



Financial Sustainability Strategy

2025 - 2028



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Introduction

Financial sustainability remains a persistent and complex challenge for local governments across Australia. In the face of growing service demands, managing an ageing infrastructure base, and limited revenue flexibility has put significant pressure on the financial health of the Southern Mallee District Council.

During recent decades, the role of local government has undergone significant changes in response to evolving community needs and the occurrence of cost shifting. Local governments are now responsible for delivering more services than ever, despite little to no increases in funding to support these additional responsibilities.

Local councils also face challenges in meeting community expectations in the delivery of not only essential services but also providing other services that make the community a great place to live.

The Southern Mallee District Council is committed to maintaining long-term financial sustainability while delivering essential services and infrastructure for our community. This strategy outlines the guiding principles, objectives, and actions required to manage Council's finances responsibly, and ensure that current and future generations enjoy equitable access to services and infrastructure.



What is *Financial Sustainability*

Financial sustainability is Council's ability to manage its financial resources in a responsible and efficient manner over the long term. It involves achieving a significantly improved financial position, ensuring that income sources are sufficient to cover operating expenses, fund essential services and liabilities, and to have adequate surplus to effectively manage and invest in assets.

Financial sustainability also includes planning and budgeting for future needs, such as new, upgrade and maintenance of infrastructure to respond to community need and growth, while considering the potential impacts of economic fluctuations and changing demographics. It encompasses prudent financial management practices, responsible borrowing management, revenue diversification, effective cost control measures, and transparency in financial reporting.

By achieving financial sustainability, Council can meet the needs of current and future generations.

The financial measures for the Southern Mallee District Council are as follows:

- **Operation Savings of 10%:** Council is committed to 10% in operation savings over the life of this strategy.
- **Capital Works and Depreciation:** For every dollar of depreciation in the financial year, 100% of it is to be reinvested in the renewal and upgraded of Council's assets.
- **Operating Surplus of 4%:** For every dollar spent, there is approximately one dollar and 4 cents income – this indicates that there is money left after covering costs each year.



