

- ⚠ Delays or non-achievement of forecast growth through property development
- ⚠ Anticipated economies of scale relating to property growth are not achieved
- ⚠ Asset renewal projects are deferred worsening the asset renewal backlog
- ⚠ Unexpected operating costs and additional capital renewal liabilities resulting from the Transport Asset Management Plan Review

CONTINUE

- ✓ Reviewing inflation forecasts in the budget and forward projections from 2024-25
- ✓ Monitoring cost growth in its budgeting
- ✓ Reporting any actual and projected cost savings in the annual budget and long-term financial plan
- ✓ Consider limiting future increases in rates to no more than expected inflation

COMMISSION'S RECOMMENDATIONS

- Further define the basis, including inflation assumptions, for preparation of annual business plans, budgets and the long-term financial plan
- Increase funding to address deferred asset renewals
- Review adequacy of renewal spending by 2028
- Forecast and include the impact of new assets into the long-term financial plan

KEY FACTS

- Population in 2021 was **16,321**
- Council covers **1,277 square kilometres**
- **8,265** rateable properties in 2022-23
- **\$22.6 million of rate income** in 2022-23
- Value of assets held in 2022-23 equals **\$243.8 million**



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

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Glossary of terms

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

1 The Commission's key advice findings for the Light Regional Council

The Essential Services Commission (**Commission**) finds the Light Regional Council's (**Council's**) short-term financial position sustainable. The Council's longer-term financial performance is reliant on its continued commitment to the renewal of its asset stock, and continued cost control.

Current financial performance:



Unsustainable	Potentially Unsustainable	Mostly Sustainable	Sustainable
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Projected financial performance (future):



Unsustainable	Potentially Unsustainable	Mostly Sustainable	Sustainable
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Previous financial performance (past ten years):



Unsustainable	Potentially Unsustainable	Mostly Sustainable	Sustainable
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Acknowledging the Council's outlook, the Commission recommends that the Council 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 contains the extent of further rate increases:

Budgeting considerations

1. **Continue** to review its inflation forecasts in its annual budget and forward projections from 2023-24, given the potential for higher short-term inflation outcomes, followed by a return to long-term averages.
2. **Further define** the basis, including inflation assumptions, for preparation of annual business plans, budgets and the long-term financial plan in the accompanying documentation to increase transparency about the assumptions underpinning the figures.

Continuing to provide evidence of ongoing cost efficiencies

3. **Continue** to monitor cost growth in its budgeting, including related to employee expenses, to contain it within the forecast long-term financial plan.
4. **Continue** its practice of reporting any actual and projected cost savings in its annual budget (and long-term financial plan, as appropriate), to provide evidence of containing cost growth and achieving efficiency across its operations and service delivery.

Refinements to asset management planning

5. **Increase funding** to address deferred asset renewals and review adequacy of renewal spending by 2028.
6. **Forecast and include** the impact of new assets into the long-term financial plan to provide transparency for existing and future ratepayers.

Containing rate levels

7. **Consider** limiting future increases in rates to no more than expected inflation.

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 Light Regional Council (**Council**).

This report provides the Local Government Advice for the Light Regional 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 website⁹), nor is it compelled under the LG Act to follow the advice.

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

2.1 Summary of advice

In general, the Commission finds the Light Regional Council's short-term financial position sustainable and notes that it has improved its sustainability position by partly addressing capital renewals, following a period of deferred capital renewal expenditure¹⁰ and spending on new capital initiatives. Historically, the Council experienced deficits between 2012-13 and 2014-15 but has since generated consistent operating surpluses.

The past rate increases above inflation, together with higher reimbursements income, increased the Council's financial capacity to cover its operating and service sustainability requirements.

Its forward projections from 2023-24 (in its LTFP) forecast a financially sustainable outlook due to:

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.

- ▶ forecast operating revenue growth,
- ▶ contained expense growth,
- ▶ continued average rate increases below the Reserve Bank of Australia (RBA)-based forecast inflation rate,
- ▶ the realisation of income from capital projects,
- ▶ lower spending on new or upgraded capital works than on renewal and replacement capital works in contrast to expenditure in 2012-13 to 2021-22, and
- ▶ higher asset spending on renewal and rehabilitation capital works, including to continue to partly address the accumulation of deferred renewals over the next 10 years.

The Commission considers that the Council is demonstrating good practice regarding the formulation of its financial projections in its LTFP, and transparency around its assumptions and directions, including the ratepayer impact; however, additional detail about inflation assumptions may be helpful for stakeholders.

2.2 Detailed advice findings

The next sections summarise the Commission's more detailed observations and advice findings regarding the Light Regional Council's material changes to its 2023-24 plans (compared with the previous year's plans), its financial sustainability (in the context of its long-term operating performance, net financial liabilities, and asset renewals expenditure) and its current and projected rate levels.

In providing this advice, the Commission has followed the approach it previously explained in the Framework and Approach – Final Report (F&A). The attachment explores these matters further.¹¹

2.2.1 Advice on material plan amendments in 2023-24

The Light Regional Council's 2023-24 LTFP includes an improvement to its projected operating performance, and no changes to its projected capital expenditure estimates, compared with the 2022-23 forecasts,¹² as follows:

- ▶ An improvement in operating performance by \$20 million or by 7.3 percent. This is mainly driven by a 2.1 percent increase in general rates, receipt of delayed grant funding and income from major water projects.
- ▶ An overall decrease in operating expenses that is a combination of lower materials, contracts and other expenses, along with higher finance costs.

The Council has factored several savings into its LTFP projections and includes sharing the benefit of its successful capital water project with ratepayers as discussed in the advice on current and projected rates section below (section 2.2.3). However, its forecasts may present a risk to its cost and income projections in the current inflationary environment. The RBA currently forecasts the CPI (Australia-wide) to increase by 3.9 percent in the year to the June 2024 quarter and by 3.3 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).¹³

The Commission notes that the Council's stated assumptions for indexation in its 2023-24 LTFP are transparent and based on its annual review of these forecasts. Noting the Council has endeavoured to find savings and reduce any inflationary impact on its community, the Commission has found that it would be appropriate for it to:

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 2023-24 to 2032-33).

¹³ RBA, Forecast Table - November 2023, available at <https://www.rba.gov.au/publications/smp/2023/nov/economic-outlook.html>.

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

The Light Regional Council adopted its annual business plan and budget in June 2023, together with its LTFP 2023-24. The Council proposed further material amendments to its 2023-24 estimates for the financial year from those proposed in its 2022-2023 LTFP.

The Commission observes that the Council's LTFP identifies the risks to the financial estimates (due to environmental and economic factors, for example) and that the annual business plan also includes its 2023-24 estimates (from the LTFP). The Commission notes the transparency in indexation assumptions underpinning the financial documents; however, assumptions about inflation were not explicitly stated. The Commission recommends that the Council:

2. **Further define** the basis, including inflation assumptions, for preparation of annual business plans, budgets and the long-term financial plan in the accompanying documentation to increase transparency about the assumptions underpinning the figures.

