

2026 / 2027
Annual
BUSINESS PLAN
& BUDGET

PINNAROO BOWLING CLUB
EST. 1945

SOUTHERN MALLEE DISTRICT COUNCIL



CONTENTS



Introduction	2	Financial Overview	20
Welcome to the Annual Business Plan & Budget.....	3	Annual Business Plan and Budget Summary	21
Mayor's Message.....	4	Essential Services Commission of South Australia Local	
CEO's Message.....	5	Government Advice.....	22
Key Summary	6	Financial Summary.....	24
About Southern Mallee District Council.....	7	2026/2027 Planned Programs	27
General Information.....	8	Capital Works Program 2026/2027	28
Map of the Council Area.....	9	Operating Projects Program 2026/2027.....	31
Elected Members	10	Rating Overview	33
Our Structure.....	11	Rating Strategy.....	34
Our Strategic Framework.....	13	Annual Service Charges.....	41
Council's Suite of Strategic Management Plans.....	14	Appendices	42
Strategic Plan	15	Appendix A Budgeted Financial Statements.....	42
Strategic Plan Strategies Addressed in this Annual		Appendix B Local Government Financial Indicator	
Business Plan & Budget.....	16	Definitions	49
Our Services.....	17	Appendix C Essential Services Commission of South	
Council Services.....	18	Australia Local Government Advice.....	51
Council's Planned Expenditure at a Glance	19		

INTRODUCTION





WELCOME TO THE

Annual Business Plan & Budget

The 2026/2027 Annual Business Plan and Budget (the “Annual Business Plan & Budget”) outlines our planned programs, activities and goals for the upcoming financial year.

The report demonstrates how we will allocate our resources to achieve our goals. It provides an overview of our Council district, our strategic framework and valuable information on the ongoing services we provide our community. The report details our financial position and outlines the key activities Council has included in its capital and operational programs for 2026/2027. This report also provides details on our rating strategy and implementation.

The Annual Business Plan & Budget meets the requirements of the Local Government Act 1999, and provides information to our community and stakeholders on Council’s goals for the 2026/2027 financial year. Our goals are derived from our key strategic documents and aim to be delivered whilst ensuring Council’s long term financial sustainability.

The report has been divided into the following sections:

- Introduction (pages 2-6)
- About Southern Mallee District Council (pages 7-12)
- Our Strategic Framework (pages 13-16)
- Our Services (pages 17-19)
- Financial Overview (pages 20-26)
- 2026/2027 Planned Programs (pages 27-32)
- Rating Overview (pages 33-41)

Our appendices follow these sections providing detailed financial statements and explaining the key financial indicators that Local Government endorses to demonstrate the financial position of Council in 2026/2027.

For further information please contact:

Southern Mallee District Council

Day Street, PO Box 49, Pinnaroo, SA, 5304
e council@southernmallee.sa.gov.au
t 08 8577 8002
w www.southernmallee.sa.gov.au

This Annual Business Plan & Budget can be accessed in hardcopy from our principal office in Pinnaroo or online from our website.

MAYOR'S *Message*

2026/27 Annual Business Plan and Budget, and for the first time this term we're presenting it to you with no leadership staff changes to report!!

Stability matters. It gives our community confidence both internally and externally, it helps elected members and the administration work together with a shared understanding. Ultimately, that leads to better outcomes for the community.

Our revised strategic documents and supporting policies, informed by data and much discussed, are now all but finalised. This information has been used by the administration, led by our CEO Jason, to develop this year's Business Plan and Budget.

These documents also set the groundwork for the revised 10-year long-term financial plan, which will be updated when the final piece is due next month. That long-term plan is the foundation for future budgets, which is why getting the data right is so important.

This year council is proposing a 9.6% rate increase.

We have aimed to strike a balance: between maintaining essential community infrastructure and services, while increasing funding for roads, both unsealed (rubble) and sealed (bitumen).

For the first time, the plan includes a 4% allocation toward developing a small amount of clay roads. Importantly, this year there is also a dedicated clay road policy that sets out the options and, most importantly, introduces a transparent application process. Anyone can make a request, and it will be assessed fairly and without bias.

The 9.6% also includes a 1% allocation toward building a modest cash surplus. Even a small contribution over time

helps build some resilience. However, we also recognise that we shouldn't raise rates simply to put money aside, so the amount has been kept limited.

The asset condition reviews and re-valuations are now in and complete. The CEO has confidence in the numbers, and so do we. The depreciation figure which reflects the funding needed to maintain assets in line with asset management plans has increased by about \$1 million, bringing the total to \$4.7 million. The administration has also worked to ensure only asset values that align with the intended service levels are assessed, rather than letting high valuations be applied unchecked.

While we are investing more in infrastructure this year, we've also chosen to underspend by \$0.5 million. We have done this to limit the rate rise whilst we are in a higher-than-normal CPI environment. Whilst we have used 4.6% CPI, the true cost increases to council are often far beyond this, we are also mindful of the global volatility which directly affects many of councils' major inputs such as bitumen. That volatility could affect timing of some sealed road works if they're not cost effective, this may result in works timing changes throughout the year as it has done this year with where we do road works to limit fuel usage.

I encourage you to have your say. We look forward to hearing your views in writing or in person at the public consultation at council.

We are one Southern Mallee.



Cr Ron Valentine
Mayor





CEO'S *Message*

It is my pleasure to present the Southern Mallee District Council's 2026/27 Annual Business Plan and Budget.

This budget reflects a Council that is looking forward with confidence. It builds on the significant work undertaken over recent years to strengthen our financial position, improve our asset management practices and ensure we continue to deliver the services and infrastructure our communities rely on.

Council's focus remains clear: maintaining essential services, investing in our infrastructure, supporting our towns and districts, and ensuring that we remain financially sustainable for future generations. Achieving this balance is not always easy, particularly during a period of rising costs and increasing expectations. However, I am pleased that this budget continues to make meaningful investments in our assets while maintaining a responsible approach to rates and expenditure.

Over the past year, Council has made significant progress in understanding the condition, performance and future needs of our infrastructure. This work provides a stronger foundation for decision-making and ensures that future investment is targeted where it will deliver the greatest benefit to our communities. It also allows us to plan with greater confidence and transparency, ensuring that today's decisions support tomorrow's outcomes.

The 2026/27 Budget includes a substantial capital works program that will see continued investment in roads, buildings, stormwater and community infrastructure across the district. These investments are not simply about maintaining assets; they are about supporting livable communities, improving connectivity, enabling economic activity and creating places where people want to live, work and raise their families.

Importantly, this budget also reflects Council's commitment to long-term financial sustainability. Sound financial management is not about short-term decisions or annual results alone. It is about ensuring that future councils and future generations inherit an organisation that is financially responsible, well-managed and capable of continuing to provide valued services without placing an unreasonable burden on ratepayers.

I am particularly proud of the progress Council has made in recent years. We have strengthened our strategic planning, improved our financial and asset management frameworks, enhanced governance practices and developed a clearer understanding of the challenges and opportunities that lie ahead. While there is always more work to do, we are building a stronger organisation with each passing year.

On behalf of Council, I would like to thank our Elected Members, staff, volunteers, community groups, businesses and residents for their ongoing support and contribution to the Southern Mallee. The success of our district is built on the dedication and commitment of many people working together towards a common goal.

I am excited about the opportunities ahead and remain confident that, through careful planning, sound financial management and a continued focus on community outcomes, we will continue to build a strong, sustainable and prosperous future for the Southern Mallee.

Jason Beaton
Chief Executive Officer



KEY *Summary*

Council's focus for the 2026/2027 Annual Business Plan & Budget is to continue to strengthen and support the Southern Mallee community, economy and environment.

Some of the key projects and activities planned include:

- Major investment into our roads including re-sheeting approximately 42.5km
- Renewal of the Lameroo main street public toilets; and
- Significant investment into our community wastewater management systems and bores through numerous pump replacements

PLANNED ACTIVITIES

- In addition to our regular service delivery, our strategic initiatives contribute towards achieving our long-term goals. These include:
 - 48 capital initiatives: \$4,499,471
 - 20 operating initiatives: \$153,000

CAPITAL BUDGET

- \$4,499,471 for capital expenditure on renewal of existing assets.

OPERATING BUDGET

- Council is proposing an operating surplus of \$170,000.

BORROWING

- Council's direct borrowings will decrease by \$192,000, resulting in forecast total borrowings at 30 June 2027 of \$3,375,000.

RATES

- Increase in general rate revenue of 9.6% including growth after rebates and concessions. This increase will allow for continued financial sustainability, maintain our much-needed services and fund new initiatives.

FINANCIAL SUSTAINABILITY

- Operating surplus ratio of 1.50% in line with Council's target of 0% to 10%.
- Net financial liabilities ratio 27.67% in line with Council's target of 0% to 100%.
- Asset sustainability ratio 188.22% outside of Council's target of 90% to 110%.

ABOUT SOUTHERN MALLEE DISTRICT COUNCIL



GENERAL

Information



POPULATION

1,979



RATEABLE PROPERTIES

1,766



SEALED ROAD LENGTH

132 km



UNSEALED ROAD LENGTH

1,210 km



TOTAL DISTRICT AREA

5,700 square kilometres



COMMERCIAL CENTRES

Lameroo & Pinnaroo



LIBRARIES

Lameroo & Pinnaroo



SCHOOLS

Lameroo & Pinnaroo



SPORT & RECREATION FACILITIES

Geranium, Lameroo, Parilla, Parrakie, Pinnaroo & Wilkawatt



CEMETERIES

Lameroo, Parrakie & Pinnaroo



(08) 8577 8002



www.southernmallee.sa.gov.au



council@southernmallee.sa.gov.au



www.facebook.com/SouthernMalleeDC

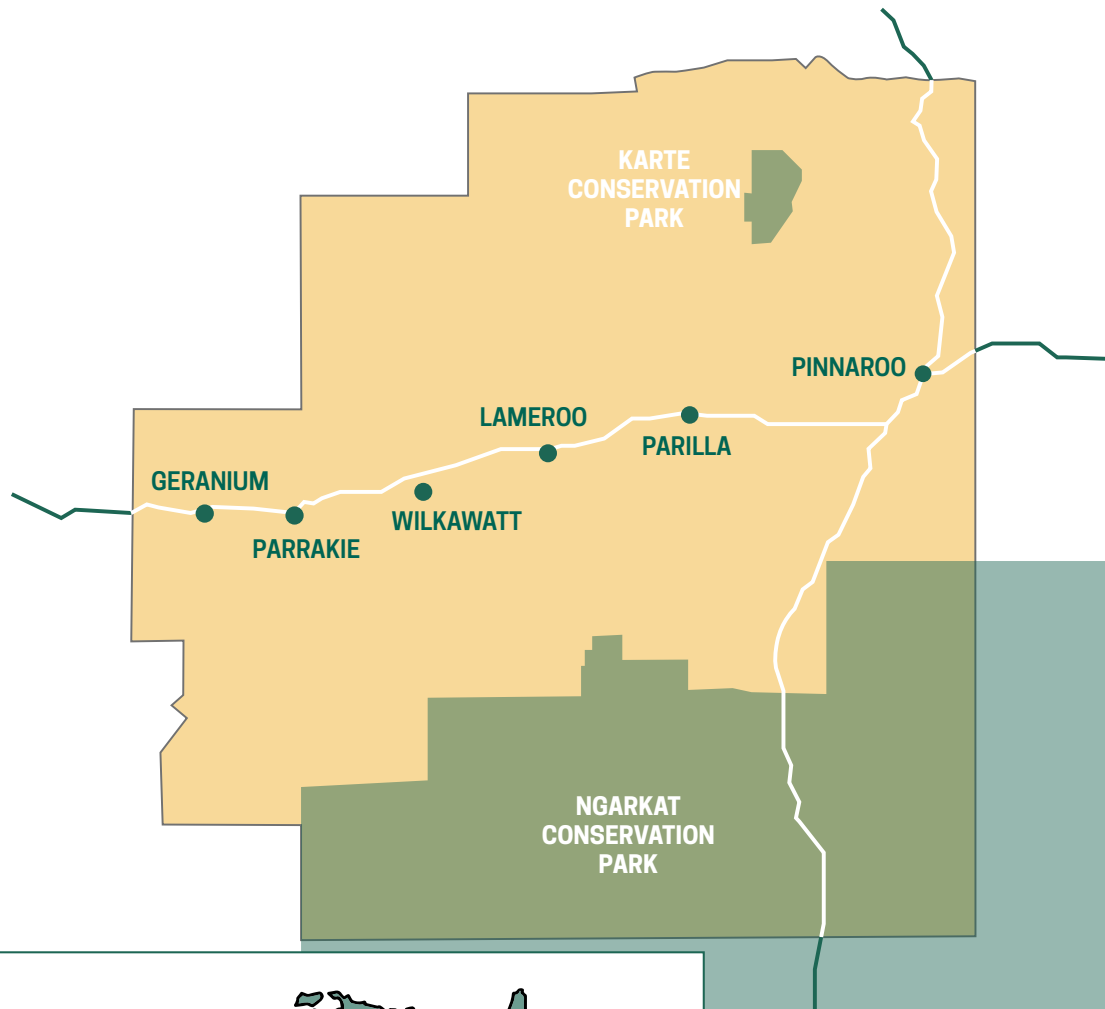


www.instagram.com/southernmalleedistrictcouncil

MAP OF THE

Council Area

| SOUTHERN MALLEE DISTRICT COUNCIL



ELECTED *Members*



Cr Ron Valentine
Mayor
Audit and Risk Committee
CEO Performance Review Panel



Cr Christopher Mead
Deputy Mayor
CEO Performance Review Panel



Cr Luke Kennedy
Elected Member



Cr Campbell Michell
Elected Member
Council Assessment Panel
CEO Performance Review Panel



Cr Neville Pfeiffer
Elected Member



Cr Trevor Pocock
Elected Member



Cr David Smith
Elected Member





OUR *Structure*

| COUNCIL AND COMMITTEES

The Elected Council's role is to provide for the governance and stewardship of the Council. It does this through representing the interests of the community, providing a range of services and facilities for the community; and exercising its functions under legislation and its strategic plans.

The Audit and Risk Committee, Council Assessment Panel, CEO Performance Review Panel, Financial Sustainability Committee and Roads and Infrastructure Committee have been established in accordance with legislation to assist the Council and the Administration to discharge their responsibilities in specific areas.

| REGIONAL SUBSIDIARIES

Regional subsidiaries are formed to assist in the strategic planning and service delivery activities across regions.

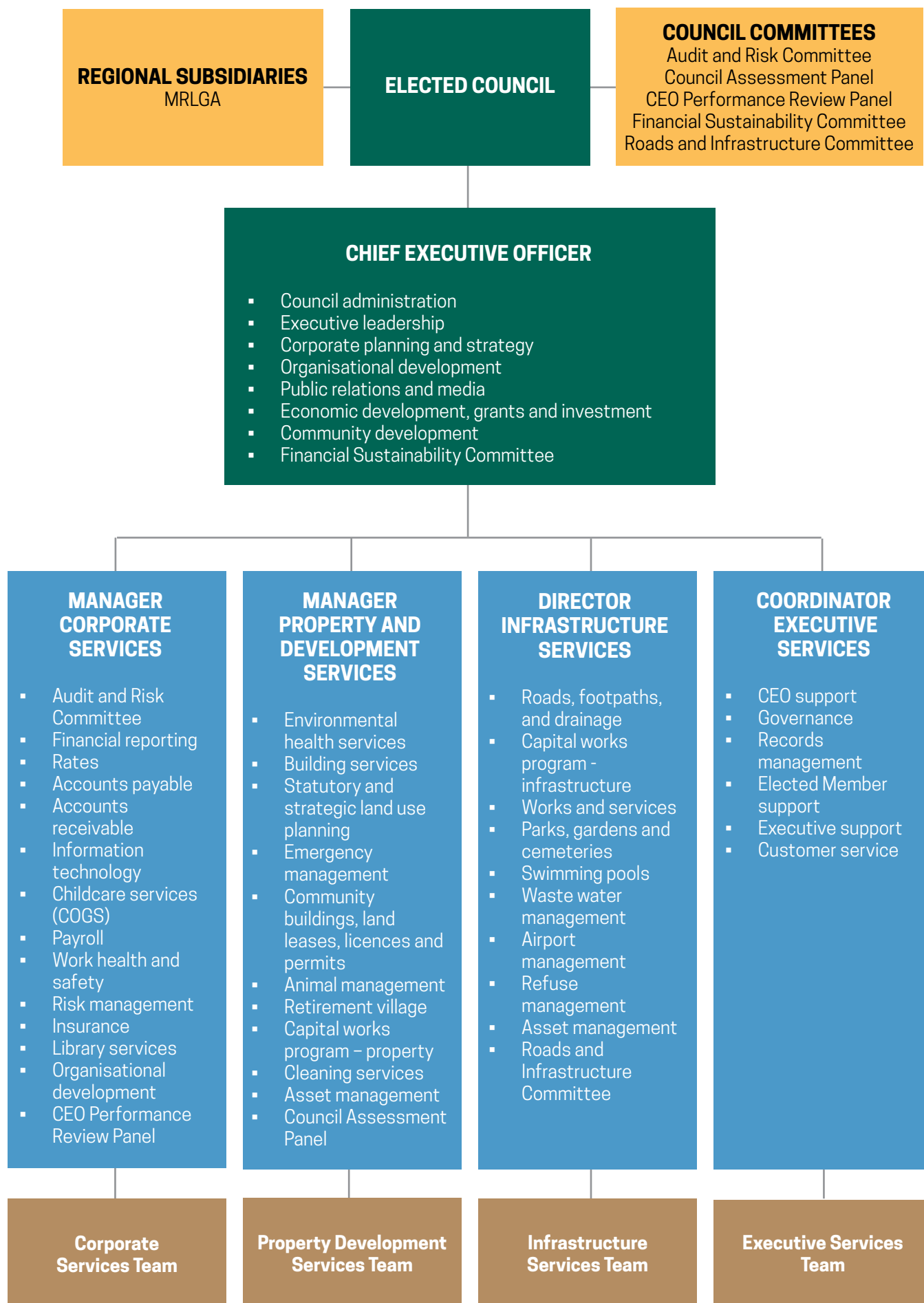
Council is a member of one regional subsidiary, the Murraylands and Riverland Local Government Association (MRLGA), which represents a group of councils from the Murraylands and Riverland. The MRLGA facilitates, co-ordinates, advocates and undertakes projects for the councils it represents in the areas of the environment, economic and social development with the objective of achieving continuing improvements for the benefit of the communities and its constituency councils.

| ADMINISTRATION

Council's Administration is led by a Chief Executive Officer (CEO) appointed by the Council.

The CEO is responsible for the overall administration of Council and for ensuring policies, programs and services are delivered and implemented by staff.

Senior staff are responsible for the organisation portfolios of Corporate Services, Infrastructure Services, Property and Development Services and Executive Services.



OUR STRATEGIC FRAMEWORK



COUNCIL'S SUITE OF *Strategic Management Plans*

Council develops and adopts a suite of plans which align to the Strategic Plan and complement each other. These plans are used to inform Council's decision making and actions.

| LONG TERM FINANCIAL PLAN

Council is committed to ensuring its long-term financial sustainability and is keen to ensure that objectives, goals and targets set in its various strategic planning documents are adhered to and met.

Council's Long Term Financial Plan 2022/2023 – 2031/2032 (the 'Long Term Financial Plan') was last formally reviewed and adopted in June 2023. The next review is due to be finalised in the first half of 2026/2027 once the final Asset Management Plans, as commissioned by Council, are completed.

| ASSET MANAGEMENT PLAN

Council adopts asset management plans for the various classes:

- The Asset Management Plan, Plant and Equipment 2023
- The Asset Management Plan, Buildings and Structures 2026 (Draft)
- The Asset Management Plan, Infrastructure 2026 (Draft)
- The Asset Management Plan, Community Wastewater Management Scheme 2026
- The Asset Management Plan, Stormwater Infrastructure, 2026

Council's suite of asset management plans outline the management of the major assets of Council. The asset management plans are used in conjunction with, and inform, the Long Term Financial Plan to assist in the long term and annual decision making of Council.

Two key plans for Buildings and Structures and Infrastructure are currently being reviewed and updated in late 2025/2026, together these plans will help support the sustainable management of finances and Council infrastructure. Ensuring Council has updated cost estimates of infrastructure and asset custodianship is important so that it is reflected in the next Long Term Financial Plan.

| ANNUAL BUSINESS PLAN

Each year the Council develops an Annual Business Plan. The purpose of the Annual Business Plan is to highlight those activities that will be undertaken in the financial year in support of the strategic goals of Council. The Annual Business Plan strives to achieve the long term strategy targets of Council.

| ANNUAL BUDGET

The Annual Budget forms part of the Council's annual planning documents and is critical to the delivery of services and the management of Council's financial sustainability and operations. The Annual Budget details the expected costs and revenues that Council will need to achieve the goals of the Annual Business Plan.

STRATEGIC *Plan*

The Southern Mallee District Council Strategic Management Plan 2025/2030 (the “Strategic Plan”) was adopted by Council in January 2026. The Strategic Plan guides Council’s direction and actions. Council has identified four key result areas within the Strategic Plan.



KEY RESULT AREA 1. OUR COMMUNITY

The health and prosperity of our community is paramount. We will work together to build strong and engaged communities where diversity, participation and healthy lifestyles are celebrated. Our community will be well planned, safe and inclusive and have access to the necessary facilities and services. We will seek to inspire, engage and connect with our community knowing that working collaboratively together can achieve more and deliver better outcomes.



KEY RESULT AREA 2. OUR ECONOMY

Our future is reliant on growing a diverse and viable economic base that attracts investment and jobs in sustainable industries. While we are reliant on our strengths in agriculture and horticulture, that provide the backbone of our economy, we will embrace and develop innovation and new ideas to create a vibrant community with opportunities for all. We will strive to grow tourism and maintain our population. Increasing employment and housing opportunities will be a priority.



KEY RESULT AREA 3. OUR INFRASTRUCTURE

Infrastructure is a critical component of our community. It enables economic growth, improves safety, and enhances quality of life. Roads, footpaths, stormwater management, and recreation areas all play a vital role in the development of the region. By investing in these types of infrastructure, we can create a strong foundation for our community to thrive. One of the greatest challenges for us in the coming years will be maintaining our large asset base, prioritising capital works programs, and determining what we can afford.



KEY RESULT AREA 4. OUR ORGANISATION

This section of our plan focuses on the essential services that drive strong governance and the efficient operations of Council. At the centre is our commitment to long-term financial sustainability—ensuring we can deliver quality services today while safeguarding the future. We aim to strengthen the integrity of our corporate systems, uphold high standards of governance, and maintain the financial viability of the organisation. The actions outlined are closely aligned with our strategic goals, embedding efficiency and effectiveness across all operations. Clear responsibilities and defined timeframes reinforce our commitment to accountability, prudent financial management, and continuous improvement for the benefit of our community.

STRATEGIC PLAN STRATEGIES ADDRESSED IN THIS ANNUAL BUSINESS PLAN & BUDGET

Each key result area in the Strategic Plan has several strategies that contribute to the achievement of that goal over the life of the Strategic Plan. Given the breadth of the Strategic Plan, this means that some strategies and the actions associated with them have more focus in particular years rather than others.

The Annual Business Plan is the mechanism that identifies the actions, services, facilities and projects that will be undertaken in that year in support of the Strategic Plan key result areas and strategies. For 2026/2027, the focus is on the following strategies from the Strategic Plan and these serve as the objectives for this year's Annual Business Plan:

- 1.1- Enhance community development through support of community groups and volunteers
- 1.2- Support community life, health, culture and wellbeing
- 1.3- Enhance community communication through innovation in digital communication
- 2.1- Engage with the community to ensure informed decision making and better outcomes for the whole community
- 2.2- Promote and facilitate housing and land opportunities to increase population growth and support local industry
- 2.3- Actively support tourism initiatives and growth
- 3.1- Improve the strategic and technical asset management capability and practices with a focus on planning to manage assets at the most optimal whole of life cost
- 3.2- Rationalise underperforming and excess assets, plant and equipment
- 3.3- Maintain and improve our community buildings and facilities
- 3.4- Ensure the collection, retention and disposal of common effluent that promotes sustainable management of water resources
- 3.5- Implement sustainable programs and practices for the management of waste throughout the district
- 4.1- Monitor the financial capacity of the Council to ensure future sustainability
- 4.2- Ensure robust, efficient, and effective operation of Council's corporate systems
- 4.3- Ensure the development of the staff to create a team that is capable of serving the community's needs
- 4.4- Ensure Council operations are effective efficient and lean – optimising productivity
- 4.5- Provide an environment conducive to ethical and transparent decision making – Governance
- 4.6- We will partner with all levels of government, peak bodies, community organisations and business to leverage opportunities for the betterment of our communities

MEASURES TO ASSESS THE PERFORMANCE OF COUNCIL IN ACHIEVING ITS OBJECTIVES

The Council has the following processes for measuring the achievement of its objectives set out in the Annual Business Plan:

- Both the operating and capital projects set out in the Annual Business Plan will be reported monthly to the Council in terms of implementation status and expenditure against budget.
- The financial performance of the Council in relation to the Budgeted Financial Statements is also reported monthly to Council.
- Progress on the achievement of the Strategic Plan strategies and actions prioritised for this Annual Business Plan will be reported in the Annual Report for the financial year.

OUR SERVICES



COUNCIL *Services*

Council provides many essential services within our district to ensure our community remains vibrant, clean and safe.



ADMINISTRATION

Customer service, Council support, records management and maintaining the electoral roll



COMMUNITY BUILDINGS

Managing and maintaining a wide range of community buildings



BUILDING AND DEVELOPMENT

Facilitating planning and building approvals and wastewater applications



CEMETERIES

Provision and operation of the Lameroo, Parrakie and Pinnaroo cemeteries



CHILDCARE

Management of the Lameroo and Pinnaroo childcare services



DOG AND CAT MANAGEMENT

Assistance with renewals, animal control, lost animals and the provision of pounds



EMERGENCY MANAGEMENT

Local and zone emergency management plans



FIRE PROTECTION

Preparation for fire danger season and district bushfire management plans



LIBRARY SERVICES

Contributing to Lameroo and Pinnaroo School Community Libraries



PARKS AND GARDENS

Maintenance of parks, reserves and playgrounds



PINNAROO RETIREMENT VILLAGE

Management of seven retirement units in Pinnaroo



PUBLIC HEALTH

Regulating food safety, water quality, sanitation, mosquito control and other environmental issues



ROADS AND FOOTPATHS

Managing and maintaining the local road and footpath network



SWIMMING POOLS

Investment, management and maintenance into the Lameroo and Pinnaroo swimming pool facilities



WASTE MANAGEMENT

Kerbside waste and recycling collection and the provision of transfer stations in Geranium, Lameroo and Pinnaroo



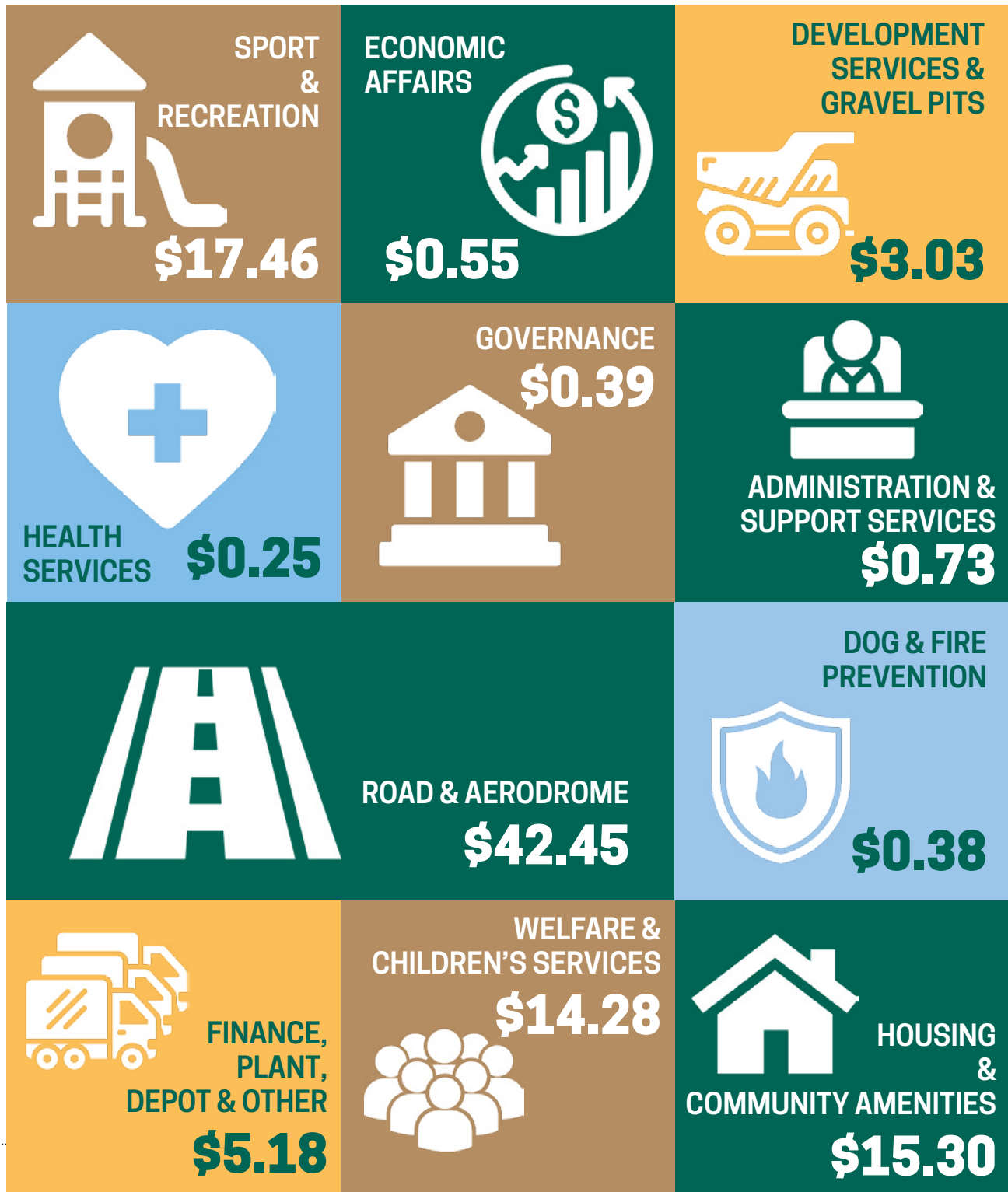
WASTEWATER MANAGEMENT

Operation of the community wastewater management system within the towns of Lameroo and Pinnaroo

COUNCIL'S PLANNED EXPENDITURE AT A *Glance*

HOW \$100 OF COUNCIL FUNDS WILL BE SPENT IN THE 2026/2027 BUDGET

This infographic outlines how Council's 2026/2027 Annual Business Plan & Budget is proposing to allocate every \$100 of Council funds:



FINANCIAL OVERVIEW



ANNUAL BUSINESS PLAN & BUDGET *Summary*

| FRAMING COUNCIL'S ANNUAL BUSINESS PLAN & BUDGET

A number of significant factors have influenced the preparation of Council's 2026/2027 Annual Business Plan & Budget.

These include:

- Requirements to maintain infrastructure assets at acceptable standards
- The level of State and Commonwealth Government grant funding
- Fees and charges imposed by the State Government including the solid waste levy
- Cost of compliance with State Government reporting and accountability requirements
- CPI (4.6% March 2026 Adelaide)
- Local Government Price Index (LGPI) (3.6% March 2026 Adelaide)
- Employee Enterprise Agreements
- Increased depreciation from newly constructed assets
- Continued increases in utility costs
- Continued increases in insurance premiums
- The level of capital and operational services required across the district
- Sustainable settings of Council's Long Term and Strategic Planning documents.

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

- An operating surplus is planned. It is proposed that the total amount of General Rates to be collected in 2026/2027 is to increase by 9.6% including growth in new properties.
- Maintenance and renewal of existing assets will be a matter of priority to ensure that the range and level of services being provided by Council's infrastructure is maintained at a reasonable level.
- The ongoing challenge for the Southern Mallee District Council to prioritise expenditures to meet the demand for services and facilities. Given the asset intensive nature of the Council's activities, assessing the long-term capacity of the community to fund ongoing maintenance and rehabilitation of infrastructure assets is a crucial consideration.



Southern Mallee's New Australian Citizens

ESSENTIAL SERVICES

COMMISSION OF SOUTH AUSTRALIA

Local Government Advice

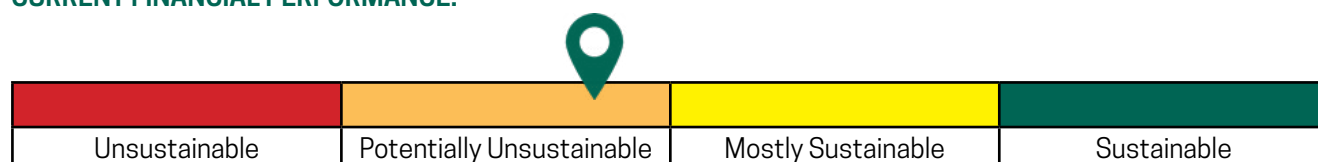
Council is obliged under the Local Government Act 1999 (LGA Act) to publish this advice and its response, if applicable, in its 2026-2027 Annual Business Plan and subsequent plans until the next cycle of the scheme. It does not need to publish the attachment to the advice (these will be available with the advice on the Commissions website) nor is it compelled under the LGA Act to follow this advice. Council have included the attachment to the advice for full transparency.