2.2.2 Advice on financial sustainability

Operating performance

Key Points:

- ✓ The operating surplus ratio averaged 0.6 percent or \$0.3 million from 2012-13 to 2021-22 and is forecast to average 6.2 percent or \$2.3 million between 2023-24 and 2032-33.
- ⚠ Income growth is forecast to reduce while expenditure growth is forecast to increase which will require close monitoring.
- ⚠ Employee costs, 'materials, contracts and other' expenses increased by an average of 4.7 and 3.5 percent respectively from 2012-13 to 2021-22 where average CPI growth was 2 percent per annum.
- ⚠ Projected operating expenses over the next 10 years is forecast to be an average of 3.2 percent, which is slightly above the RBA-based forecast inflation for the same period.
- ✓ Conducts regular service level reviews of its operations, focused on achieving increased productivity, efficiency and effectiveness, and ultimately real savings.

The Light Regional Council experienced operating deficits from 2012-13 to 2014-15, followed by consistent operating surpluses until 2021-22, with the operating surplus ratio¹⁴ averaging 0.6 percent over this period (from 2012-13 to 2021-22). In its forward projections, the operating surplus ratio is expected to be within the suggested LGA target range at an average of 6.2 percent.

Operating income growth averaged 5.1 percent per annum from 2012-13 to 2021-22, while operating expense growth averaged 2.9 percent per annum.¹⁵ From 2015-16, the Council generated a sustained operating surplus with an average surplus of \$1 million between 2015-16 and 2021-22.

¹⁴ The operating surplus ratio is defined as: Operating Surplus (Deficit) ÷ Total Operating Income. The general target is to achieve, on average over time, an operating surplus ratio of between zero and 10 percent (Local Government Association of South Australia, *Financial Sustainability Information Paper 9 - Financial Indicators Revised*, May 2019 (**LGA SA Financial Indicators Paper**), p. 6).

¹⁵ Based on the compound average annual growth rate formula (which is the adopted approach to calculating average annual growth rates throughout the Commission's advice).

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

On the cost side, its 'employee costs', and 'materials, contracts and other' expenses increased by an average of 4.7 and 3.5 percent per annum respectively from 2012-13 to 2021-22 while average annual CPI growth was 2 percent per annum.¹⁶

The estimated rate of growth in operating expenses projected over the next 10 years is an average of 3.2 percent per annum, which is above the RBA-based forecast inflation¹⁷ for the same period. The associated impact on ratepayers is discussed further below in section 2.2.3.

The Commission has observed the current practice of the Council in conducting regular service level reviews of its operations, focused on achieving increased productivity, efficiency and effectiveness and, ultimately, real savings. As an example, it has factored in savings of approximately \$0.4 million to its expense estimates in 2023-24, compared to these items in 2022-23, due to a combination of reduced materials and contracts expenses but with increased finance costs. The Council anticipates benefitting from economies of scale with respect to its forecast growth.

To ensure the Council is positioned to contain its expenses within its forecast and achieve its operating performance (without the need for further rate increases above inflation), the Commission encourages it to:

3. **Continue** to monitor cost growth in its budgeting, including related to employee expenses to contain it within the forecast long-term financial plan.
4. **Continue** its practice of reporting any actual and projected cost savings in its annual budget (and long-term financial plan, as appropriate), to provide evidence of containing cost growth and achieving efficiency across its operations and service delivery.

Net financial liabilities

Key Points:

- ✓ The net financial liabilities ratio averaged 18 percent from 2021-13 to 2021-22 and is forecast to average 24 percent between 2023-24 and 2032-33.
- ✓ The reduction in the net financial liabilities ratio from 2022-23 to 2032-33, comes from progressive repayment of total borrowings, via operating income growth and costs constraint.
- ⚠ Net cash flows after operating and investing (that is, capital-related) activities has averaged negative \$2 million annually between 2012-13 and 2021-22.
- ✓ Past and projected borrowings for capital projects have a downwards trend and are at a level that the Council can affordably service, also leaving capacity for further investment.

With the Council's operating deficits from 2012-13 to 2014-15, followed by ongoing operating surpluses, its net cash flows after operating and investing (that is, capital-related) activities has averaged negative \$2 million annually between 2012-13 and 2021-22. The Council has relied partly on rates revenue and supplementary grant funding to fund its capital expenditure program over this period. The Council has also consistently used borrowings to partly finance its capital expenditure, and over time, this has been

¹⁶ CPI Adelaide (All groups) available at [Consumer Price Index, Australia, September Quarter 2023 | Australian Bureau of Statistics \(abs.gov.au\)](https://www.abs.gov.au/Consumer-Price-Index-Australia-September-Quarter-2023).

¹⁷ The forecast average annual growth in the CPI from 2023-24 to 2032-33 is estimated to be 2.6 percent based on the RBA forecasts for the CPI (Australia-wide) and the Commission's calculations of average annual percentage growth; RBA forecasts available at: RBA, Forecast Table - November 2023, available at <https://www.rba.gov.au/publications/smp/2023/nov/economic-outlook.html>.

within or below the suggested LGA target range for the net financial liabilities ratio (averaging 18 percent from 2011-12 to 2020-21).¹⁸

The Council continues to meet the suggested LGA target range under its 2022-23 forecasts and projects fluctuation in the ratio, with an average of 24 percent over the 10-year period to 2032-33.

Asset renewals expenditure

Key Points:

- ✓ Between 2012-13 and 2022-23 the Council's total capital expenditure averaged \$12.6 million per annum (including \$3.4 million on asset renewals and \$9.2 million on new and upgraded assets).
- ✓ The asset renewal ratio averaged 108.8 percent between 2012-13 and 2022-23.
- ✓ From 2023-24 to 2032-33, the ratio is forecast to average 112.6 percent.
- ⚠ The IAMP renewal replacement gap is minimal while the depreciation gap is larger suggesting possible intergenerational inequity or a mismatch between actual and predicted useful asset lives.
- ⚠ Asset renewal expenditure has been highly variable in the past as deferred capital renewals have been partly addressed and higher levels of expenditure on renewals are forecast but with an on-going deferred asset renewal backlog.

Between 2012-13 and 2022-23, the Council's total capital expenditure averaged \$12.6 million per annum (including \$3.4 million on asset renewals and \$9.2 million on new and upgraded assets). The Council's asset renewal funding ratio (IAMP-based) was within the suggested LGA target range of 90 to 110 percent over these years,¹⁹ and averaged 108.8 percent between 2012-13 and 2022-23. This reflected the Council's need to renew assets that were not renewed in a timely manner historically²⁰ (and as noted in meeting with Council).

From 2023-24 to 2032-33, the ratio is forecast to average 112.6 percent reflecting continuation of the historical trend that has been focused on renewing deferred asset renewals. Average annual spending on renewal or rehabilitation of assets is projected to increase to \$8 million (in nominal terms) and has also been influenced by the historical expenditure on new and upgraded assets. With reference to increased costs for construction, the Council has noted that it has kept its capital expenditure within its forecast budgets by deferring projects.²¹

The Council has significantly grown its asset base over the past 10 years, averaging \$9.2 million per annum on new or upgraded assets between 2012-13 and 2021-22. This has led to a steady increase in the value of the asset stock per property of \$550 or 2.5 percent for each year over the 10 years to 2021-22.

¹⁸ 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).

¹⁹ 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).

²⁰ Correspondence with Light Regional Council dated 11 December 2023 and Council Responses to ESCOSA Questions, p. 4.

²¹ Correspondence with Light Regional Council dated 11 December 2023 and Council Responses to ESCOSA Questions, p. 1.

The Council is forecasting a continuation of the levels of spending on renewals of asset stock as described above, in addition to expenditure on new/upgraded assets partly in relation to water projects and township expansion. The Council forecasts that expenditure on new and upgraded assets will average \$1.5 million per annum from 2023-24 to 2032-33, with growth averaging 3.5 percent per annum.

Forecasts for both asset renewals and new/upgraded assets may be understated however, due to the Council's practice of only including known grants in its LTFP (impacts projects scheduled), as well as the financial impacts from a scheduled update to the Transport AMP not yet being known. The Council intends to address some deferred asset renewals in the forecast period (2024-2033); however, it estimates there will continue to be a shortfall in funding.²²

Acknowledging the significant financial impact of the Councils major water projects, transport related projects and strong development pipeline, the Commission considers that it would be appropriate for it to:

5. **Increase funding** to address deferred asset renewals and review adequacy of renewal spending by 2028.
6. **Forecast and include** the impact of new assets into long-term financial plan to provide transparency for existing and future ratepayers.

Asset renewals can also be evaluated by the depreciation-based asset renewal funding ratio,²³ which is projected to track slightly above the LGA-recommended range (for the IAMP-based ratio) of 90-110 percent, averaging 112.6 percent per annum to 2032-33. Historically (between 2012-13 and 2021-22) depreciation expenses have outpaced renewal capital expenditure by a significant margin (totalling \$23.2 million over ten years). This earlier period may indicate an intergenerational equity²⁴ risk, as the Council had partly funded capital expenditure (through depreciation) but had deferred or under invested on its asset renewal needs. Alternatively, there may also be a mismatch between assessed useful lives of assets and actual useful lives of assets as indicated by renewals required.

The Commission notes that the Council had prepared comprehensive AMPs with supporting technical specifications that cover most of the Council's asset base, coupled with the Councils' intention to review its AMPs and consider its long-term funding/borrowing strategy with a focus on inter-generational impacts.²⁵

2.2.3 Advice on current and projected rate levels

Key Points:

-  Rate revenue per property growth has averaged 4.6 percent per annum for each property in the period between 2012-13 and 2021-22, which is 2.6 percent above CPI for the same period.
-  The average rate income per annum for each property is forecast to grow by 0.6 percent between 2022-23 and 2032-33 based on achievement of growth in rateable properties.

²² Correspondence with Light Regional Council dated 11 December 2023 and Council Responses to ESCOSA Questions, p. 5.

²³ 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.

²⁴ 'Intergenerational equity' relates to fairly sharing of services and the revenue generated to fund the services between current and future ratepayers.

²⁵ Correspondence with the Council dated 31 August 2023 (p. 6) and in meeting with Council on 12 December 2023.

- ✓ The Council has implemented a strategy to provide rates relief for ratepayers that experience substantial property valuation increases of more than 10 percent, noting that rateable property valuations increased 13.62 percent from July 2022 until April 2023 when rates were set.
- ✓ The constraint in rates growth is a result of Council subsidies based on income realised from successful water projects and rates relief against substantial property valuation increases.
- ✓ Affordability risk for further average rate increases appears low based on a range of factors including an assessment of the economic resources available to the community and low levels of community concern.

The Council's rate revenue per property growth has averaged 4.6 percent or \$93 per annum for each property between 2012-13 and 2021-22, which exceeded CPI growth (at an average of 2.0 percent per annum over this period). The Commission notes the Council has set its rates after undertaking its own benchmarking reflecting its services and ratepayer's service level expectations.²⁶

The Council has budgeted for an average rate increase of 3 percent or \$81 per property for its existing ratepayers in 2023-24.²⁷ The rates increases are contained despite recent higher short-term inflation, and this was enabled by the realisation of benefits from the Bunyip 1 water project income and a consequent significant reduction in finance costs.²⁸ The Council also has a strategy to provide rates relief for ratepayers that experience property valuation increases of more than 10 percent,²⁹ noting that rateable property valuations increased 13.62 percent from July 2022 until April 2023 when rates were set.³⁰

Different rate categories are subject to varying changes, with residential ratepayers to pay a lower increase of 2.7 percent or \$48 per property on 2022-23 levels. Primary production (mostly farmland) ratepayers are budgeted to pay 2.8 percent or \$74 per property.³¹

The Council has also assumed growth in the area will be strong with growth in rateable properties increasing at 3.2 percent over the forecast period. Significant regional population growth is anticipated in the area surrounding Roseworthy over the next decade.³²

As a result of the modest rates increases, the percentage of the Council's total income contributions from ratepayers is projected to average around 83.5 percent, a constant percentage compared to the historical average.

Risks for ratepayers arise however if:

- ▶ the anticipated growth does not eventuate,
- ▶ inflation exceeds the Council's estimates,
- ▶ additional operational expenditure is required due to a revised transport AMP, or
- ▶ unanticipated remedial expenditure is required due to deferred asset renewal backlogs.

²⁶ Correspondence with the Council dated 31 August 2023, p. 7.

²⁷ 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 \$23.239 million (in 2023-24 budgeted rates revenue) compared to unaudited 2023-23 estimates. Individual rate level changes may be higher or lower depending on the rates category and property value.

²⁸ Correspondence with the Council dated 31 August 2023, p. 3.

²⁹ Light Regional Council 2023/2024 Annual Business Plan, Budget and Long-term Financial Plan, p. 10.

³⁰ Light Regional Council 2023/2024 Annual Business Plan, Budget and Long-term Financial Plan, p. 8.

³¹ Rate in the dollar applied to the capital value of the property in the Council area. Light Regional Council, 2023/2024 Annual Business Plan, Budget and Long-term Financial Plan, p. 49.

³² Light Regional Council 2023/2024 Annual Business Plan, Budget and Long-term Financial Plan, p. 5.

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

7. **Consider** limiting future increases in rates to no more than expected inflation.

2.3 The Commission's next advice and focus areas

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

- ▶ ongoing performance against its LTFP estimates and transparency in underlying assumptions,
- ▶ achievement of cost savings and efficiencies and its continued reporting of these in its plans,
- ▶ review of its capital spending towards asset renewal and rehabilitation works and how it has addressed the backlog of asset renewal expenditure, and
- ▶ how it has sought to minimise any emerging affordability risks.



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Advice

Local Government Advice - Attachment

Light Regional Council

February 2024

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A The Commission's approach

In providing the Advice for the Light Regional Council (**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

- ▶ 2023-2024 Annual Business Plan Budget and 2023-2033 LTFP (adopted June 2023)
- ▶ 2012-2013 to 2032-2033 Long Term Financial Plan
- ▶ 2020-2030 Asset Management Plan
- ▶ Technical Asset Management Plan Summary – Bridges, Floodways, Footpaths, Stormwater, Transport (Roads), 2020-2030
- ▶ Technical Asset Management Plan Summary – Buildings & Open Space, 2020-2030
- ▶ Technical Asset Management Plan Summary – Community Wastewater Management System (CWMS), 2020-2030
- ▶ Economic Development Plan 2020-2030
- ▶ Letter from Light Regional Council dated 31 August 2023 – Material matters – 2023-24 ABP and LTFP
- ▶ Letter from Light Regional Council dated 11 December 2023 – Council Responses to ESCOSA Questions
- ▶ Audit and Risk Committee Meeting Agenda, Item ARC7.3 – Public Consultation – Draft 2023/2024 Annual Business Plan, Budget and 2023-2033 Long-Term Financial Plan (June 2023)
- ▶ Meeting in-person between Light Regional Council and ESCOSA at Kapunda on 12 December 2023

The Commission notes that most of the Council's asset base is covered by its existing asset management plans (**AMPs**), and asset valuations for those assets have been carried out within the last four years.