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

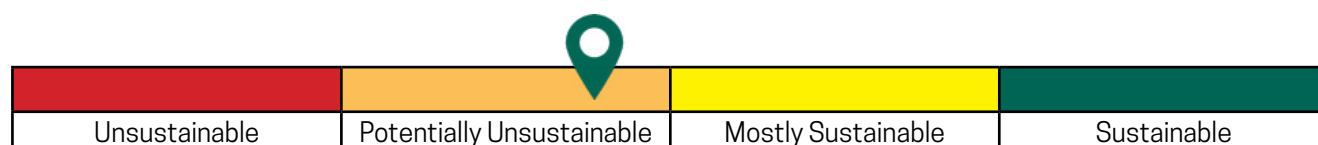
| ESCOSA'S FINDINGS

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

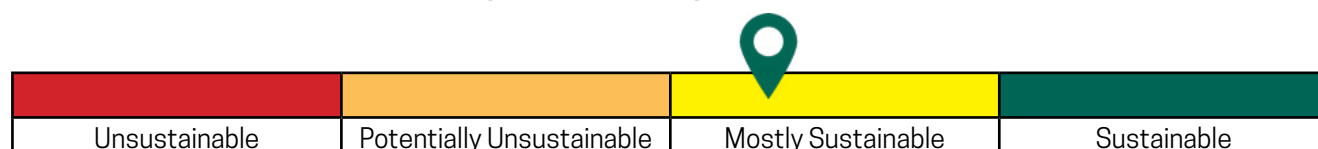
CURRENT FINANCIAL PERFORMANCE:



PROJECTED FINANCIAL PERFORMANCE (FUTURE):



PROJECTED FINANCIAL PERFORMANCE (PAST TEN YEARS):



EXCERPT FROM ESCOSA LOCAL GOVERNMENT ADVICE TO SOUTHERN MALLEE DISTRICT COUNCIL FEBRUARY 2026:

The Essential Services Commission finds Southern Mallee District Council's current and projected financial performance potentially unsustainable. This is based on a recent deterioration in operating performance, an inadequate review of the Long-Term Financial Plan that may not comply with the Council's legislative obligations, and out-dated asset valuations for some major asset classes, with the risk that depreciation expenses are understated. The Council intends to undertake several strategic planning updates in the 2025-2026 financial year, and to continue to focus on infrastructure renewals. Like other regional councils, the Southern Mallee District Council must balance service delivery with financial constraints. It is challenged by a relatively small rateable property base, cost pressures and managing infrastructure over a large geographic area.



FINANCIAL Summary

FUNDING THE ANNUAL BUSINESS PLAN & BUDGET

In delivering services and programs contained within this Annual Business Plan & Budget, Council is targeting an operating surplus of \$170,000 in 2026/2027 as a result of

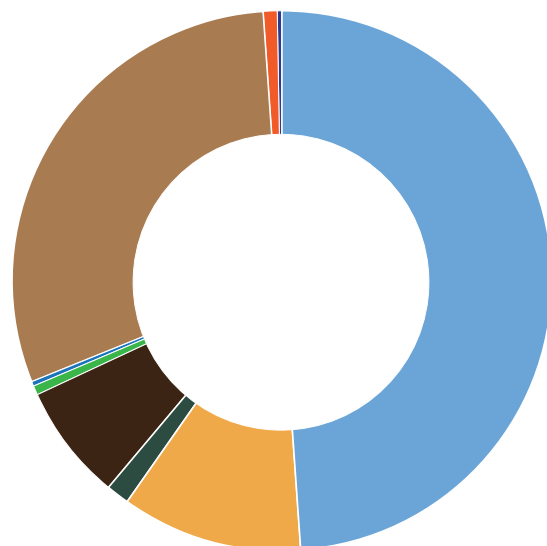
Operating Revenues	\$11,334,000
Less Operating Expenditure	\$11,164,000
Net Operating Surplus	\$170,000

Council's annual operating revenue is considered sufficient to meet expected operating expenditure for the 2026/2027 year.

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

COUNCIL'S SOURCE OF FUNDS

CATEGORY	%	\$
Rates General	48.9%	\$5,537,000
Rates Other (CWMS, Garbage, RL Levy)	10.9%	\$1,237,000
User Charges	1.4%	157,000
Childcare	7.1%	\$804,000
Statutory Charges	0.5%	\$60,000
Investment Income	0.1%	\$10,000
Grants	30.0%	\$3,400,000
Other Revenue	1.0%	\$118,000
Reimbursements	0.1%	\$10,000
TOTAL		\$11,334,000



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

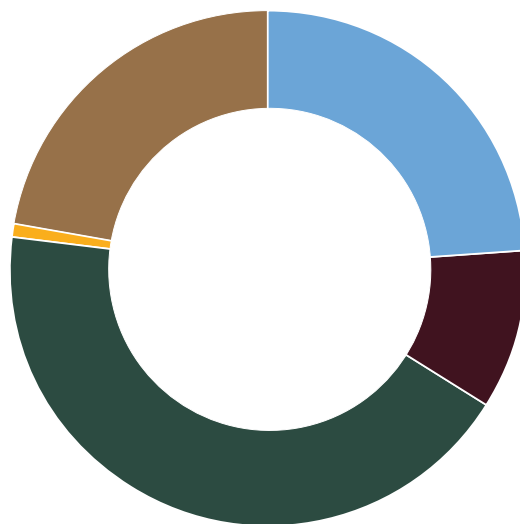
The Plan aims to contribute to the long-term financial sustainability of the Council through prudent and responsible financial management that will result in operating expenses being slightly more than its operating revenue, thereby producing a small operating deficit.

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

Depreciation consumes 43% of Council's funds which should be then invested into capital spending. This Annual Business Plan & Budget outlines a total capital expenditure budget of \$4,499,471 which is all focused on the renewal of existing assets.

COUNCIL'S ALLOCATION OF FUNDS

CATEGORY	%	\$
Employee Costs - Council	24%	\$2,679,000
Employee Costs - Childcare	10%	\$1,114,000
Finance Costs	1%	\$154,000
Depreciation	43%	\$4,792,000
Materials, Contractors & Other Expenses	22%	\$2,424,000
TOTAL		\$11,164,000



IMPACT ON COUNCIL'S FINANCIAL POSITION

Based on Council's Annual Business Plan & Budget, Council's direct borrowings will decrease from \$3,567,000 at the end of 2025/2026 to \$3,375,000 at the end of 2026/2027. This is a result of \$192,000 in loan payments in 2026/2027.

Overall, key financial indicators show that Council's finances will continue to be sustainable with no significant rate burden:

Indicator	2026/2027 Budget	Adopted Long Term Target
Operating Surplus (Deficit) Ratio	1.50%	0%-10%
Net Financial Liabilities Ratio	27.67%	0%-100%
Asset Sustainability Ratio	188.22%	90%-110%

For more details on the calculation method for key financial indicators, see Appendix B Local Government Financial Indicators Definitions.

WHAT IT MEANS FOR RATES AND RATEPAYERS

As depicted in the table above "Councils Source of Funds" the primary source of income for Council is the property-based tax – "Council rates".

All land within a council area, except land specifically exempt (e.g. crown land, council occupied land and other land prescribed in the *Local Government Act 1999* – refer Section 147, is rateable. The *Local Government Act 1999* provides for a Council to raise revenue for the broad purposes of the Council through the imposition of a single general rate or through differential general rates, which apply to all rateable properties within the Council area.

For many years Council has used a differential rating system, using locality (Town or Rural) as the factor to apply such differential rates. In 2024/2025 Council conducted a Rating Strategy Review which resulted in a new position being adopted in March 2025 to change the rating system from being based on locality to being predominantly based on Land Use. It also created an additional rating category based on a combination of Locality and Land Use, being the Zone of Employment Bulk Handling with the Land Use of Commercial Other as the new factors to apply differential rates from 2025/2026.

The new Land Use codes and their Rate in the Dollar (RID) differential for each land use, being a percentage compared to the Residential RID, are described below.

▪ Residential	100%
▪ Commercial Shop	100%
▪ Commercial Office	100%
▪ Commercial Other	100%
▪ Industry Light	100%
▪ Industry Other	100%
▪ Primary Production	100%
▪ Vacant Land	200%
▪ Other	100%
▪ Employment Bulk Handling/Commercial Other (Silos)	400%

In applying these new land use codes and differential general rates, Council has considered and is satisfied that the rating system addresses the issue of consistency and comparability across all Council areas.

Council spends considerable time modelling the effect of valuation and rate increases on individual rate payers whilst at the same time trying to ensure it can raise sufficient funds to try to achieve a positive operating result and a balanced budget. In 2026/2027 however Council is proposing an operating surplus as a result of the planned works and projects proposed for the year ahead.

2026/2027 PLANNED PROJECTS



CAPITAL WORKS PROGRAM

2026/2027

Program

Total Budget

BUILDING PROGRAM	\$ 570,000.00
Community Buildings Projects	\$ 255,000.00
Lameroo Main Street Public Toilet Renewal	\$ 90,000.00
Priority Capital Renewal/Building Repairs	\$ 65,000.00
Mallee Tourist and Heritage Railway Building - Roof Renewal	\$ 100,000.00
Recreational Assets Projects	\$ 65,000.00
Swimming Pool, Pinnaroo - Replace Robot Pool Cleaner	\$ 10,000.00
Swimming Pool, Lameroo - Replace Robot Pool Cleaner	\$ 10,000.00
Swimming Pool, Lameroo - Toddler Pool Shade	\$ 45,000.00
Other Infrastructure Assets Projects	\$ 250,000.00
Parilla Oval Bore - Lift & Inspect, allow to replace bore pump	\$ 35,000.00
Stormwater Renewal Program - Replace Poor Condition Pipe Network - Various Locations	\$ 77,000.00
Stormwater Reactive Program - CCTV & Flushing Program - Various Locations	\$ 50,000.00
Stormwater Renewal Program - Replace Pump at Lake Roberts	\$ 48,000.00
Stormwater Renewal Program - Replace Pump at Lameroo Stormwater Storage Dam	\$ 30,000.00
Stormwater Reactive Program - Pump Repairs (TBC)	\$ 10,000.00
INFORMATION AND COMMUNICATION TECHNOLOGY PROGRAM	\$ 200,000.00
Technology Upgrades	
Computer replacement program	\$ 15,000.00
Software Replacement Program	\$ 185,000.00
TRANSPORT INFRASTRUCTURE PROGRAM	\$ 3,374,471.00
Unsealed Road Projects	\$ 2,874,471.00
4A - Geranium Nth Rd, Geranium - 4.5km (Seg No: 673, 674, 675) Mallee Hwy MM0 to Pave Change MM4.5 (RS-100 Re-Sheet)	\$ 313,250.29
4A - Parrakie Nth Rd, Parrakie - 6.0km (Seg No: 651, 652, 653, 654) Mallee Hwy MM0 to Mosgiel MM6.0 (RS-100 Re-Sheet)	\$ 417,667.06
4A - Gurrai Rd, Parilla - 3.1km (Seg No: 587, 588) Mallee Hwy MM0 to Cornish MM3.1 (RS-100 Re-Sheet)	\$ 215,794.65
4A - Schumacher Rd, Parrilla - 0.7km (Seg No: 217) End of Seal MM0 to Gurrai MM0.7 (RS-100 Re-Sheet)	\$ 48,727.82
4B - Bews South Rd, Lameroo - 3.2km (Seg No: 299, 300) Pave Change MM6.5 to Allenby MM9.7 (RS-75 Re-Sheet)	\$ 177,411.76

4B - Haywards Rd, Lameroo - 1.8km (Seg No: 749) Bews Sth Rd MM0 to Allenby Rd MM1.8 (RS-75 Re-Sheet)	\$ 99,794.12
4B - Allenby Rd, Lameroo - 5.0km (Seg No: 901, 902, 903) Haywards Rd MM10.8 to Wilkawatt Sth Rd MM15.7 (RS-75 Re-Sheet)	\$ 277,205.88
4B - Drogemuller Rd, Lameroo - 1.0km (Seg No: 275, 276) Mallee Hwy MM0 to Mick Traeger Rd MM1.0 (RS-75 Re-Sheet)	\$ 55,441.18
4B - Wilkawatt Nth Rd, Lameroo - 2.8km (Seg No: 315, 316) Pave Change MM5.0 to Pave Change MM7.8 (RS-75 Re-Sheet)	\$ 155,235.29
4B - Ivetts Rd, Lameroo - 3.2km (Seg No: 227, 1472, 1928) Trowbridge Rd MM0 to Pave Change MM3.2 (RS-75 Re-Sheet)	\$ 177,411.76
4B - Hancock Rd, Parilla - 0.8km (Seg No: 340, 567) Foale St MM0 to Gurrai Rd MM0.8 (RS-75 Re-Sheet)	\$ 44,352.94
4B - Border Rd, Pinnaroo - 3.2km (Seg No: 340, 1814, 1134) Pave Change MM1.4 to Pave Change MM3.2 (RS-75 Re-Sheet)	\$ 164,661.76
4B - Road Repairs - Various - 1.9km (Seg No: TBC) (RS-75 Re-Sheet)	\$ 133,678.24
5A - Morris Rd, Lameroo - 0.9km (Seg No: 274, 1115) Billiatt Rd MM0 to Kulkami Rd MM0.9 (RS-75 Re-Sheet)	\$ 49,897.06
Mick Traeger Rd, Lameroo - 0.8km (Seg No: 826) Billiatt Rd MM0 to Drogemuller Rd MM0.8 (RS-75 Re-Sheet)	\$ 44,352.94
Leckie Avenue, Lameroo - 0.6km (Seg No: 66) End of Seal MM0.3 to Drogemuller Rd MM0.9 (RS-75 Re-Sheet)	\$ 33,264.71
Dabinett Street, Parilla - 0.5km (Seg No: 215) End of Seal MM0 to Claypan Bore Rd MM0.5 (RS-75 Re-Sheet)	\$ 27,720.59
Foale Street, Parilla - 0.2km (Seg No: 180) End of Seal MM0 to Hancock St MM0.3 (RS-75 Re-Sheet)	\$ 11,088.24
Gregor Rd, Parilla - 0.1km (Seg No: 219) Schumacher Rd MM0.1 to Hancock St MM0.1 (RS-75 Re-Sheet)	\$ 5,544.12
East Tce, Parilla - 0.2km (Seg No: 168) Pave Change MM0.5 to Pave Change MM0.7 (RS-75 Re-Sheet)	\$ 11,088.24
McCoy Street, Parilla - 0.2km (Seg No: 182) Shannon St MM0.3 to Stewart St MM0.5 (RS-75 Re-Sheet)	\$ 11,088.24
Graham Street, Parilla - 0.1km (Seg No: 178) Mallee Hwy MM0 to McCoy St MM0.1 (RS-75 Re-Sheet)	\$ 5,544.12
Stewart Street, Parilla - 0.1km (Seg No: 214) Mallee Hwy MM0 to McCoy St MM0.1 (RS-75 Re-Sheet)	\$ 5,544.12
McVicar Rd, Parilla - 1.6km (Seg No: 353, 354) Yappara Rd MM0 to Pave Change MM1.6 (RS-75 Re-Sheet)	\$ 88,705.88
Quarry Reinstatement - Rubble Royalties - Allocation to Usealed Road Program	\$ 100,000.00
Clay based road upgrade projects (TBC)	\$ 200,000.00
Road Reseal Projects	\$ 500,000.00
Road Repairs TBC (Re-Construction & Seal)	\$ 500,000.00
FLEET MANAGEMENT AND PLANT REPLACEMENT PROGRAM	\$ 355,000.00
Fleet Management	\$ 230,000.00
Bulk Diesel Fuel Storage Tank & Dispency System Upgrade	\$ 50,000.00
Minor Plant Renewal Program - Mower & Plant Trailer	\$ 50,000.00

Light Vehicle Renewal Program - Utes x 4	\$ 100,000.00
Passenger Vehicle Renewal Program - Car x 1	\$ 30,000.00
Community Wastewater Management System	\$ 125,000.00
Pinnaroo CWMS - PS4 Replace Pump & Electrical Control System	\$ 40,000.00
Pinnaroo CWMS - PS6 Replace Pump & Electrical Control System	\$ 40,000.00
Pinnaroo CWMS - PS7 Replace Pump & Electrical Control System	\$ 40,000.00
CWMS - Replace Pump (Reactive Renewal Program)	\$ 5,000.00
TOTAL CAPITAL WORKS PROGRAM BUDGET	\$ 4,499,471.00

CAPITAL PROGRAM

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

The order in which projects are undertaken may change due to changing circumstances.

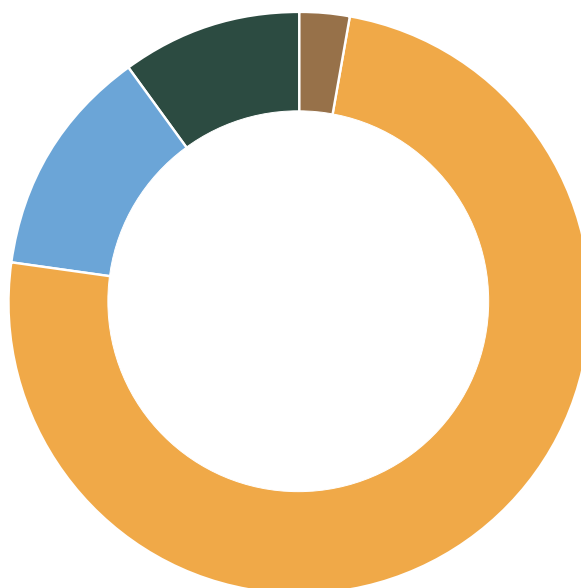
Also, from time to time due to our dynamic environment such as the addition or withdrawal of grant funding, state government decisions, extreme weather events or change of focus, the Annual Business Plan & Budget and the activities included may need to be amended.

The graph below shows where Council is proposing to allocate its capital spend for the 2026/2027 financial year.



COUNCIL'S CAPITAL ALLOCATION

CATEGORY	%
Buildings & Other Structures	13%
Infrastructure Transport	75%
Plant, Machinery & Equipment	10%
Infrastructure Common Effluent	3%



OPERATING PROJECTS PROGRAM

2026/2027

The following table highlights operational projects, programs and activities that are planned for 2026/2027.

Program / Project	Portfolio Lead	Budget
Records Management Strategy Implementation & Sentencing and Archiving Project - continuation	Executive Services	\$15,000
Council Policy Framework Review - continuation	Executive Services	COB
Unsolicited Proposals Assessment	Executive Services	COB
Memorandums of Understanding (MOU's) with community groups x 8	Executive Services	\$30,500
Local Government Elections	Executive Services	\$20,000
Elected Member Training	Executive Services	\$10,000
CEO Annual Performance Review	Corporate Services	\$10,000
Long Term Financial Plan Review	Corporate Services	\$5,000
Finance Policy Reviews - continuation	Corporate Services	COB
External Audit Program	Corporate Services	\$16,000
Audit and Risk Committee	Corporate Services	\$8,500
Library Annual Contributions	Corporate Services	\$26,000
Environmental Health Officer Inspections and Support	Property and Development Services	\$12,000
Leasing and Licence Reviews - continuation	Property and Development Services	COB
Fire Protection – Inspections and Fuel Level Assessments	Property and Development Services	COB
Mosquito and Viral Monitoring Program	Property and Development Services	COB
Sealed Roads - Line Marking Renewal Program	Infrastructure Services	COB
Rural Roads - Signage Renewal Program	Infrastructure Services	COB
Workforce Training and Development	Infrastructure Services	COB
Street Trees – Tree Trimming Program	Infrastructure Services	COB
Total Operating Expenses		\$153,000

Legend: COB = Core Operating Budget (no specific allocation to project)



| SUPPORTING OTHERS TO PROVIDE FOR THE COMMUNITY

In addition to its role in direct service provision, Council also provides support to community and sporting groups within the District to provide services and activities to the community. The key ways that we do this are:

- Providing building facilities and meeting spaces to community and sporting groups (including utilities) at little or no cost
- Maintaining the surrounds of playing surfaces and other amenities
- Providing irrigated non-potable water for playing surfaces at subsidised rates
- Entering into memorandums of understanding (MOUs) with community groups for the provision of assistance to community members and conducting civic events. Council will have MOUs with the following community groups within the District valued at \$30,500:
 - Lions Club of Pinnaroo Inc.
 - Pinnaroo Agricultural Society Inc.
 - The Pinnaroo Project Association Inc.
 - Pinnaroo Community Inc.
 - Mallee Tourist and Heritage Centre Inc.
 - Lions Club of Lamerook Inc.
 - Lamerook and District Historical Society Inc.
 - Geranium Community Hub Inc.



RATING OVERVIEW



RATING Strategy

| METHOD USED TO VALUE LAND

Council adopts the valuations made by South Australian Valuer-General in respect of land within the Council's area for rating purposes. The basis of valuation of land used by Council is the capital valuation of land, that is, the value of the land including improvements thereon.

Council considers that the capital valuation method provides the fairest method of achieving an equitable distribution of the rates burden across the ratepayers within Council's area for the following reasons:

- the equity principle of taxation requires that ratepayers of similar wealth pay similar taxes and ratepayers of greater wealth pay more tax than ratepayers of lesser wealth. Property value is generally considered a relatively good indicator of wealth; and;
- capital value, which trends with the market value of a property, provides the best indicator of overall property value.

| RATING METHODOLOGY

Council has assessed the need for a differential rate based on the varying levels of service delivery and degrees of access to urban services, such as waste management and footpaths.

Council is proposing to apply differential general rates by Land Use, and create an additional rating category based on a combination of Locality and Land Use. In accordance with Regulation 14 of the *Local Government (General) Regulations, 2013* the following categories of land use are declared as permissible differentiating factors:

- (1) *For the purposes of sections 156 and 167 of the Act, the following categories of land use are declared as permissible differentiating factors:*
 - (a) *Residential comprising the use of land for a detached dwelling, group dwelling, multiple dwelling, residential flat building, row dwelling or semi-detached dwelling within the meaning of a prescribed instrument;*
 - (b) *Commercial—Shop comprising the use of land for a shop within the meaning of a prescribed instrument; 17.11.2022—Local Government (General) Regulations 2013 Published under the Legislation Revision and Publication Act 2002 9*
 - (c) *Commercial—Office comprising the use of land for an office within the meaning of a prescribed instrument;*
 - (d) *Commercial—Other comprising any other commercial use of land not referred to in the categories specified in paragraph (b) or (c);*
 - (e) *Industry—Light comprising the use of land for a light industry within the meaning of a prescribed instrument;*
 - (f) *Industry—Other comprising any other industrial use of land not referred to in the category specified in paragraph (e);*
 - (g) *Primary Production comprising—*
 - (i) *farming within the meaning of a prescribed instrument; and*
 - (ii) *horticulture within the meaning of a prescribed instrument; and*
 - (iii) *the use of land for horse keeping, intensive animal keeping or intensive animal husbandry within the meaning of a prescribed instrument; and*
 - (iv) *in respect of a dairy situated on a farm—the use of land for a dairy within the meaning of a prescribed instrument; and*
 - (v) *commercial forestry;*
 - (h) *Vacant land comprising the non-use of vacant land;*
 - (i) *Other comprising any other use of land not referred to in a previous category.*

The 2026/2027 Annual Business Plan & Budget proposes to raise General Rate revenue of \$6.77m in a total operating revenue budget of \$11.33m.

The proposed General Rate Revenue of \$6.77m is an increase of 9.6% after rebates and concessions.

MINIMUM RATE

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

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

The minimum rate in 2026/2027 is proposed to be \$695.

This represents no change in value on the minimum rate applied in 2025/2026 which was also \$695. Overall, the minimum rate will be applied to approximately 22.13% of all rateable properties within the maximum of 35% allowed for in the *Local Government Act 1999*.



PAYMENT OF RATES

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

SEPTEMBER 2026						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

MARCH 2027						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

DECEMBER 2026						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

JUNE 2027						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

EXPECTED RATE REVENUE

	2025/2026 (as adopted)	2026/2027 (estimated)		Change
General Rates Revenue				
General Rates (existing properties)	\$5,082,939	\$5,587,425		9.93%
General Rates (new properties)	\$16,400	\$0		
General Rates (GROSS)	\$5,099,339	\$5,587,425	(c)	
Less: Mandatory Rebates	(\$36,822)	(\$38,684)	(d)	
General Rates (NET)	\$5,062,517	\$5,548,742	(e)	9.60%
	(e)=(c)+(d)			
Other Rates (inc. service charges)				
Regional Landscape Levy	\$237,217	\$228,764	(f)	
Waste collection	\$335,600	\$383,630	(g)	
CWMS	\$540,940	\$564,875	(i)	
	\$6,176,274	\$6,726,011		
Less: Postponed Separate Rates	(\$7,909)	(\$5,000)	(l)	
Less: Discretionary Rebates	(\$9,028)	(\$9,834)	(l)	
Total Rates Revenue	\$6,159,337	\$6,711,177	(m)	8.96%
	(m)=(e)+(g)+(i)+(l)			

GROWTH IN NUMBER OF RATEABLE PROPERTIES

Number of rateable properties	1,766	1,767	(n)	0.06%
	<i>Actual</i>			

'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.

AVERAGE GENERAL RATES PER RATEABLE PROPERTY

Average per rateable property	\$2,888	\$3,162	(o)	9.51%
	(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).

The total General Rates paid by all rateable properties will equal the amount adopted in the budget.

- (d) Councils are **required** under the Local Government Act to provide a rebate to qualifying properties under a number of categories:
- | | |
|-----------------------------------|---|
| Community services - 75 per cent | Public cemeteries - 100 per cent |
| Health services - 100 per cent | Royal Zoological Society of SA - 100 per cent |
| Religious purposes - 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 the *Local Government (Financial Management) Regulations 2011 reg 6(1)(ea)*
Please Note: The percentage figure in (e) relates to the change in the total amount of General Rates revenue to be collected from all rateable properties, not from individual rateable properties (ie. individual rates will not necessarily change by this figure).
- (f) The Regional Landscape Levy is not retained by council. 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 the *Local Government (Financial Management) Regulations 2011 reg 6(2)*
 Please note: The 2023/24 number of rateable properties is an estimate based on the most current information available at the time of going out to consultation on the ABP&B. This information is updated regularly and therefore may be subject to change at the time of adoption of ABP&B.

DIFFERENTIAL RATES

	Total expected revenue			No. of rateable		Average per rateable property			
	2025/2026	2026/2027	Change	2025/2026	2026/2027	2025/2026	2026/2027	Change	
Residential	\$ 554,365.20	\$ 618,568.15	11.58%	691	692	\$ 802	\$ 894	-	\$ 92
Commercial - Shop	\$ 16,446.70	\$ 17,346.65	5.47%	30	30	\$ 548	\$ 578	-	\$ 30
Commercial - Office	\$ 695.00	\$ 695.00	0.00%	1	1	\$ 695	\$ 695	-	\$ -
Commercial - Other	\$ 55,443.55	\$ 61,445.90	10.83%	52	52	\$ 1,066	\$ 1,182	-	\$ 115
Industry - Light	\$ 6,613.50	\$ 7,280.20	10.08%	9	9	\$ 735	\$ 809	-	\$ 74
Industry - Other	\$ 66,575.65	\$ 70,159.05	5.38%	9	9	\$ 7,397	\$ 7,795	-	\$ 398
Primary Production	\$ 4,168,846.85	\$ 4,602,067.70	10.39%	790	792	\$ 5,277	\$ 5,811	-	\$ 534
Vacant Land	\$ 83,169.70	\$ 82,941.80	-0.27%	144	144	\$ 578	\$ 576	-	\$ (2)
Other	\$ 14,145.80	\$ 12,948.70	-8.46%	32	30	\$ 442	\$ 432	-	\$ (10)
Employment Bulk Handling	\$ 96,696.70	\$ 113,972.15	17.87%	8	8	\$ 12,087	\$ 14,247	-	\$ 2,159
GRAND TOTAL (GROSS)	\$ 5,062,999	\$ 5,587,425.30	10.36%	1,766	1,767	\$ 2,867	\$ 3,162	(p)	\$ 295

Council uses a differential rating system, using Locality as the factor to apply such differential rates.

In applying differential general rates, council has considered and is satisfied that the rating system addresses the issue of consistency and comparability across all council areas, particularly as it relates to the various sectors of the business and wider community.

MINIMUM RATE

	No. of properties to which rate will apply		Rate		
	2026/2027	% of total rateable	2025/2026	2026/2027	Change
Minimum Rate	695	22.13%	\$695	\$695 (r)	\$0

The Minimum Rate provides a mechanism where lower valued properties do not pay less than a minimum amount as determined by the council.

Typically, only a small number of all properties (with no more than 35%) pay a minimum amount.

Council proposes to set a minimum rate of \$695 which shall be applied to all rateable properties. This will affect 22.13% of rateable properties.

ADOPTED VALUATION METHOD

CAPITAL 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.

Council continues to use **Capital Value** as the basis for valuing land within the Council area. Council considers that this method of valuing land provides the fairest method of distributing the rate burden across all ratepayers on the following basis:

- The equity principle of taxation requires that taxpayers of greater wealth pay more tax than those of lesser wealth.
- Property value is a relatively good indicator of wealth and capital value, which closely approximates the market value of a property and provides the best indicator of overall property value.

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

(r) 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.



CAPITAL VALUE COMPARISON

LAND USE	Capital Value 2025-2026	Capital Value 2026-2027	Capital Valuation Variation	General Rates Raised 2025-2026	General Rates Raised 2026-2027
Non Rateable	\$ 20,155,330	\$ 21,605,400	\$ 1,450,100	\$ -	\$ -
Residential	\$ 149,977,000	\$ 172,592,000	\$ 22,615,000	\$ 554,365	\$ 618,568
Commercial - Shop	\$ 3,468,500	\$ 4,131,500	\$ 663,000	\$ 16,447	\$ 17,347
Commercial - Office	\$ 82,000	\$ 94,000	\$ 12,000	\$ 695	\$ 695
Commercial - Other	\$ 19,370,700	\$ 21,378,800	\$ 2,008,100	\$ 55,444	\$ 61,446
Industry - Light	\$ 1,445,500	\$ 1,656,500	\$ 211,000	\$ 6,614	\$ 7,280
Industry - Other	\$ 19,623,000	\$ 20,283,000	\$ 660,000	\$ 66,576	\$ 70,159
Primary Production	\$ 1,253,498,500	\$ 1,350,677,000	\$ 97,178,500	\$ 4,168,847	\$ 4,602,068
Vacant Land	\$ 7,096,800	\$ 7,168,800	\$ 72,000	\$ 83,170	\$ 82,942
Other	\$ 4,319,400	\$ 4,680,900	\$ 361,500	\$ 14,146	\$ 12,949
Employment Bulk Handling	\$ 7,277,000	\$ 8,370,000	\$ 1,093,000	\$ 96,697	\$ 113,972
	\$ 1,486,313,700	\$ 1,612,637,900	\$ 126,324,200	\$ 5,062,999	\$ 5,587,425

ADJOINING PROPERTY

Section 152 of the *Local Government Act 1999* states that if two or more pieces of contiguous rateable land are owned by the same owner and occupied by the same occupier, only one minimum charge may be imposed against the whole of the land.

REGIONAL LANDSCAPE LEVY

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

In 2026/2027 Council will impose a separate rate against rateable properties based on the capital value of the land and forward the amount of \$228,752.00 to the Murraylands and Riverland Landscape Board to fund its activities.

REBATE OF RATES

Southern Mallee District Council is committed to providing financial and other assistance to organisations and community groups which contribute to the wellbeing of the community. A rebate of rates or service charges in respect of any rateable land in the Council area will be made available only when the applicant satisfies the requirements under the *Local Government Act 1999* and the requirements set out in Council's Rating Policy.

A full version of Council's Rating Policy April 2026 (the "Rating Policy") can be viewed at www.southernmallee.sa.gov.au

MANDATORY

The *Local Government Act 1999* requires Councils to rebate the rates payable for certain land uses. This includes land used for health and community services, religious purposes, cemeteries and educational institutions. The rebates vary from 75% to 100%. People or bodies seeking a rebate must make an application to Council. Information and application forms can be found in Council's Rating Policy.

| DISCRETIONARY

Council has the power to provide discretionary rebates in certain circumstances and will consider rebates upon application.

| OVERDUE RATES

Payment of rates by the due date helps Council with its cashflow to ensure it can in turn meet commitments to contractors and other creditors. As at 30 June 2026 Council had the following amounts outstanding – 3+ years overdue \$76,714.05, 2 years overdue \$61,553.71 and 1 year overdue \$147,523.40. Overdue rates amounts are actively reviewed and monitored to help facilitate payment.

| POSTPONEMENT OF RATES - HARDSHIP

Section 182 of the *Local Government Act 1999* permits the Council, on the application of the ratepayer, to remit rates partially or wholly or to postpone rates, on the basis of hardship. Where the ratepayer is suffering hardship in paying rates, they are invited to contact the Council's Rates Officer to discuss the matter. Council treats such inquiries confidentially.

| POSTPONEMENT OF RATES - SENIORS

Applications may be made to Council for a postponement of the payment of any amount of rates in excess of \$500.00, for the current or a future financial year by:

- A ratepayer who holds a current State Seniors Card issued by the State Government, (prescribed ratepayer) or spouse of a prescribed ratepayer, and
- Where the rates are payable on the principal place of residence, and
- Where the land is owned by the prescribed ratepayer, or the prescribed ratepayer and his or her spouse, and no other person has an interest, as owner, in the land.

Any rates which are postponed will become due and payable:

- When the title to the land is transferred to another person; or
- There is a failure to comply with a condition of postponement.