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

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).

in that context. Findings regarding the content of the Council's AMPs, and the alignment between its LTFP and AMPs,⁵ are discussed in section C.3.

The Commission has also reviewed the Council's template data which contains its 2023-24 LTFP forecasts for 2023-24 to 2032-33, as well as its 2022-23 LTFP forecasts, and historical financial data and number of rateable properties and council staff (Full Time Equivalent (FTE)) numbers from 2012-13 onwards.^{6 7} All charts and tables in the Advice are primarily sourced from these datasets. In addition, the Commission has reviewed the Council audit committee reports, and other public information, as appropriate.

The Commission has reported estimates in nominal terms, for consistency with the Council's plans and actual rate levels, but it has compared estimated inflation impacts to these trends as a guide to identify 'real' rather than 'inflationary' effects. In the charts, the Consumer Price Index (CPI) line shows the cumulative growth in the CPI (Adelaide) series from 2012-13, and then projections of this series from 2023-24 based on the Reserve Bank of Australia (RBA) (Australia-wide) inflation forecasts (to the June quarter 2025), and the midpoint of the RBA target range (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 (\$28.4 million) and the size of its rates base (more than 8,265 ratepayers⁸).

Summary of the Light Regional Council's financial sustainability performance and the Commission's risk assessment

Financial sustainability indicators:	Last 10 years from 2012-13 (Actual performance)	2022-23 estimate	Next 10 years from 2023-24 (Council forecasts)
Operating surplus ratio (target 0-10%)	Operating deficits Improved performance ----->		Surpluses projected ----->
Net financial liabilities ratio (target 0-100%)	Ratio met historically ----->		Ratio projected within target from FY27 ->
Asset renewal funding ratio (target 90-110%)	Volatility in renewal works spending & some years below target range ----->		Ratio within or above LGA target range as deferred renewals addressed ----->
Identified Risks:			
Cost control risk	Operating expenses per property average growth 2.1% pa to 2021-22 (CPI 2.0%) ----->		On average, operating expenses growth less than forecast CPI ----->
Affordability risk	Rates revenue per property average growth of 4.6% pa to 2021-22 (CPI 2.0%) ----->		Projected rate revenue per property average growth below forecast CPI (CPI 2.8%) ----->

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

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

⁶ Sourced from the Local Government Grants Commission (including data reported by the Office of the Valuer-General) and the Council's data.

⁷ The Council's estimates for the 2022-23 financial year, relied on at the time of preparing this advice, were unaudited.

⁸ Based on the estimated number of property assessments in 2023-23.

B Material plan amendments in 2023-24

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

Selected Financial Item	Sum of 2023-24 to 2031-32 estimates in 2022-23 LTFP (\$ million)	Sum of 2023-24 to 2031-32 estimates in 2023-24 LTFP (\$ million)	Change in 2023-24 estimates (\$ million)	Change in 2023-24 estimates (percent)
Total operating income	280.6	301.0	20.4	7.3
Total operating expenses	278.6	278.1	-0.4	-0.1
Operating surplus / (deficit)	2.1	22.8	20.8	7.4
Capital expenditure on renewal of assets ¹⁰	70.1	70.1	-	-
Capital expenditure on new and upgraded assets ¹¹	13.1	13.1	-	-

B.1 Changes to operating performance

The Council has budgeted (in 2023-24) for an increase in its operating surplus of \$22.8 million compared to a surplus of \$2.1 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 2030-31, as shown in the table above) indicate the Council's cumulative operating surplus improved by \$20.8 million. This outcome reflects the Council's significant increase in operating income arising from the receipt of funds pertinent to its Bunyip 1 Water project completed in 2022-23.¹²

For the 2023-24 budget year, the Council has also noted a decrease in finance costs that contributed to the improvement in the operating deficit (compared to the LTFP) and certainty in employee expenses as a result of its enterprise agreement, (together a \$0.4 million decrease in operating expenses).

Some of the amendments, compared to the LTFP, include:¹³

- ▶ Decreased cost pressures for 'materials, contracts and other' expenses.
- ▶ Employee expenses contained by enterprise agreement (for the known period of the agreement).
- ▶ A further 2.1 percent increase in rates revenue.
- ▶ Increase in income of \$11 million from Bunyip 1 project, with an associated decrease in finance costs.

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

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

¹¹ Footnote 10 applies.

¹² Correspondence from Light Regional Council dated 31 August 2023, p. 3.

¹³ Footnote 12 applies.

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

B.2 Indexation adjustments

The Council applies indexation adjustments to its cost and revenue estimates, including 2.1 percent for rates, 3 percent for materials, contracts and other expenses and 2 percent for wages and salaries.¹⁴ The Council stated that its general rate revenue and services charges are increased at a rate below CPI inflation.¹⁵ Based on updated inflation assumptions in its 2022-23 LTFP, an increase in its revenue estimates by 1.3 percent over the 2023-24 to 2031-32 forecast period,¹⁶ including recognition of deferred grant income compared with the same estimates in its 2022-23 LTFP, supports the Council's statement.

The Council has factored several genuine savings into its LTFP projections, discussed in section C.1. The RBA currently forecasts the CPI (Australia-wide) to increase by 3.9 percent in the year to the June 2024 quarter and by 3.3 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).¹⁷

The Commission notes that the Council's stated assumptions for indexation in its 2023-24 LTFP are based on its annual review of these and other forecasts. Noting the Council has endeavoured to find savings and reduce any inflationary impact on its community, the Commission has found that it would be appropriate for it to:

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

B.3 Increase to capital expenditure estimates

The Council's 2023-24 LTFP indicate no changes in capital expenditure for asset renewals nor for new and upgraded assets compared to the previous year's LTFP (for the period from 2022-23 to 2030-31). The Council's capital expenditure outlook is discussed further in section C.3.

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

The Council adopted its LTFP in June 2023, together with its annual business plan and budget.

The Commission notes that the Council's LTFP identifies the risks to its estimates after it is adopted (due to environmental and economic factors, for example) and that the annual business plan also includes its 2023-24 estimates (from the LTFP). The Commission also acknowledges the Council's efforts in community consultation on budget development and material budget adjustments and inclusion of community feedback.¹⁸

The Commission has noted that the Council has prepared its AMP in real terms as opposed to nominal terms and it stated that these costs were included in budgets following indexation for inflation. The Commission notes the Council's process in disclosing information underpinning capital expenditure in its LTFP. Other parameters and assumptions were also provided;¹⁹ however, the Council's assumptions about inflation were not explicitly stated. The Commission recommends that the Council:

¹⁴ Final 2023 2024 ABP and Budget, p. 23.

¹⁵ Final 2023 2024 ABP and Budget, p. 12.

¹⁶ The set of nine years forecast in both the 2022-23 and 2023-24 LTFP projections.

¹⁷ RBA, Forecast Table - November 2023, available at <https://www.rba.gov.au/publications/smp/2023/nov/economic-outlook.html>.

¹⁸ Light Regional Council, Audit and Risk Committee Meeting Agenda – 13 June 2023, Item ARC7.3 Public Consultation – Draft 2023/2024 Annual Business Plan, Budget and 2023-2033 Long-Term Financial Plan, p. 18 available at https://www.light.sa.gov.au/_data/assets/pdf_file/0031/1413598/ARC20230613AGN.PDF.

¹⁹ Light Regional Council, 2023/2024 Annual Business Plan, Budget, and Long Term Financial Plan, p. 21.

2. **Further define** the basis, including inflation assumptions, for preparation of annual business plans, budgets and the long-term financial plan in the accompanying documentation to increase transparency about the assumptions underpinning the figures.

C Financial sustainability

C.1 Operating performance

The Council had operating deficits from 2012-13 to 2014-15, followed by consistent operating surpluses until 2021-22. The operating income surplus averaged \$0.3 million per annum from 2012-13 to 2021-22 (see the left chart below).

The projected operating performance is expected to remain in surplus, with revenue growth at 1.3 percent and expenditure growth at 3.2 percent (see the right chart below). Spikes in the operating surplus are related to the Council's Bunyip water projects.



Rates revenue has increased on average by 5.5 percent per annum from 2012-13 to 2021-22,²⁰ during which time rateable property growth averaged 0.8 percent and CPI growth averaged 2.0 percent. Over the same period 'grants, subsidies and contributions' (accounting for 8.9 percent of total operating income) increased by an average of 2.8 percent per annum. Grants income has been 'lumpy' from year to year,²¹ and the three-year average of \$271 per ratepayer in 2021-22 reflects an increase in value in real terms compared with the three-year average of \$194 in 2014-15.

The Council's operating expense growth of 2.9 percent (from 2012-13 to 2021-22) was primarily due to an average annual increase of 4.7 percent in 'employee' expenses and 3.5 percent in 'materials, contracts and other' expenses (see the changes by expense type in specific time periods in the left chart over the page).

Looking forward, the Council is projecting average annual rates revenue growth of 3.3 percent to 2032-33, which encompasses forecast growth in rateable properties. This growth is above the forecast long-term inflation,²² and represents a small real terms increase in rates per property (mainly from the period 2023-24 to 2024-25). After that time, rates are projected to increase at a rate below forecast inflation. The average growth in annual rates revenue is also higher than expected expense growth (rates are discussed in more detail in section D).

Forecast average expense growth of 3.2 percent per annum is above the RBA-based forecast inflation growth²³ and represents a decline from the Council's cost control performance historically (with average annual growth of 2.9 percent in the 10 years to 2020-21).

²⁰ 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).

²¹ Due to the timing of different grants and sometimes advance grant payments (as for the 2023-24 grant allocation, which was received and accounted for in 2022-2023).

²² The forecast average annual growth in the CPI from 2023-24 to 2032-33 is estimated to be 2.6 percent based on the RBA forecasts for the CPI (Australia-wide) to June 2026 (and the Commission's calculations of average annual percentage growth) and within the RBA's target range (2 - 3 percent) from 2025-26.

²³ Footnote 22 applies.

Expenses per property (a metric which also accounts for growth) are expected to remain relatively static over this period, which would represent a significant cost reduction in real terms (based on current inflation projections) (see the right chart below). The Council anticipates benefitting from economies of scale with respect to its forecast growth. This may be a risk, but it appears to be mitigated by significant progress and ongoing demand within the Roseworthy expansion.²⁴



The Council's template data (provided to the Commission) shows that employee numbers are assumed to increase from a current level of 97 FTE to 108 FTE. Most of Council's operating income and expense lines indicate growth close to or above current inflation forecasts. Grants income represents a forecast of \$2.8 million per annum (on average in nominal terms), compared to a historical average of \$1.9 million per annum.²⁵ In addition, 'employee' expenses and 'materials, contracts and other' expenses are forecast to increase by an average of 3.1 percent and 3.8 percent per annum respectively, from 2023-24 to 2032-33. Overall, this would reflect contained growth, close to forecast inflation. This is a positive trend, noting that the Council's improved financial sustainability outlook does rely on continued cost containment and the economies of scale associated with growth in rateable properties as mentioned above.

The Commission has observed the current practice of the Council in conducting regular service level reviews of its operations, focused on achieving increased productivity, efficiency and effectiveness, and ultimately, real savings,²⁶ for example, some of the forecast developments will also contribute community assets such as community centres and sports facilities.²⁷

To ensure the Council is positioned to contain its expenses within its forecast cost base and achieve its operating performance targets (without the need for further rate increases above inflation), the Commission encourages it to:

3. **Continue** to monitor cost growth in its budgeting, including related to employee expenses, to contain it within the forecast long-term financial plan.
4. **Continue** its practice of reporting any actual and projected cost savings in its annual budget (and long-term financial plan, as appropriate), to provide evidence of containing cost growth and achieving efficiency across its operations and service delivery.

C.2 Net financial liabilities

With the Council's operating deficits from 2012-13 to 2014-15, followed by ongoing operating surpluses, its net cash flows after operating and investing (that is, capital-related) activities has averaged negative \$2 million annually between 2012-13 and 2021-22 – strongly influenced by major new capital

²⁴ Email Correspondence with Council dated 31 January 2023 and Council comments on draft advice.

²⁵ Based on the Council's Excel template provided to the Commission. Historical average is based on the 10-year period from 2011-12 to 2021-22; and forecast average is based on the 10-year period from 2023-24 to 2032-33.

²⁶ Council, 2023/2024 Annual Business Plan, Budget, and Long-Term Financial Plan, p. 4.

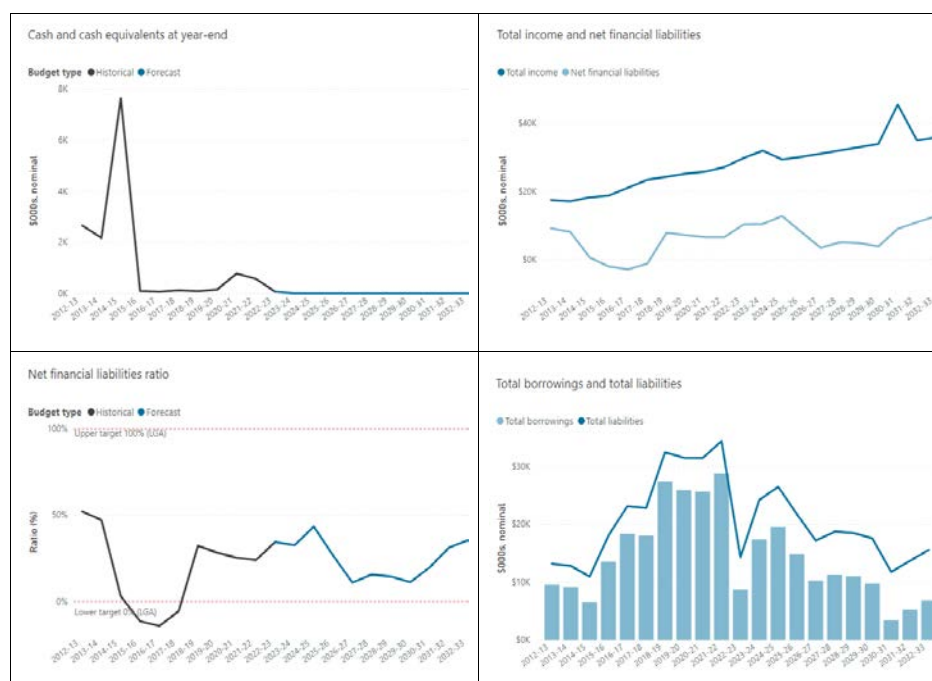
²⁷ Meeting between Council and ESCOSA on 12 December 2023.

acquisitions in 2015-16 and 2018-19. This is different to the chart below which shows cash held by the Council at the end of each year, including financing activities, has been minimal in most years but which has averaged \$1.4 million due to the high level of cash held at year end 2014-15.