Interest will accrue on the amount postponed at the prescribed rate per month until the full amount is paid. Postponement is available as a right and can only be refused when the applicant/s has less than 50% equity in the property.





ANNUAL SERVICE *Charges*

| COMMUNITY WASTEWATER MANAGEMENT SYSTEMS

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

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

- \$775 for each occupied property unit (\$740 in 2025-2026) (4.51% increase)
- \$375 for each unoccupied property unit (\$370 in 2025-2026) (1.34% increase)

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

| WASTE MANAGEMENT

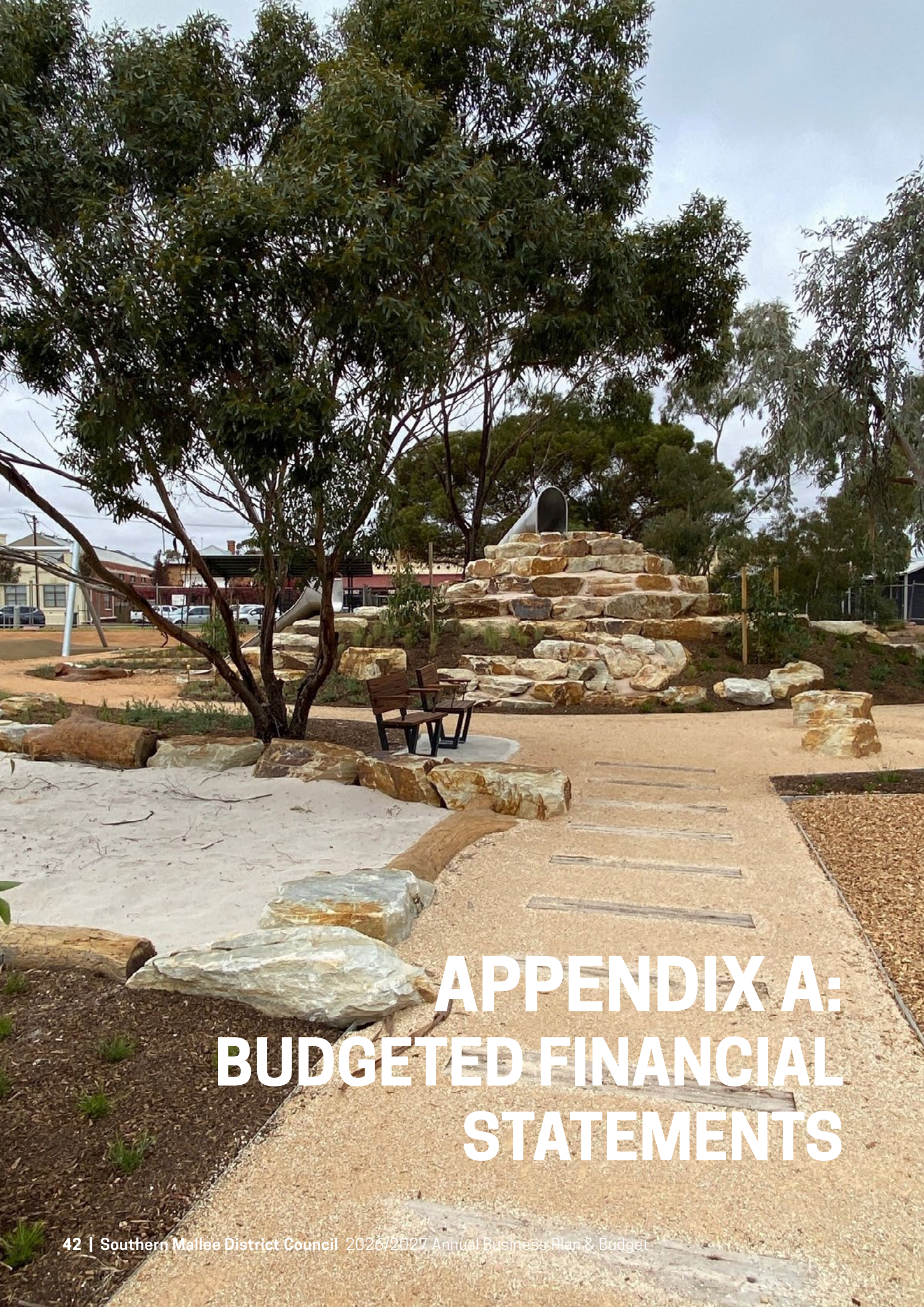
For the purpose of meeting the costs associated with the collection and disposal of domestic and other garbage, Council has a mobile garbage bin service charge on all serviced properties. Where the service is provided to non-rateable properties, a service charge is to be levied against the land.

Charges for Waste Management for 2026/2027 will be:

- Bin Service \$400.00 (\$350 in 2025/2026) (12.50% increase)
- Additional Bin Service \$290.00 (\$250 in 2025/2026) (13.79% increase)

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

The increases in waste management charges for 2026/2027 is a direct result of the increase in the charges that Council face for disposal of waste.

A photograph of a park area. In the foreground, there is a large tree with dense green foliage on the left. To its right is a sandpit with a wooden bench. Further back, there is a large, tiered stone structure resembling a pyramid or a play feature. The background shows more trees and some buildings under a cloudy sky.

APPENDIX A: BUDGETED FINANCIAL STATEMENTS

**SOUTHERN MALLEE DISTRICT COUNCIL
BUDGET 2026/2027**

STATEMENT OF COMPREHENSIVE INCOME

2025/2026 FORECAST BUDGET		2026/2027 BUDGET
\$'000	INCOME	\$'000
6,184	Rates	6,774
63	Statutory Charges	60
1,017	User Charges	961
3,271	Grants Subsidies and Contributions	3,400
28	Investment Income	10
4	Reimbursement	10
114	Other	118
10,680	TOTAL INCOME	11,334
	EXPENSES	
3,721	Wages and Salaries	3,793
2,956	Materials, Contracts and Other Expenses	2,424
158	Finance Costs	154
3,703	Depreciation, amortisation & impairment	4,792
10,538	Total Expenses	11,164
	OPERATING SURPLUS/(DEFICIT) BEFORE CAPITAL AMOUNTS	170
142		
-	Net gain (loss) on disposal or revaluation of assets	-
-	Amounts specifically for new or upgraded assets	-
-	Physical resources received free of charge	-
142	TOTAL COMPREHENSIVE INCOME	170

**SOUTHERN MALLEE DISTRICT COUNCIL
BUDGET 2026/2027**

CASH FLOW STATEMENT

2025/2026 FORECAST BUDGET		2026/2027 BUDGET
\$'000		\$'000
Inflows		Inflows
(Outflows)		(Outflows)
	CASHFLOWS FROM OPERATING ACTIVITIES	
	RECEIPTS	
10,652	Operating Receipts	11,324
28	Investment Receipts	10
	PAYMENTS	
(6,677)	Operating payments to suppliers & employees	(6,217)
(158)	Finance Payments	(154)
<u>3,845</u>	Net Cash provided by (or used in) Operating Activities	<u>4,962</u>
	CASH FLOWS FROM INVESTING ACTIVITIES	
	RECEIPTS	
-	Grants specifically for new or upgraded assets	-
0	Repayments of Loans by Community Groups	0
0	Sale of Assets	0
	PAYMENTS	
(4,811)	Capital Expenditure on renewal/replacement of assets	(4,299)
(19)	Capital Expenditure on new/upgraded assets	(200)
<u>(4,830)</u>	Net Cash provided by (or used in) Investing Activities	<u>(4,499)</u>
	CASH FLOWS FROM FINANCING ACTIVITIES	
	RECEIPTS	
950	Proceeds from Borrowings	-
	PAYMENTS	
(283)	Repayment of Borrowings	(192)
<u>667</u>	NET CASH USED IN FINANCING ACTIVITIES	<u>(192)</u>
	NET INCREASE (DECREASE) IN CASH HELD	<u>271</u>
(319)	CASH AT BEGINNING OF YEAR	<u>136</u>
455	CASH AT END OF YEAR	<u>407</u>
<u>136</u>		<u>407</u>

**SOUTHERN MALLEE DISTRICT COUNCIL
BUDGET 2026/2027**

BALANCE SHEET

2025/2026 FORECAST BUDGET		2026/2027 BUDGET
\$'000	ASSETS	\$'000
	CURRENT ASSETS	
136	Cash and cash equivalents	407
976	Trade & other receivables	976
27	Inventories	27
<u>1,139</u>	TOTAL CURRENT ASSETS	<u>1,410</u>
	NON-CURRENT ASSETS	
59	Financial Assets	59
93,361	Infrastructure, Property, Plant & Equipment	93,068
<u>93,420</u>	TOTAL NON-CURRENT ASSETS	<u>93,127</u>
<u>94,559</u>	TOTAL ASSETS	<u>94,537</u>
	LIABILITIES	
	CURRENT LIABILITIES	
570	Trade & Other Payables	570
183	Borrowings	183
601	Short-term Provisions	601
-	Other Current Liabilities	-
<u>1,354</u>	TOTAL CURRENT LIABILITIES	<u>1,354</u>
	NON-CURRENT LIABILITIES	
3,384	Long-term Borrowings	3,192
32	Long-term Provisions	32
-	Other Non-current Liabilities	-
<u>3,416</u>	TOTAL NON-CURRENT LIABILITIES	<u>3,224</u>
<u>4,770</u>	TOTAL LIABILITIES	<u>4,578</u>
<u>89,789</u>	NET ASSETS	<u>89,959</u>
	EQUITY	
21,595	Accumulated Surplus	21,765
70,809	Asset Revaluation	70,809
(2,615)	Other Reserves	(2,615)
<u>89,789</u>	TOTAL EQUITY	<u>89,959</u>

**SOUTHERN MALLEE DISTRICT COUNCIL
BUDGET 2026/2027**

STATEMENT OF CHANGES IN EQUITY

2025/2026 FORECAST BUDGET		2026/2027 BUDGET
\$'000		\$'000
	ACCUMULATED SURPLUS	
21,453	Balance at end of previous reporting period	21,595
142	Net Result for Year	170
0	Transfer From Reserves	0
0	Transfer To Reserves	0
21,595	BALANCE AT END OF PERIOD	21,765
	ASSET REVALUATION RESERVE	
70,809	Balance at end of previous reporting period	70,809
0	Gain on revaluation of infrastructure, property, plant & equipment	0.00
0.00	Transfer to Accumulated Surplus on sale of infrastructure, property, plant & equipment	0.00
70,809	BALANCE AT END OF PERIOD	70,809
	Other Reserves	
-2,615	Balance at Beginning of Period	- 2,615
-	Transfer to reserve from accumulated surplus	-
0	Transfer from reserve to accumulated surplus	0
-2,615	BALANCE AT END OF PERIOD	- 2,615
89,789	TOTAL EQUITY AT END OF REPORTING PERIOD	89,959

**SOUTHERN MALLEE DISTRICT COUNCIL
BUDGET 2026/2027**

UNIFORM PRESENTATION OF FINANCES

2025/2026 FORECAST BUDGET		2026/2027 BUDGET
\$'000		\$'000
	Income	
6,184	Rates	6,774
63	Statutory Charges	60
1,017	User Charges	961
3,271	Grants Subsidies and Contributions	3,400
28	Investment Income	10
4	Reimbursement	10
114	Other	118
10,680		11,334
	Expenses	
3,721	Wages and Salaries	3,793
2,956	Materials, Contracts and Other Expenses	2,424
158	Finance Costs	154
3,703	Depreciation, amortisation & impairment	4,792
10,538	Total Expenses	11,164
142	Operating Surplus / (Deficit) before Capital Amounts	170
	Less Net Outlays in Existing Assets	
4,811	Capital Expenditure on renewal and replacement of Existing Assets	4,299
(3,703)	less Depreciation, Amortisation and Impairment	(4,792)
-	less Proceeds from Sale of Replaced Assets	-
1,109		(493)
	Less Net Outlays on New and Upgraded Assets	
19	Capital Expenditure on New and Upgraded Assets	200
-	less Amounts received specifically for New and Upgraded Assets	-
-	less Proceeds from Sale of Surplus Assets	-
19		200
(986)	Adjusted Annual Net Impact to Financing Activities (surplus/(deficit))	463

**SOUTHERN MALLEE DISTRICT COUNCIL
BUDGET 2026/2027**

FINANCIAL INDICATORS

2025/2026

**FORECAST
BUDGET**

**2026/2027
BUDGET**

\$'000

142

Operating Surplus

Being the Operating Surplus (Deficit) before Capital Amounts

\$'000

170

1.30%

Operating Surplus Ratio

Operating Surplus

Total Operating Income

*This ratio expresses the Operating Surplus as a percentage of
Total Operating Income*

1.50%

3,599

Net Financial Liabilities

*Net Financial Liabilities are defined as Total Liabilities less
financial assets (excluding equity accounted investments in
Council Businesses*

3,136

33.69%

Net Financial Liabilities Ratio

Net Financial Liabilities

Total Operating Income

27.67%

210.66%

Asset Sustainability Ratio

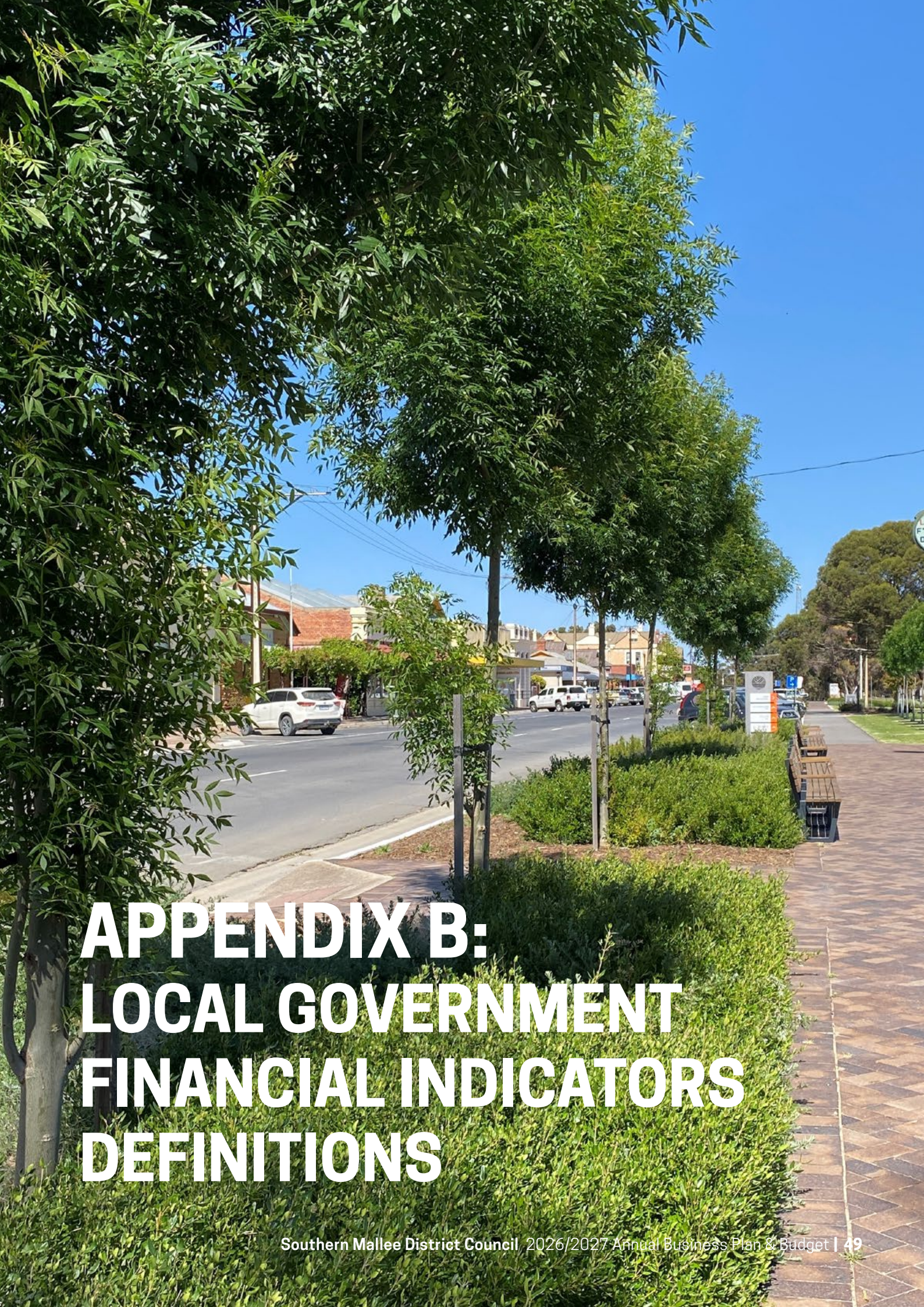
Net Asset Renewals

Infrastructure & Asset Management Plan required expenditure

Net Asset Renewals Expenditure is defined as Net Capital

*Expenditure on the renewal and replacement of existing
assets, and excludes new Capital Expenditure on the a
acquisition of additional assets*

188.22%

A photograph of a suburban street scene. In the foreground, there are lush green trees and bushes. A paved road with a white car is visible in the middle ground. In the background, there are residential buildings and a clear blue sky. The text 'APPENDIX B: LOCAL GOVERNMENT FINANCIAL INDICATORS DEFINITIONS' is overlaid in large, bold, white capital letters on the lower left side of the image.