The Council has predominantly used borrowings to fund its renewal of existing assets and acquisition of new and upgraded assets and public private partnership projects (e.g. Bunyip water). For example, in the 2015-16 LTFP, the Council included borrowings of \$11.3 million to fund the 'Bunyip1' major water project.²⁸ The Council discharged this loan in 2022-23 and used returns from the project to surrender additional cash advance debenture loans, reducing overall indebtedness.²⁹

The Council's net financial liabilities ratio has trended between 52.1 and negative 14.3 percent between 2012-13 and 2022-23 (see the bottom left chart below). This is within (or below) the suggested LGA target range of between zero and 100 percent (averaging 18 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 the top right chart below).³⁰ The Council has estimated that the ratio will peak at 43.3 percent in 2024-25, with additional borrowings related to the Bunyip2 major water project as noted in the December 2023 meeting with Council.

The ratio will then have a general downwards trajectory until 2029-30 then start rising again, which reflects both the declining trend in borrowings and other liabilities (see bottom right chart below), and the projected operating income growth (an average of 1.3 percent per annum). As previously stated, the Council is relying predominantly on growth in rateable properties and lower growth in operating expenses to maintain or improve its overall financial sustainability.



²⁸ Correspondence with Light Regional Council dated 31 August 2023, p. 3.

²⁹ Note 28 applies.

³⁰ 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).

C.3 Asset renewals expenditure

The Council has experienced a highly variable asset renewal funding ratio³¹ between 2012-13 and 2021-22, and the 2022-23 unaudited estimates³² continue the trend (see chart overleaf top right).

Between 2012-13 and 2021-22, the asset renewal funding ratio (under the 'IAMP-based' approach) averaged 111.9 percent,³³ signifying spending on the renewal and rehabilitation needs of its asset stock that is slightly above the LGA target range over this period but reflecting the Council's need to renew assets that were not renewed in a timely manner prior to 2012³⁴ (as also noted in meeting with Council). The Council's spending on renewal and rehabilitation of assets averaged \$3.3 million each year over the period 2021-13 to 2021-22 (see chart overleaf top left). With reference to increased costs for construction, the Council noted it kept capital expenditure within forecast budgets by deferring projects.³⁵

Over the 10-year projections in the 2023-24 LTFP, the Council has factored in a total of \$94.8 million in capital renewal and replacement works: \$80.2m on renewal and replacement works and \$14.5 million in new and upgraded capital works, accounting for 84.6 percent and 15.4 percent of the total capital expenditure program respectively. The Council's stated practice³⁶ is to take a conservative approach and include only known grants in its LTFP, which may result in the capital expenditure on asset renewals appearing to be more significant. This may present difficulty in comparing historical performance (which includes all grants received) to forecast performance, noting that grants as a percentage of income were 8.9 percent in the period 2012-13 to 2021-22 compared to forecast 8.3 percent for the period from 2023-24 to 2032-33.

The Council's transport assets (mainly road assets) represent a significant asset class, and is a major focus of its renewal investment, estimated to account for approximately 77.5 percent³⁷ of the total asset renewal budget averaging \$6.2 million per annum over the next 10 years. The renewal budget incorporates a portion of deferred renewal expenditure; however, the Council estimates that there will be a 12.5 percent funding shortfall for transport assets,³⁸ which will not be covered over the 10-year projections in the 2023-24 LTFP as it is not included in the projected funding. The Council intends to continue addressing deferred asset renewals as funding is available.³⁹ The intentional exclusion of funding to cover all deferred asset renewals presents a risk of asset failure or service level provision that is lower than expected.

From 2023-24 to 2032-33, the asset renewal funding ratio is forecast to average 112.6 percent (see chart overleaf top right), reflecting continuation of the historical trend that has been focused on renewing deferred asset renewals. Average annual spending on renewal or rehabilitation of assets is projected to increase to \$8 million (in nominal terms).

The Council has significantly grown its asset base over the past 10 years, averaging \$9.2 million per annum on new or upgraded assets between 2012-13 and 2021-22 (see the right chart overleaf). This has led to a steady increase in the value of the asset stock per property of \$550 or 2.5 percent for each year over the 10 years to 2020-21 (see the bottom left chart overleaf).

The Council has forecast a continuation of its high levels of spending on renewals of asset stock as described above, in addition to expenditure on new/upgraded assets partly in transport asset projects

³¹ 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).

³² 2022-23 Unaudited figures as reported in the LTFP template.

³³ 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'.

³⁴ Correspondence with Council dated 11 December 2023, and Council Responses to ESCOSA Questions (p. 4).

³⁵ Correspondence with Council dated 11 December 2023 and Council Responses to ESCOSA Questions (p. 1).

³⁶ Council Responses to ESCOSA Questions and Meeting between Council and ESCOSA on 12 December 2023.

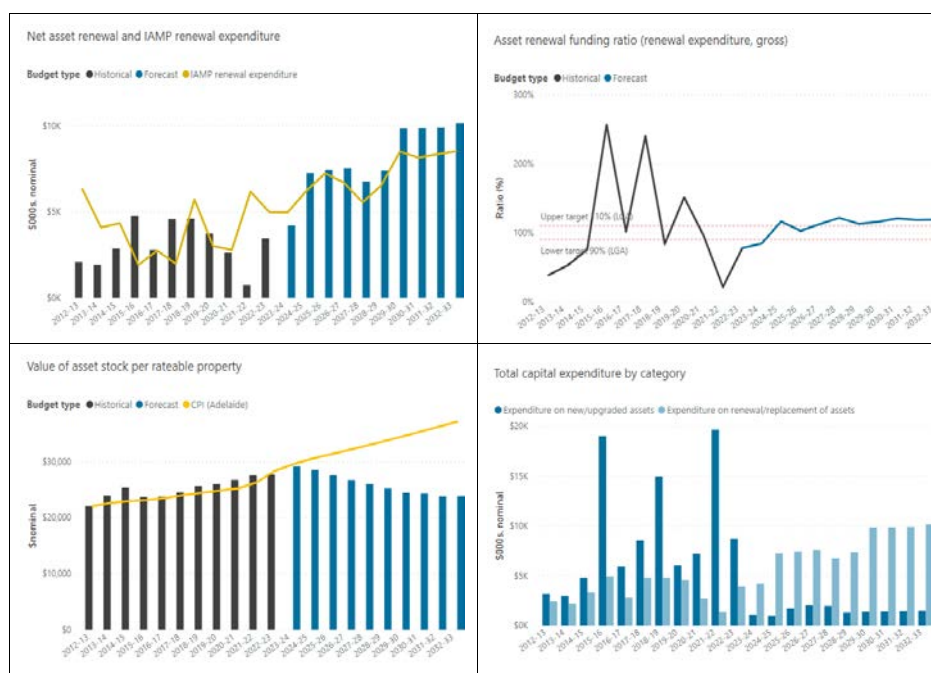
³⁷ Technical Asset Management Plan Summary Bridges, Floodways, Footpaths, Stormwater, Transport (Roads) 2020-2030, p. 4 and LTFP renewal projections.

³⁸ Note 37 applies.

³⁹ Correspondence with Council dated 11 December 2023, and Council Responses to ESCOSA Questions (p. 5).

and township expansion. The Council further forecasts that expenditure on new and upgraded assets will average \$1.5 million per annum from 2023-24 to 2032-33 with growth averaging 3.5 percent per annum (a modest level in comparison to historical expenditure – see chart below right), noting that grants supporting additional expenditure may be excluded as discussed above.

As discussed in a meeting with the Council, the Commission notes the financial impact of the Council's major water projects, significant transport related projects and strong development pipeline causing material differences to the historical expenditure and forecasts.⁴⁰ The forecast asset value per property is expected to decline from \$28,419 in 2022-23 to \$23,820 in 2032-33 (see bottom left chart below) noting that this may be a characteristic applicable to any fast-growing council where rateable property growth is high.



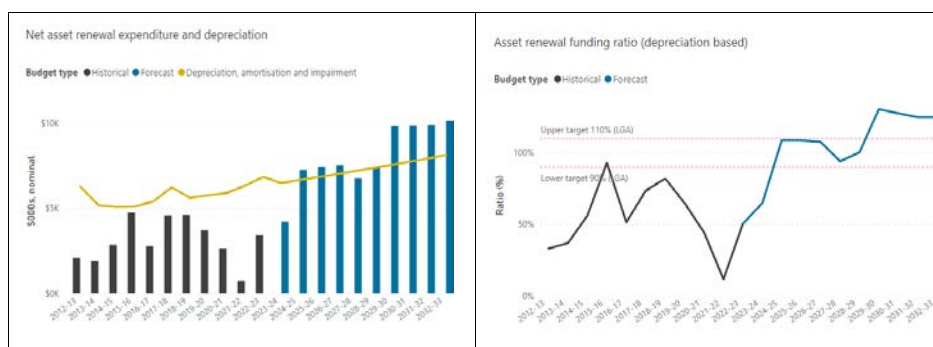
Asset renewals can also be evaluated by the depreciation-based asset renewal funding ratio,⁴¹ which is projected to track in line within the LGA recommended range (for the IAMP-based ratio) of 90-110 percent, averaging 103.7 percent per annum to 2031-32 (see chart overleaf below right). Historically (between 2012-13 to 2021-22) depreciation expenses have outpaced renewal capital expenditure by a significant margin (totalling \$23.8 million over ten years). This earlier period may indicate an intergenerational equity⁴² risk, as the Council had partly funded new/upgrade capital expenditure (through depreciation), while deferring or under investing on its asset renewal needs. There may also be a mismatch between the assessed useful lives of assets and actual useful lives of assets as indicated by renewals required.

⁴⁰ Correspondence with Council dated 31 August 2023 (p. 3); Correspondence with Council dated 11 December 2023; and Council Responses to ESCOSA Questions (p. 1).

⁴¹ 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.

⁴² 'Intergenerational equity' relates to fairly sharing of services and the revenue generated to fund the services between current and future ratepayers.

Council has also noted that significant increases in construction costs in later years (2020-2022) has led to reduced construction outcomes, as costs were contained within the capital works program aligned to LTFP targets.⁴³ Limiting expenditure to budget when costs have risen gives rise to additional deferred asset renewals which, when combined with known shortfalls in funding allocation (refer discussion above), creates a risk of asset failure.



The Council has a comprehensive AMP 2020-2030 in addition to detailed technical AMPs for transport assets, buildings and open spaces, and CWMS assets. These cover most of the Council's asset base and reflect asset valuations that have been carried out within the last four years. In formulating its 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. These matters (among others) have informed the Council's planned operating and maintenance budgets, and asset renewal needs over the period to 2030. The Council has also detailed how its asset renewal funding forecasts (in its 2023-24 LTFP) aligns with its AMP renewal targets. The Commission notes the Council's process of annual review of asset register data and rolling 4-year reviews of specific asset classes.⁴⁴ The Commission's review of the AMPs has found that the Council's strategic planning processes aligns with good practice for a council of its size and complexity.

The Council advises that the current asset class under review is transport assets and potential expenditure from this review is not yet included in the LTFP.⁴⁵ Given that transport assets form a major part of the Council's asset base, there is a risk that significant additional expenditure may be required for depreciation and operational or capital expenditures.

The Council's planned renewal expenditure is mainly attributed to transport assets, covering bridges, floodways, footpaths, stormwater and transport, and accounts for approximately 81 percent of total renewals from 2023-2030.⁴⁶ Aside from transport works, the Council has planned renewals for buildings and open spaces, and CWMS assets (together approximately 19 percent of total renewals). The Council has a strong focus on, and successful track record in attracting, funding to undertake renewal and new capital projects.⁴⁷

As previously noted, the Council has identified some deferral of completion of construction outcomes due to budgetary constraints which has led to a 'renewal funding gap', across all asset classes in its AMPs. This gap is estimated to be \$6 million in 2023-24 and potentially extending to \$16 million in 2032-33; however, the Council anticipates a lower inflation and lower interest rates environment in coming years which may mitigate the size of the gap. In addition, the Council is reviewing its long-term

⁴³ Correspondence with Council dated 31 August 2023, p. 1.

⁴⁴ Council's Responses to ESCOSA Questions (p. 1) and meeting between the Council and ESCOSA on 12 December 2023.

⁴⁵ Correspondence with Council dated 31 August 2023, p. 6.

⁴⁶ Data from Technical Asset Management Plan Summaries -Budget Summary by Lifecycle Activity

⁴⁷ Correspondence with Council dated 11 December 2023; Council's Responses to ESCOSA Questions (p. 1); and meeting between the Council and ESCOSA on 12 December 2023.

funding/borrowing strategy with a focus on inter-generational impacts.⁴⁸ The Commission notes that a deferred asset renewal gap under the current funding regime will remain unless the Council assigns more funding to renewal capital expenditure. For these reasons, the Commission considers that it would be appropriate for the Council to:

5. **Increase funding** to address deferred asset renewals and review adequacy of renewal spending by 2028.
6. **Forecast and include** the impact of new assets into long-term financial plan to provide transparency for existing and future ratepayers.

The Council indicated to the Commission that it is proposing several amendments to its AMPs, as follows:⁴⁹

- ▶ Comprehensive review of all transport infrastructure including asset condition assessments.
- ▶ Revaluation of transport assets.
- ▶ Review and update of AMP with potential changes in priorities.