APPENDIX B: LOCAL GOVERNMENT FINANCIAL INDICATORS DEFINITIONS

OPERATING SURPLUS (DEFICIT) RATIO

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

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

Council's 2026/2027 Annual Business Plan & Budget forecasts an operating surplus ratio of 1.50%.

NET FINANCIAL LIABILITIES

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

Council's target is to maintain its net financial liability between zero and \$11.334m (total operating revenue).

Council's 2026/2027 Annual Business Plan & Budget aims to achieve a net financial liability of \$3.136m.

NET FINANCIAL LIABILITIES RATIO

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

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

Council's 2026/2027 Annual Business Plan & Budget aims to achieve a net financial liability ratio of 27.67%.

ASSET SUSTAINABILITY RATIO

This ratio indicates whether the Council is renewing or replacing existing physical assets at the rate at which they are wearing out. On occasions, the Council will accelerate or reduce asset expenditures over time to compensate for prior events or invest in assets by spending more now so that it costs less in the future to maintain.

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

Council's 2026/2027 Annual Business Plan & Budget forecasts an asset sustainability ratio of 188.22%.



LAMEROO HISTORICAL SOCIETY

FOR INSPECTION

AT PINE GROVE— PINE AND PUG FURNISHED PIONEER COTTAGE
FARM MACHINERY MUSEUM.
TO BE ESTABLISHED— FARM BLACKSMITH SHOP.

AT LAMEROO MEMORIAL HALL—

IN THE OLD LIBRARY— A MUSEUM OF SMALL HISTORICAL ITEMS
AND RECORDS

IN THE OLD PROJECTOR ROOM— HIGH SECURITY FIREPROOF STORAGE.

AT THE OLD RAILWAY OFFICE— DEVELOPING A SMALL LOCAL
RAILWAY MUSEUM

IN THE DISTRICT— PLACING MEMORIAL PLAQUES AT ALL
OLD SCHOOL SITES.

APPENDIX C: ESSENTIAL SERVICES COMMISSION OF SOUTH AUSTRALIA LOCAL GOVERNMENT ADVICE



Local Government Advice

Southern Mallee District Council

February 2026

Enquiries concerning this advice should be addressed to:

Essential Services Commission
GPO Box 2605
ADELAIDE SA 5001

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

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

Southern Mallee District Council

AT A GLANCE

OVERVIEW

The Essential Services Commission finds Southern Mallee District Council's current and projected financial performance **potentially unsustainable**. This is based on a recent deterioration in operating performance, an inadequate review of the Long-Term Financial Plan that may not comply with the Council's legislative obligations, and out-dated asset valuations for some major asset classes, with the risk that depreciation expenses are understated. The Council intends to undertake several strategic planning updates in 2025-26, and to continue to focus on infrastructure renewals. Like other regional councils, the Southern Mallee District Council must balance service delivery with financial constraints. It is challenged by a relatively small rateable property base, cost pressures and managing infrastructure over a large geographic area.

FINANCIAL PERFORMANCE



Past 10 years
Mostly Sustainable



Current
Potentially Unsustainable



Projected
Potentially Unsustainable

RISKS IMPACTING SUSTAINABILITY

- ⚠️ Potential non-compliance with its legislative and governance obligations applicable to its strategic management plans, particularly annually reviewing or updating its Long-Term Financial Plan and ensuring Asset Management Plans are current for major asset classes.
- ⚠️ Escalating operating and capital expenditures without robust cost-benefit analysis or identified long-term funding sources within the Long-Term Financial Plan, potentially leading to unsustainable financial commitments.
- ⚠️ Not periodically updating its asset valuations for major asset classes and not reflecting the financial implications in its annual budgets or Long-Term Financial Plans.

KEY FACTS

- ▶ Population in 2024 was **2,012** residents
- ▶ The Council covers **5,702** square kilometres
- ▶ **1,760** rateable properties in 2024-25
- ▶ **\$11.7 million** of income in 2024-25
- ▶ Value of infrastructure, property, plant and equipment assets held in 2024-25 equals **\$92.2 million**

Table of contents

Southern Mallee District Council AT A GLANCE	i
1 Executive summary.....	1
1.1 Summary of observations.....	1
1.2 Summary of Recommendations	2
2 About the advice.....	3
2.1 Background.....	3
2.2 The Commission's approach.....	3
3 Council profile	6
4 Material plan amendments in 2025-26.....	7
4.1 Key points.....	7
4.2 General observations on the LTFP.....	7
4.3 Comments on proposed changes	8
5 Financial sustainability.....	9
5.1 Operating performance.....	9
5.1.1 Key points.....	9
5.1.2 Operating Surplus Ratio	9
5.1.3 Income and expenses.....	10
5.1.4 Commission's recommendations on operating performance.....	10
5.2 Net financial liabilities	10
5.2.1 Key points.....	10
5.2.2 The Commission's recommendations on financial liabilities	12
5.3 Asset renewals expenditure.....	12
5.3.1 Key points.....	12
5.3.2 The Commission's recommendations on asset renewals funding	14
6 Advice on current and projected rate levels.....	15
6.1 Key points.....	15
6.2 Historical and forecast growth in rates and operating expenses	15
6.2.1 Over the Historical Period:.....	16
6.2.2 Over the Forecast Period:.....	16
6.3 Proposed rate increases for 2025-26	16
6.4 Affordability risk	16
6.4.1 The Commission's recommendations on affordability risk	17
7 The Commission's next advice and focus areas	18
8 Appendix: Glossary of terms	19

1 Executive summary

1.1 Summary of observations

The Essential Services Commission (**Commission**) finds the Southern Mallee District Council's (**Council**) current and forecast financial performance and position to be **potentially unsustainable**. This is based on the risk of inadequate financial governance, including out-of-date Long-Term Financial Plan and assets valuations for major asset classes. Over the Historical Period (10 years to 2023-24), the Council on average has delivered operating surpluses, however, to achieve that outcome, rates income was increased at a rate materially higher than CPI.

The Council has advised the Commission¹ that it intends to update the Asset Management Plans for its major asset classes before preparing and adopting its next Long-Term Financial Plan. The consequent delay in preparing and adopting a revised Long-Term Financial Plan has impacted the Commission's ability to prepare this Advice. This Advice is primarily based upon an outdated Long-Term Financial Plan that the Council adopted in June 2023, and a financial reporting template that the Council has provided to the Commission. The financial reporting template, upon which this Advice is largely based, only provides forecast data for the seven years from 2025-26 to 2031-32, which has further constrained the Commission's Advice.

The *Local Government Act 1999* provides that a council must review its Long-Term Financial Plan on an annual basis (section 122(4)(a)) and must provide to the designated authority (the Commission) on or before 30 September in the relevant year, material amendments to plans (and other matters). Because of the Council's delay in preparing the Long-Term Financial Plan and two-year gap between plans, the Commission considers the Council may not have complied with the *Local Government Act 1999*.

The Commission acknowledges that the Council is updating its Asset Management Plans, which will improve its capacity to forecast and implement future asset renewal and replacement requirements. The Council has also advised of its commitment to improving its practices,² through the development of a Financial Sustainability Strategy, and establishment of a Financial Sustainability Advisory Committee.

The Council faces several challenges: it needs to manage infrastructure over a large geographic area, has a relatively small rateable base of 1,760 rateable properties, and has a relatively high proportion of grants in its revenue base which, while welcome, adds volatility to its annual operating performance.

Over the Forecast Period, the Council projects marginal improvements in its operating performance, with operating surpluses projected in each year to 2031-32 (based on June 2023 projections). This results from the Council's operating expenditure growth marginally above CPI on a per-property basis, however the Council is yet to fully account for indexation on its depreciation charges, presenting a risk to its financial sustainability. The Council also plans to increase rates per rateable property by an average of 3.5 percent per annum over the long-term. If the Council is unable to constrain operating expenses in line with its projections, its forecast operating surpluses will be at risk.

Affordability risk for ratepayers is currently assessed as moderate on balance, given the economic resources available to the community, the relative lower rates for residential ratepayers compared to similar councils and Statewide averages, and the higher than CPI increases assumed in its June 2023 Long-term Financial Plan. The Commission suggests that the Council continues to understand the community's preferences and expectations for future service levels, and its appetite or need for rate increases above CPI over the long term.

¹ Southern Mallee District Council, *Email to the Commission*, 22 August 2025.

² Southern Mallee District Council, *Initial provision of information to the Commission*, 30 April 2025.

1.2 Summary of Recommendations

The Commission strongly encourages the Council to review and improve its strategic planning and governance, including adherence to its legislative obligations. To this end, the Commission acknowledges the Council's steps to improve financial sustainability through the development of a Financial Sustainability Strategy, and establishment of a Financial Sustainability Advisory Committee.

The Commission recommends that the Council:

1. **Undertake** annual reviews and updates of its Long-Term Financial Plan, in accordance with s.122(4)(a) of the *Local Government Act 1999*, in consultation with the community and include detailed assumptions, with comments on the material changes between annual updates of its Long-Term Financial Plans.
2. **Ensure** it has updated all operating assumptions in its Long-Term Financial Plan, including depreciation expenses, so it is better placed to manage long-term operating performance.
3. **Review** the long-term cash balances and capital expenditure requirements projected in its Long-Term Financial Plan, and as applicable, specify the purpose and timing of cash balances.
4. **Complete** Asset Management Plans for all major asset classes and review them at least every four years.
5. **Annually** index asset values and depreciation charges between formal revaluations (in accordance with the relevant accounting standards), and ensure Long-Term Financial Plans adequately reflect projected asset values and depreciation, taking into account indexation and changes in capital expenditure.
6. **Review** the forecast long-term rate increases above CPI, in consultation with its community, balancing community affordability, service level requirements, and the financial sustainability of the Council.

2 About the advice

2.1 Background

The State Parliament has tasked the Essential Services Commission (**Commission**), South Australia's independent economic regulator and advisory body, to provide advice on material changes proposed by local councils in relation to elements of their Strategic Management Plans (**SMP**), and on the proposed revenue sources, including rates, which underpin those plans.³

A primary purpose of the Local Government Advice Scheme (**Advice or the Scheme**) is to support councils to make financially sustainable strategic decisions in their annual business plans and budgets, in the context of their Long-Term Financial Plans (**LTFP**) and Infrastructure and Asset Management Plans (**IAMP**).⁴ IAMPs are commonly referred to as Asset Management Plans (**AMP**). The LTFP and the IAMP are both required as part of a council's SMP.⁵ Financial sustainability encompasses intergenerational equity,⁶ program (service level) and rates stability in this context.⁷ The other main purpose is for the Commission to consider ratepayer contributions in the context of all revenue sources, as outlined in the LTFP.⁸ 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.⁹

The first cycle of the scheme extends over four years from 2022-23 to 2025-26. The Commission has selected 19 councils for advice in the fourth year (2025-26) of the Scheme, including the Southern Mallee District Council (**Council**).

This report provides the Local Government Advice for the Council in 2025-26.

The Council is obliged under the *Local Government Act 1999* (**LG Act**) to publish this advice and its response, if applicable, in its 2026-27 Annual Business Plan (including any draft Annual Business Plan) and in subsequent plans until the next cycle of the Scheme.¹⁰ Decision-making remains in the control of the Council.

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

2.2 The Commission's approach

In providing its Advice to the Council, the Commission has followed the approach it previously explained in the Framework and Approach – Final Report (**F&A**).¹¹

³ 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).

⁴ Commonly referred to as Asset Management Plans (**AMP**).

⁵ 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 IAMP.

⁶ 'Intergenerational equity' relates to fairly sharing services and the revenue generated to fund the services between current and future ratepayers.

⁷ Commission, *Framework and Approach – Final Report*, August 2022, pp. 2-3, available at www.escosa.sa.gov.au/advice/advice-to-local-government.

⁸ LG Act s122(1f)(a) and (1g)(a)(ii).

⁹ LG Act s122(1f)(b) and (1g)(b).

¹⁰ LG Act s122(1h).

¹¹ Commission, *Framework and Approach – Final Report*, August 2022, available at www.escosa.sa.gov.au/advice/advice-to-local-government.

The Commission has considered the Council's SMP documents (set out in the box below), with a particular focus on its performance and outlook against three financial indicators: the Operating Surplus Ratio (**OSR**), the Net Financial Liabilities Ratio (**NFLR**) and the Asset Renewal Funding Ratio (**ARFR**).¹² Analysis of these three indicators captures financial and service sustainability, cost control and affordability risk.¹³

The Commission reviews 10 years of historical data, being the years 2014-15 to 2023-24 (**Historical Period**) the "current year" 2024-25. The Commission usually defines the Forecast Period as the 10 years from 2025-26 to 2034-35 but in the case of this Council, it is limited to the seven years from 2025-26 to 2031-32 (**Forecast Period**) due to the absence of data provided by the Council for the years 2032-33 to 2034-35.

Table 1: Strategic management documents referred to

- ▶ Annual Business Plan and Budget, 2025-26 (July 2025)
- ▶ Long-Term Financial Plan, 2022/23 – 2031/32 (June 2023)
- ▶ Asset Management Plan, Infrastructure 2023 (June 2023)
- ▶ Asset Management Plan, Plant and Equipment 2023 (June 2023)
- ▶ Strategic Plan, 2021-2025 (January 2021)
- ▶ Asset Management Plan (Concise), Buildings and Structures (May 2018)

Given that the Commission must, in providing its advice, have regard to the objective of councils maintaining and implementing their IAMPs and LTTPs,¹⁴ it has also considered the Council's performance in that context. Findings regarding the content of the Council's AMP, and the alignment between its LTTP and AMPs,¹⁵ are discussed in Section 5.

The Commission has also reviewed the Council's template provided by the Council, including its 2025-26 LTTP forecasts for 2025-26 to 2034-35, historical financial data, the number of rateable properties and Council staff (Full Time Equivalent or **FTE**) numbers from 2014-15 onwards.¹⁶ The charts and tables in the Advice are primarily sourced from these datasets. In addition, the Commission has reviewed the Council's audit committee reports, and other public information, as appropriate.

The Commission has reported estimates in nominal terms to identify 'real' rather than 'inflationary' effects. In the charts, the Consumer Price Index (**CPI**) line for the Historical Period is calculated as the compound annual growth rate in the CPI (Adelaide) series from 2014-15 to 2023-24, being 2.9 percent¹⁷. Each financial year is the average of the four quarterly results. The CPI for the Forecast

¹² The three financial indicators are specified in the Local Government (Financial Management) Regulations 2011. Since 2011, each council has been required to include these three indicators in its plans, annual budget, mid-year budget review and annual financial statements. Councils can adopt their own target range for each ratio, but the Commission is guided by the Local Government Association (**LGA**) target ranges, which were established and agreed during the development of the LGA Financial Sustainability Papers (2006-2011).

¹³ The F&A listed 29 analytical questions that the Commission has considered in assessing the Council's performance against these indicators to determine affordability, cost control and other sustainability risks.

¹⁴ LG Act s122(1g)(a)(i).

¹⁵ As required under s122(1b) of the LG Act.

¹⁶ Sourced from the Local Government Grants Commission (including data reported by the Office of the Valuer-General) and the Council's data. The Council's estimates for the 2024-25 financial year, relied on at the time of preparing this advice, were audited.

¹⁷ The assumed CPI for the Historical Period is 2.9 percent, being the compound annual growth rate in the CPI (Adelaide) series from 2014-15 to 2023-24. Source: [Consumer Price Index, Australia, June Quarter 2024 | Australian Bureau of Statistics](#).

Period is calculated as the compound annual growth rate in the CPI (Australia) series from 2025-26 based on the Reserve Bank of Australia (RBA) (Australia-wide) inflation forecasts to the December 2027 quarter, and the midpoint of the RBA target range (2.5 percent) thereafter, yielding an average inflation rate for the Forecast Period to 2031-32 of 2.6 percent. Similarly, for the current year 2024-25, we have observed a CPI (Adelaide) of 2.4 percent.

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

- ▶ its location as a rural council
- ▶ its income level (\$11.7 million in 2024-25¹⁸), and
- ▶ the size of its rates base (around 1,760 rateable properties in 2024-25¹⁹).

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

Legend:  Low-risk  Moderate-risk  High-risk

¹⁸ Based on the Council's financial reporting template provided to the Commission.