⁴⁸ Note 43 applies.

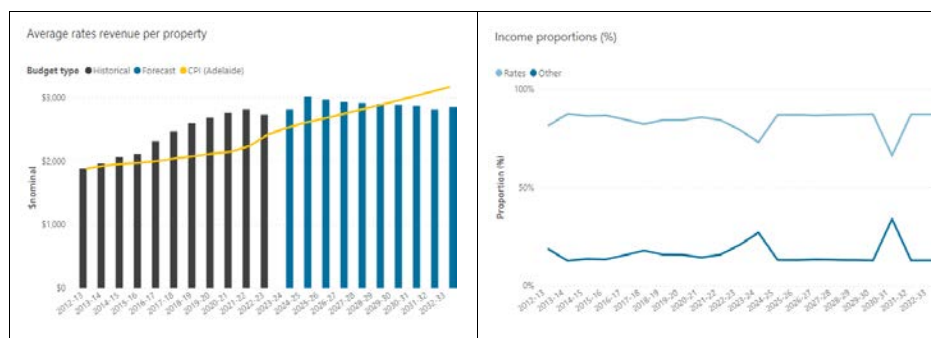
⁴⁹ Correspondence with Council dated 31 August 2023 (p. 6) and in meeting with Council on 12 December 2023.

D Current and projected rate levels

D.1 Historical rates growth

The Council's rate revenue per property growth has averaged 4.6 percent or \$93 per annum for each property over the past 10 years,⁵⁰ to reach an estimated \$2,811 per property in 2021-22 (see the left chart below). This has exceeded CPI growth (2.0 percent per annum over this period⁵¹), but also encompasses 0.8 percent average annual growth in rateable property numbers. Current rate levels partially reflect its recent history of spending growth, predominantly on capital expenditure (on renewals, and new and upgraded assets), higher employee-related costs, and the Council's focus to improve its operating surplus.

The Council remains mostly reliant on its rate base for its operating sustainability although income from capital projects has supported the Council to minimise future rates rises and absorb some expenditure increases.⁵² As the chart below indicates (to the right), rates revenue has been maintained at a steady proportion of income, forecast to account for 83.5 percent of budgeted operating income on average between 2023-24 and 2032-33, compared with 81.4 percent of income in 2012-13. The Commission notes the Council has set its rates after undertaking its own benchmarking reflecting its services and ratepayer's service level expectations.⁵³



D.2 Proposed 2023-24 rate increases

The Council has budgeted for an average rate increase of 3 percent or \$81 per property for its existing ratepayers in 2023-24.⁵⁴ The rates increases are contained despite recent higher short-term inflation, and this was enabled by a significant reduction in finance costs following the realisation of benefits from the Bunyip 1 water project.⁵⁵ The Council also has a strategy to provide rates relief for ratepayers that experience property valuation increases of more than 10 percent,⁵⁶ noting that rateable property valuations increased 13.62 percent from July 2022 until April 2023 when rates were set.⁵⁷ The Council has also assumed growth in the area will be strong, with growth in rateable properties increasing at 3.2

⁵⁰ From 2012-13 to 2021-22.

⁵¹ CPI Adelaide (All groups). Available at: <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/sep-quarter-2023#capital-cities-comparison>

⁵² Light Regional Council 2023/2024 Annual Business Plan, Budget and Long-term Financial Plan, p. 10.

⁵³ Correspondence with Council dated 31 August 2023, p. 7.

⁵⁴ 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 \$23.239 million (in 2023-24 budgeted rates revenue) compared to unaudited 2023-23 estimates. Individual rate level changes may be higher or lower depending on the rates category and property value.

⁵⁵ Correspondence with Council dated 31 August 2023, p. 3.

⁵⁶ Note 45 applies.

⁵⁷ Light Regional Council 2023/2024 Annual Business Plan, Budget and Long-term Financial Plan, p. 8.

percent over the forecast period. Significant regional population growth is anticipated in the area surrounding Roseworthy over the next decade.⁵⁸

Different rate categories are subject to varying changes, with residential ratepayers to pay a lower increase of 2.7 percent or \$48 per property on 2022-23 levels. Primary production (mostly farmland) ratepayers are budgeted to pay 2.8 percent or \$74 per property.⁵⁹

Other than 'general rates' revenue, the Council collects income from waste collection, the CWMS charge, and the Regional Landscape Levy.

D.3 Projected further rate increases

Over the forward years of its LTFP, the Council is projecting average rates increases per property for its existing ratepayers of approximately 0.6 percent per annum from 2022-23 to 2032-33 primarily due to the forecast growth in rateable properties.

In total, the LTFP effectively projects a modest cumulative increase of \$171.35 per existing ratepayer by 2032-33,⁶⁰ which is consistent with the Council's assumption of growth in rateable properties, lower inflation and interest rate growth over this period but is also below the RBA-based inflation forecast of an average of 2.6 percent per annum.⁶¹

As a result of the modest rates increases, the percentage of the Council's total income contributions from ratepayers is projected to average around 83.5 percent, a consistent percentage compared with the historical average.

Risks for ratepayers may arise if:

- ▶ the anticipated growth does not eventuate,
- ▶ inflation exceeds the Council's estimates,
- ▶ additional operational expenditure is required due to a revised transport AMP, or
- ▶ unanticipated remedial expenditure is required due to deferred asset renewal backlogs.

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,⁶²
- ▶ the current rates without further forecast increases above inflation for ratepayers,

⁵⁸ Light Regional Council 2023/2024 Annual Business Plan, Budget and Long-term Financial Plan, p. 5.

⁵⁹ Rate in the dollar applied to the capital value of the property in the Council area. Light Regional Council, 2023/2024 Annual Business Plan, Budget and Long-term Financial Plan, p. 49.

⁶⁰ The Commission has calculated growth based on removing the effect of the Bunyip water projects income on rates revenue following discussion with the Council on 31 January 2024.

⁶¹ The forecast average annual growth in the CPI from 2023-24 to 2032-33 is estimated to be 2.6 percent based on the RBA forecasts for the CPI (Australia-wide) to June 2026 (and the Commission's calculations of average annual percentage growth) and within the RBA's target range (2 - 3 percent) from 2025-26.

⁶² The Light Regional Council area is ranked 70 among 71 South Australian 'local government areas' (including Anangu Pitjantjatjara and Maralinga Tjarutja Aboriginal community areas and 'unincorporated SA') on the Australian Bureau of Statistics SEIFA Index of Economic Resources (2021), where a lower score (eg, 1) denotes relatively lower access to economic resources in general, compared with other areas, available at <https://www.abs.gov.au/ausstats/subscriber.nsf/log?openagent&2033055001%20-%20Iga%20indexes.xls&2033.0.55.001&Data%20Cubes&5604C75C214CD3D0CA25825D000F91AE&0&2016&27.03.2018&Latest>.

- ▶ the effect of cumulative increases in rates per existing ratepayer of approximately 2.0 percent per annum to the period 2031-32, below the forecast rate of inflation, and
- ▶ the overall financial sustainability risks of the Council and its LTFP trend towards ongoing operating surpluses.

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

7. **Consider** limiting future increases in rates to no more than expected inflation.



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