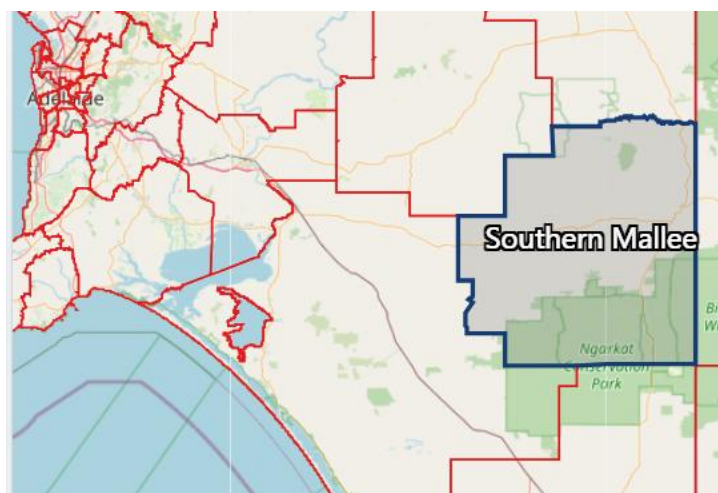
¹⁹ Based on the Council's financial reporting template provided to the Commission.

3 Council profile

The Council is classified by the Commission as an 'Rural Agricultural: Small and Medium' council and is one of nineteen in this category in South Australia.²⁰ It covers an area of 5,702 square kilometres, has an estimated resident population of 2,012 (at 30 June 2024),²¹ and 1,760 rateable properties (at 1 January 2025).²²

The Council is located 200 kilometres east of Adelaide and is adjacent to the Victorian state border. The Council was formed in 1997 from the former Lamerook and Pinnaroo District Councils. The population of the region has been stable in recent years.

Figure 1: Council Area



The Council region has the following attributes:

- ▶ no assumed growth in the forecast number of rateable properties²³
- ▶ population density of 0.4 persons per square kilometre²⁴
- ▶ 1,332 kilometres of sealed and unsealed roads, of which 90.1 percent are unsealed roads²⁵
- ▶ employment sectors mainly in agriculture, forestry and fishing (49.9 percent), health care and social assistance (8.5 percent), and education and training (6.6 percent),²⁶ and
- ▶ a median population age of 44.2 years.²⁷

²⁰ Commission, *Fact Sheet - Local Government Advice Scheme – Schedule of Councils*, May 2023, available at <https://www.escosa.sa.gov.au/ArticleDocuments/21947/20240731-Advice-ScheduleOfCouncils-FactSheet.pdf.aspx?Embed=Y>.

²¹ Refer to Australian Bureau of Statistics, *Data by region*, available at <https://dbr.abs.gov.au/region.html?lyr=lga&rgn=47290>.

²² Based on the Council's Financial Reporting template provided to the Commission.

²³ Based on the Council's Financial Reporting template provided to the Commission.

²⁴ Refer to Australian Bureau of Statistics, *Data by region*, available at <https://dbr.abs.gov.au/region.html?lyr=lga&rgn=47290>.

²⁵ Refer to the Department of Infrastructure and Transport - Local Government Grants Commission, *2023-24 Database Reports*, available at <https://www.dit.sa.gov.au/local-government/grants-commission/publications#database>.

²⁶ Refer to Australian Bureau of Statistics, *Data by region*, available at <https://dbr.abs.gov.au/region.html?lyr=lga&rgn=47290>.

²⁷ Refer to Australian Bureau of Statistics, *Data by region*, available at <https://dbr.abs.gov.au/region.html?lyr=lga&rgn=47290>.

4 Material plan amendments in 2025-26

The Council has advised the Commission²⁸ that it intends to update Asset Management Plans for all major asset classes before preparing and adopting its next LTFP. The consequent delay in preparing and adopting a LTFP is impacting the Council's ability to make long-term strategic decisions and has impacted the Commission's ability to prepare this Advice. In particular, it is not possible for the Commission to compare a current LTFP with the previous LTFP to identify material amendments.

The LG Act provides that a council must review its LTFP on an annual basis (section 122 (4)(a)) and must provide to the designated authority (the Commission), on or before 30 September in the relevant year, material amendments to plans relative to the previous plans (and other matters). Further, the LTFP must cover a period of at least 10 years. Because of the Council's delay in preparing the LTFP and the two-year (plus) gap between plans, the Commission considers the Council may not have complied with the LG Act.

4.1 Key points



The Council has not provided a current LTFP by the due date of 30 September and the most recent LTFP is over two years old. As such, the Commission considers the Council is likely to have not complied with its obligations under the LG Act and the Commission is not able to assess material amendments.



The Council advises it is taking steps to improve financial sustainability through the development of a Financial Sustainability Strategy and the establishment of a Financial Sustainability Advisory Committee as set out in s.41 of the LG Act.

4.2 General observations on the LTFP

The Commission has observed that while the Council's Audit and Risk Committee considers relevant financial assumptions as part of its annual business planning and budgeting process, it does not generally consider the longer-term assumptions underpinning the LTFP.²⁹ A review of the Council's SMPs by its Audit and Risk Committee was last undertaken on 29 May 2023, as required by s.126(4) of the LG Act. It is also noted that in June 2023, the Council met the requirements of s.122(4)(a) by taking into account a report from the Chief Executive Officer on the sustainability of the Council's long-term financial performance and position, although it is not clear whether such a report has been prepared or published since that time.

In August 2025, the Council advised the Commission that it is developing a Financial Sustainability Strategy, establishing a Financial Sustainability Advisory Committee (under s.41 of the LG Act), and is in the process of reviewing and updating its LTFP,³⁰ which it anticipates will be finalised early in 2026. The Council has advised that its preference is to update its LTFP following the completion of audited financial statements, and updates to AMPs, despite the risk of it not complying with the LG Act.

The Commission has received the Council's draft LTFP projections in spreadsheet form, however, the Commission notes the Council has advised that it prefers not to endorse this position. Given this, and the early stage of the Council's LTFP review process, the Commission's LG Advice is based on the June 2023 adopted LTFP.

²⁸ Southern Mallee District Council, *Email to the Commission*, 22 August 2025.

²⁹ The Council's Audit and Risk Committee considered its LTFP and AMP assumptions as part of the ABPs for 2024-25 (on 12 April 2024), and for 2025-26 (on 14 May 2025).

³⁰ The Council provided draft documents in an email to the Commission on 22 August 2025.

Noting the age of the existing LTFP and the absence of a current adopted financial forecast, the Commission is not in a position to compare LTFPs to assess material amendments.

4.3 Comments on proposed changes

The Council has advised that it proposes to make several updates to its forthcoming LTFP, although these have not been endorsed by the Council and therefore cannot be relied upon. These include:

- ▶ completing asset revaluations to some of its asset classes and associated increases to depreciation
- ▶ development and update of AMPs for major assets, for example the Community Wastewater Management System (CWMS), Infrastructure, Stormwater Drainage, and Building assets, expected to result in an additional \$1.0 million in asset renewal and replacement expenditure over the period 2026-27 to 2028-29, and
- ▶ application of 2.0 percent in addition to the assumed general rates indexation (being the historical five-year average of the Local Government Price Index (**LGPI**)).

The Council's draft LTFP projections show average annual operating surpluses of approximately \$0.3 million per annum, which are lower than the Council's June 2023 LTFP projections, which the Commission has not relied upon as the Council has not adopted the projections.

The Commission recommends that the Council:

1. **Undertake** annual reviews and updates of its LTFP, in accordance with s.122(4)(a) of the LG Act, in consultation with the community and include detailed assumptions, with comments on the material changes between annual updates of its LTFPs.

5 Financial sustainability

5.1 Operating performance

5.1.1 Key points



The Council averaged slightly below breakeven in operating results over the Historical Period, with OSR averaging negative 0.1 percent.



In the Forecast Period, the projected OSR averages 2.5 percent, or an average surplus of \$0.3 million per annum, indicating a planned improvement in operating performance.



The Council's grant income accounted for 32.5 percent of total operating income over the Historical Period. Grants have varied in quantum and timing and averaged \$2.6 million per annum. For the Forecast Period, grants are forecast to average 28.7 percent of total income.

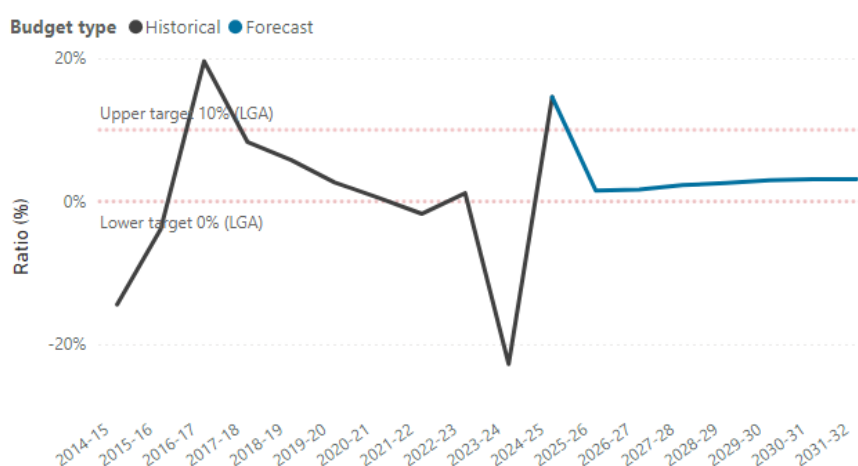


Expenses per rateable property are projected to increase by an average of 2.8 percent per annum in the Forecast Period, which is slightly above inflation projections and above its Historical Period.

5.1.2 Operating Surplus Ratio

Figure 2: Operating surplus ratio – historical and forecast

Operating surplus ratio



Over the Historical Period, the Council's OSR³¹ averaged negative 0.1 percent, indicating that it was slightly below break even over the period. Over the Forecast Period, the Council's OSR is projected to be

³¹ 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 10.0 percent (Local Government Association of South Australia, *Financial Sustainability Information Paper 9 - Financial Indicators Revised*, May 2019 (**LGA SA Financial Indicators Paper**), p. 6), available at [financial_sustainability_information_paper_9.pdf](#).

positive in each year averaging 2.5 percent, or an average surplus of \$0.3 million per annum (see Figure 2).

5.1.3 Income and expenses

5.1.3.1 Over the Historical Period:

- ▶ The rates component of income increased by a CAGR of 4.9 percent per annum, 2.0 percentage points above the average CPI for the period.
- ▶ Grants income accounted for 32.5 percent of total operating income, averaging \$2.6 million per annum.
- ▶ Total operating expenses grew by a CAGR of 2.8 percent per annum, driven by employee costs (3.1 percent per annum) and depreciation, amortisation and impairment (3.9 percent per annum).
- ▶ Average CPI for the period was 2.9 percent per annum.
- ▶ The Council's operating performance was just less than breakeven on average and those results necessitated average rate increases (on a per property basis) of 4.5 percent per annum, 1.6 percentage points above average CPI for the period (see Section 6).

5.1.3.2 Over the Forecast Period:

- ▶ Operating income is forecast to increase by a CAGR of 3.0 percent per annum.
- ▶ The Council has assumed no growth in rateable properties in its June 2023 LTFP.
- ▶ Total operating expenses are forecast to grow by a CAGR of 2.8 percent per annum, driven by employee costs (3.5 percent per annum), 'materials, contracts and other' expenses (3.8 percent per annum), and depreciation, amortisation and impairment (1.4 percent per annum).
- ▶ Depreciation expenses are likely to be understated given recent years' inflationary environment, the lack of recent asset revaluations, and LTFP updates. The risk is that Council's income projections may be insufficient (or inaccurate) to fund these movements.
- ▶ The average CPI for the period is forecast to be 2.6 percent per annum.

5.1.4 Commission's recommendations on operating performance

The Council's LTFP is from June 2023 contains outdated assumptions, for example with respect to indexation rates, depreciation expenses, and the rates income required for ongoing financial sustainability (rates are discussed in Section 6).

The Commission recommends that the Council:

2. **Ensure** it has updated all operating assumptions in its LTFP, including depreciation expenses, so it is better placed to manage long-term operating performance.

5.2 Net financial liabilities

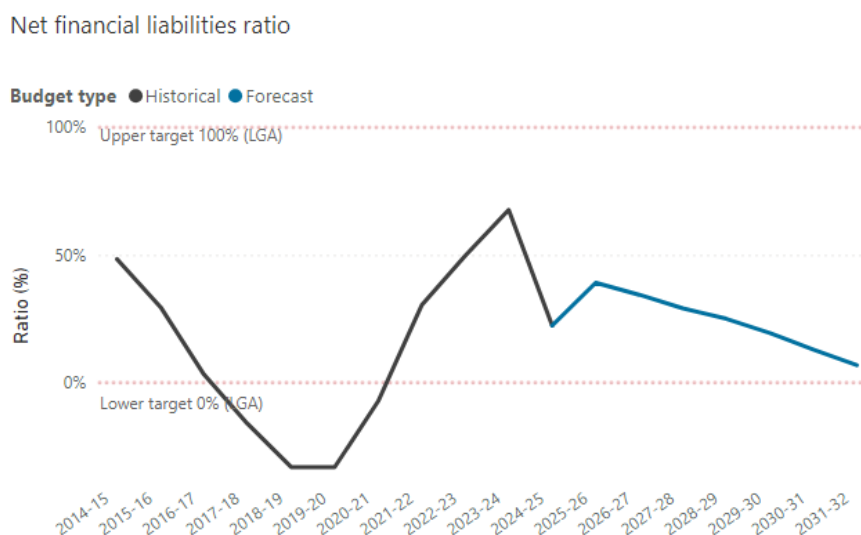
5.2.1 Key points



Net cash flows after operating and investing (that is, capital-related) activities averaged negative \$0.2 million per annum in the Historical Period, in part due to a larger capital expenditure program since 2020-21.

- ✓ The Council is generally conservative in its use of debt, evidenced by a NFLR averaging 13.8 percent in the Historical Period.
- ✓ Over the Forecast Period, the Council plans to reduce debt and progressively increase cash balances to \$2.0 million by 2031-32, increasing its financial capacity for future investment.

Figure 3: Net financial liabilities ratio – historical and forecast



The Council's NFLR³² was generally low over the Historical Period, indicating that it has strong capacity to manage its debt. Since 2020-21, the Council's debt increased steeply, driven by a larger capital expenditure program (such as for Town Centre upgrades at Lameroo and Pinnaroo, and CWMS upgrades³³). Debt peaked at \$4.8 million in 2023-24. The Council plans to reduce debt to \$1.3 million by June 2032. The forecast repayment is enabled by rate increases above CPI and a pause on new and upgraded assets. If approved carry-over upgrade commitments exist, they are immaterial to the forecast and have been excluded.

5.2.1.1 Over the Historical Period:

- The Council's net cash flows after operating and investing (that is, capital-related) activities averaged negative \$0.2 million annually.³⁴ These are the cash flows generally available for debt repayments (and are after interest payments) and indicate the Council's overall expenditure has outpaced its cash generation, requiring it to utilise cash reserves as needed.

³² 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 100.0 percent of total operating income, but possibly higher in some circumstances (LGA SA Financial Indicators Paper, pp. 7-8).

³³ Southern Mallee District Council, *Initial provision of information to the Commission*, 30 April 2025.

³⁴ This figure provides a general indication on whether the Council has a capacity to repay borrowings or has an emerging cash flow sustainability issue. A negative or relatively small figure should be viewed in the context of the Council's revenue base and existing cash balances, which could indicate it is able to service cash flow deficits over a long period.

- ▶ While the Council's average NFLR was 13.8 percent, it rose substantially from 2021-22 to 2023-24, reaching 67.6 percent in 2023-24.

5.2.1.2 Over the Forecast Period:

- ▶ The Council plans to reduce its borrowings to \$1.3 million by June 2032.
- ▶ Cash held by the Council is projected to increase to \$2.0 million in 2031-32, providing higher financial capacity for future investment.

5.2.2 The Commission's recommendations on financial liabilities

The Commission observes that the Council is generally conservative in the use of debt; however as needed, it draws on its borrowing capacity, particularly for major capital works that are supported by grant funding.³⁵ Towards the end of the LTFP, the Council is projecting it will accumulate cash balances of \$2.0 million. This appears to be driven, in part, by lower capital expenditure for new and upgraded assets.

The Commission recommends that the Council:

3. **Review** the long-term cash balances and capital expenditure requirements projected in its LTFP, and as applicable, specify the purpose and timing of cash balances.

5.3 Asset renewals expenditure

5.3.1 Key points



The Council's AMPs are not fully updated, meaning that, while the ARFR for the Historical Period indicates the Council has funded its asset renewal and replacement program, the result is likely not accurate, due to outdated asset values.



The Council is projected to increase its capital expenditure on asset renewals by 1.4 percent per annum from 2026-27 to 2031-32 (based on its June 2023 LTFP), and renewal expenditure is generally higher in nominal terms compared to the Historical Period.



The Council advises separate AMPs are being developed for Stormwater Drainage, CWMS and Transportation assets in 2025-26; as well as updates to its existing AMPs for Plant and Equipment, and Buildings and Structures assets.



The Council does not annually index its asset values between formal revaluations.

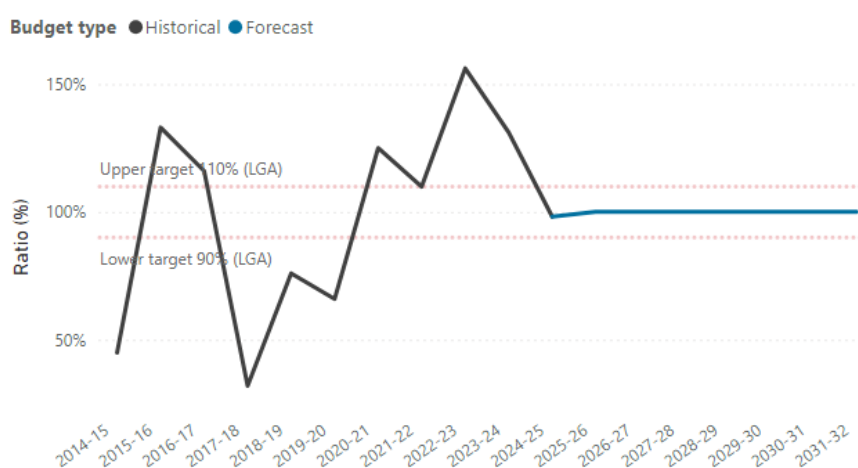
The Council's ARFR (Gross and Net) indicate that the Council has funded asset renewal and replacement consistent with its AMPs over the Historical Period and intends to do so over the Forecast Period. The Council is updating its AMPs and is seeking to improve their comprehensiveness, which should help to guide good asset management during the Forecast Period.

³⁵ Southern Mallee District Council, *Initial provision of information to the Commission*, 30 April 2025.

- ▶ The Council has AMPs for Infrastructure assets (adopted in 2023), Plant and Equipment assets (adopted in 2023), and Buildings and Structures (adopted in 2018). The Infrastructure AMP is an overarching (or high-level) document covering a broad range of asset classes; however, the Council intends to develop separate AMPs for Stormwater Drainage, CWMS and Transportation assets in 2025-26. It has also advised the Commission that it plans to update existing AMPs in the next 12 months.
- ▶ The Council's largest asset class, transportation assets, has not been revalued since 30 June 2020, and these assets accounted for 54.8 percent of its infrastructure asset base at 30 June 2024.³⁶
- ▶ The Council does not generally undertake annual indexation of its asset base (or on associated depreciation charges) between formal valuations. This presents some risk to sustainability as the Council may not have a current understanding of values, the depreciation charges, and required funding for asset renewal and replacement.

Figure 4: Asset renewal funding ratio (renewal expenditure net) – historical and forecast

Asset renewal funding ratio (renewal expenditure, net)



5.3.1.1 Over the Historical Period:

- ▶ the ARFR (net)³⁷ averaged 95.9 percent, indicating that on average, the Council generally funded its asset renewal and replacement program in line with its AMPs. As the set of AMPs is incomplete and some values are not current, the Council's actual renewal and replacement performance is not clear.

³⁶ Southern Mallee District Council, *General Purpose Financial Statements for the year ended 30 June 2024* (included in its 2023-24 Annual Report), Note 7 Infrastructure, Property, Plant and Equipment, pp.76 to 79.

³⁷ 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 90.0 to 110.0 percent (LGA SA Financial Indicators Paper, p. 9).

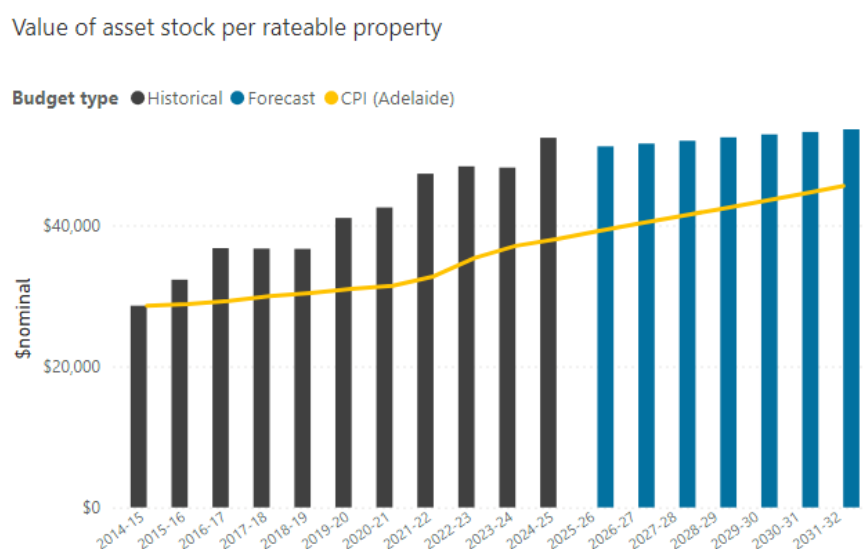
- Expenditure on new and upgraded assets accounted for 45.6 percent of total capital expenditure. Noting that the Council is still developing a full understanding of its asset renewal and replacement requirements, it will be important for the Council to ensure that it prioritises the full funding of asset renewal and replacement over funding of new and upgraded assets, and fully understands the impact of expenditure on new and upgraded assets on additional rates needed for their maintenance, renewal and replacement.

5.3.1.2 Over the Forecast Period:

- the Council intends to fully fund its asset renewal and replacement program, targeting a net ARFR of 100 percent.
- the Council did not forecast any expenditure on new and upgraded assets in its capital expenditure forecast in the June 2023 LTFP.

The Commission also observes that high expenditure on new and upgraded assets (\$19.8 million over the Historical Period) has contributed to large increases in the value of asset stock per rateable property (see Figure 5). Noting that the Council has assumed no growth in the number of rateable properties (in its June 2023 LTFP), the increase in value of assets on a per-property basis generates future obligations in renewal and replacement for the ratepayers to bear.

Figure 5: Value of asset stock per rateable property – historical and forecast



5.3.2 The Commission's recommendations on asset renewals funding

The Commission recommends that the Council:

4. **Complete** AMPs for all major asset classes and review them at least every four years.
5. **Annually** index asset values and depreciation charges between formal revaluations (in accordance with the relevant accounting standards), and ensure LTFPs adequately reflect projected asset values and depreciation, taking into account indexation and changes in capital expenditure.

6 Advice on current and projected rate levels

6.1 Key points

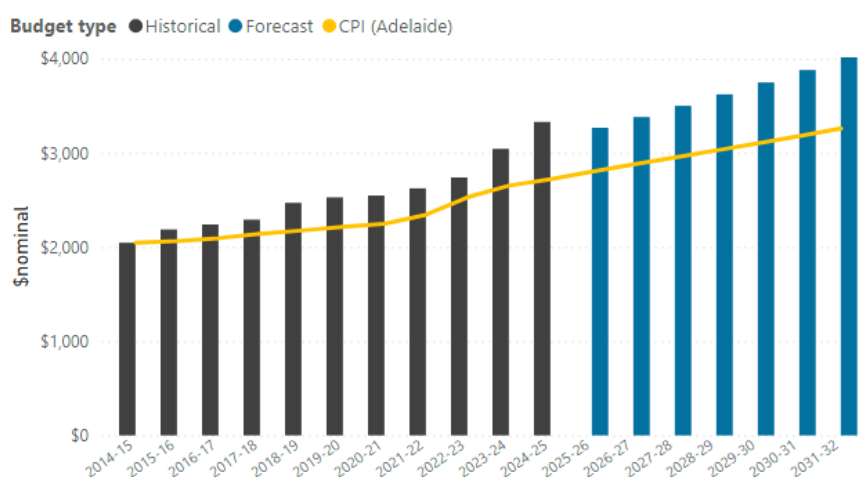
- ⚠ The increase in rate revenue per property averaged 4.5 percent in the Historical Period, which is 1.6 percentage points higher than average CPI for the same period.
- ⚠ The budgeted rate increase for 2025-26 is 5.0 percent across the Council's ratepayer base, which is not consistent with the rate adjustments outlined in its previous 2022-23 LTFP.
- ⚠ In the Forecast Period, the average rate increase per property is 3.5 percent per annum, which is 0.9 percentage point higher than the RBA-based inflation forecast averaging 2.6 percent per annum. The Council has foreshadowed higher rate increases in its draft LTFP.
- ⚠ Affordability risk among the community for further rate increases appear to be moderate, based on a range of factors, including an assessment of the economic resources available to the community, the relatively low average general rates for residential ratepayers compared to similar councils, and the likely need for further rate increases following updates to SMPs.

6.2 Historical and forecast growth in rates and operating expenses

The growth in rates on a per-property basis, relative to inflation, indicates whether rates affordability issues might be emerging. Figure 6 (below) indicates that rates increases are planned to be 0.9 percentage point per annum higher than average CPI across the planning period (based on the 2023 LTFP). As noted previously, the Council is also planning for higher increases in its draft LTFP and following updates to its AMPs.

Figure 6: Average rates revenue per property – historical and forecast

Average rates revenue per property



The Council's 'general rates' are higher than that of similar councils; however, residential rates are lower and non-residential rates are higher than that of similar councils.³⁸ This distribution potentially has affordability implications across ratepayer categories.

6.2.1 Over the Historical Period:

- ▶ The Council's rate revenue per property increased at a CAGR of 4.5 percent per annum, compared with average CPI of 2.9 percent per annum.
- ▶ 53.6 percent of the Council's total operating income came from rate revenue, while income from grants, subsidies and contributions accounted for 32.5 percent.

6.2.2 Over the Forecast Period:

- ▶ The Council's rate revenue per property is planned to increase at a CAGR of 3.5 percent per annum, compared with projected average CPI of 2.6 percent. As shown in Figure 6, the excess of growth in rates per property over CPI is growing, indicating increasing affordability risk.
- ▶ The Council assumes no growth in rateable property numbers.

In its draft (October 2025) LTFP, the Commission observes that the Council intends to increase its average annual rates by 2.0 percent plus LGPI, which is higher than forecast CPI. The Council advises this reflects a need to maintain financial sustainability. The Council is proposing to change several assumptions in its SMPs, predominantly to recognise inflationary pressures. The Commission advises that the Council could also consider operating cost savings and efficiency measures in its LTFPs to mitigate financial sustainability risks.

6.3 Proposed rate increases for 2025-26

The Council has budgeted for an average rate increase of 5.0 percent across its ratepayer base.³⁹ This is budgeted to result in a relatively small operating surplus of \$0.2 million in 2025-26. It is observed that the rate increase does not align with the rate adjustments outlined in its 2022-23 LTFP.

6.4 Affordability risk

On balance, affordability risk of these further rate increases appears to be moderate, when considering:

- ▶ the Council's higher than average socio-economic indexes for areas (SEIFA) economic resources ranking for the Council area⁴⁰
- ▶ the current relatively low average rates for residential ratepayers compared to similar councils and the Statewide average residential rates and relatively high rates for non-residential ratepayers

³⁸ Refer to Councils in Focus rates data for 2022-23 available at https://councilsinfocus.sa.gov.au/councils/southern_mallee_district_council. The Commission is not relying on these rate comparisons for its advice; the data source provides one indicator, among many, which has informed its advice on the appropriateness of the rate levels. Other rate charges such as for waste management and the regional landscape levy do not form part of this comparison.

³⁹ Southern Mallee District Council, *Annual Business Plan and Budget 2025-2026*, p. 6.

⁴⁰ The Southern Mallee District Council area is ranked 42 among 71 South Australian 'local government areas' (including Anangu Pitjantjatjara and Maralinga Tjarutja Aboriginal community areas and 'unincorporated SA') on the Australian Bureau of Statistics SEIFA Index of Economic Resources (2021), where a lower score (e.g., 1) denotes relatively lower access to economic resources in general, compared with other areas, available at <https://www.abs.gov.au/statistics/people/people-and-communities/socio-economic-indexes-areas-seifa-australia/2021>.

- ▶ the effect of cumulative increases in rates per existing ratepayer of approximately 3.5 percent per annum over the Forecast Period, which is 0.9 percent per annum higher than the forecast rate of inflation
- ▶ the risk of further rate increases following the Council's updates to its SMPs, and
- ▶ minimal community concerns on the 2025-26 rate increase, based on submissions received by the Council during the 2025-26 annual budget process.⁴¹

6.4.1 The Commission's recommendations on affordability risk

The Commission recommends that the Council:

6. **Review** the forecast long-term rate increases above CPI, in consultation with its community, balancing community affordability, service level requirements, and the financial sustainability of the Council.

⁴¹ See Southern Mallee District Council, *Ordinary Council Meeting Agenda – 16 July 2025, Item 11.1 Annual Business Plan and Budget 2025/2026 – Consideration of Feedback During the Public Consultation Phase*, pp. 24-29, available at https://www.southernmallee.sa.gov.au/_data/assets/pdf_file/0028/1839250/Ordinary-Council-Meeting-Agenda-16-July-2025-Public-Version.PDF.

7 The Commission's next advice and focus areas

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

- ▶ compliance with legislative requirements in annually reviewing its LTFP and regularly reviewing its AMPs consistently
- ▶ improved disclosure of material changes to its financial forecasts and assumptions (including key operating income and expenses categories) in its LTFP
- ▶ updates to asset valuations, depreciation and associated asset indexation assumptions to ensure that the LTFP is informed by current values, and
- ▶ ongoing performance against its LTFP estimates and its goal to achieve its long-term operating surplus targets.

8 Appendix: Glossary of terms

Item	Explanation
ABS	Australian Bureau of Statistics
AMP	Asset management plan (also called an IAMP)
ARFR	Asset Renewal Funding Ratio: renewal expenditure based (gross): $\text{Asset Renewal Expenditure} / \text{IAMP Renewal Expenditure}$ (where IAMP expenditure includes sale of replaced assets) Asset Renewal Funding Ratio - renewal expenditure based (net) - if IAMP excludes sale of replaced assets: $\text{Asset Renewal Expenditure} / \text{IAMP Renewal Expenditure}$ (where IAMP expenditure excludes sale of replaced assets) Asset Renewal Funding Ratio (depreciation based): $\text{Asset Renewal Expenditure} / \text{Depreciation}$ (IAMP Renewal Expenditure is that required according to the IAMP.)
CAGR	Compound Annual Growth Rate: $\text{CAGR} = (\text{V}_{\text{final}} / \text{V}_{\text{begin}})^{1/t} - 1$ CAGR represents the mean annualized growth rate for compounding values over a given time period. CAGR smooths the effect of volatility of periodic values that can render arithmetic means less meaningful. (Source: Wikipedia)
Commission	Essential Services Commission, established under the <i>Essential Services Commission Act 2002</i>
CPI	Consumer Price Index (Adelaide, All Groups)
Council	Southern Mallee District Council
CWMS	Community Wastewater Management System
ESC Act	<i>Essential Services Commission Act 2002</i>
F&A	<u>Local Government Advice: Framework and Approach – Final Report</u>
Forecast Period	The Commission usually defines the Forecast Period as the 10 years from 2025-26 to 2034-35 but in the case of this Council it is defined as the seven years from 2025-26 to 2031-32 due to the absence of data for the years 2032-33 to 2034-35.
FTE	Full Time Equivalent
Historical Period	10 years from 2014-15 to 2023-24
IAMP	Infrastructure and asset management plan (also called an AMP)

Item	Explanation
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
LGPI	Local Government Price Index
LTFP	Long-term financial plan
NFLR	Net Financial Liabilities Ratio Net Financial Liabilities are defined as: Total Liabilities LESS Current Assets (Cash and Cash Equivalents) LESS Current Assets (Trade and Other Receivables) LESS Current Assets (Other Financial Assets) LESS Non-Current Assets (Financial Assets - excluding equity accounted investments in council businesses) The net financial liabilities ratio is: Net financial liabilities ÷ Total Operating Income
OSR	Operating Surplus Ratio The Operating Surplus (Deficit) is defined as: Total Operating Income LESS Total Operating Expenses The Operating Surplus Ratio is defined as: Operating Surplus (Deficit) ÷ Total Operating Income
Regulations	<i>Local Government (Financial Management) Regulations 2011</i>
RBA	Reserve Bank of Australia
SEIFA	Socio-Economic Indexes for Areas
SMP	Strategic management plan
SG	Superannuation Guarantee
The scheme or advice	Local Government Advice Scheme

OFFICIAL



The Essential Services Commission
Level 1, 151 Pirie Street Adelaide SA 5000
GPO Box 2605 Adelaide SA 5001

T 08 8463 4444

E escosa@escosa.sa.gov.au | W www.escosa.sa.gov.au

OFFICIAL



THE SOUTHERN MALLEE

Southern Mallee District Council

Day Street, Pinnaroo SA 5304

Postal Address:

PO Box 49 Pinnaroo, South Australia 5304

Telephone: (08) 8577 8002

Email: council@southernmallee.sa.gov.au

Website: www.southernmallee.sa.gov.au