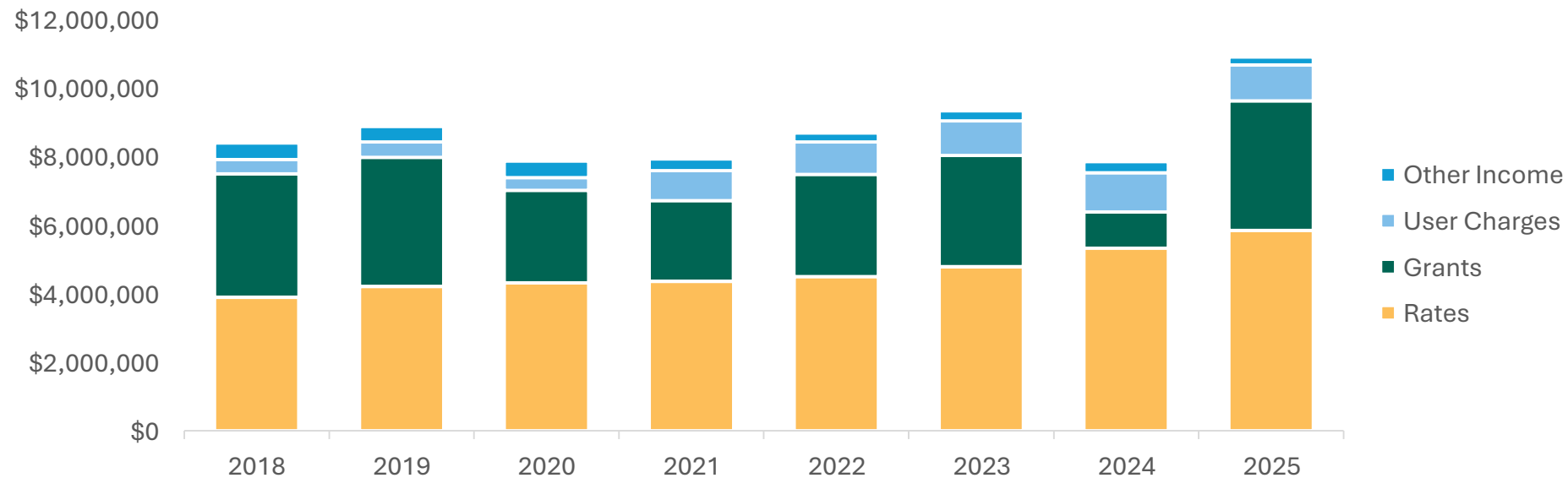
Current Financial Position & Challenges

Southern Mallee District Council's details financial information and financial statements can be found at [Annual Reports | Southern Mallee District Council](#). This section is intended to provide a contextual snapshot of the key structural components of Council's finances including:

- **Income,**
- **Expenses,**
- **Operating surplus, and;**
- **Capital works.**

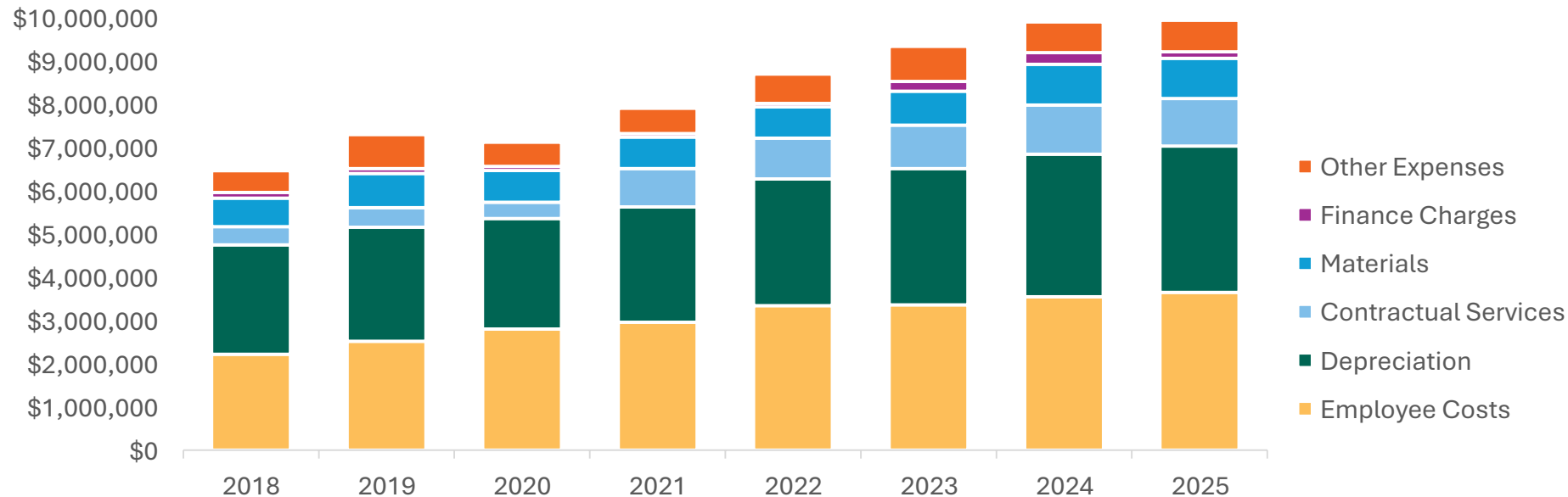
Operating Income

- Council operations are funded through rates, government grants and user charges of which child care is a large portion.
- Stable but continues to rely on rate payers to fund the council operations and capital works.
- We have a small population with limited growth prospects which restricts income growth.
- The Financial Assistance Grant from Federal Government has decreased as a percentage of federal taxation from 1% to 0.5%.
- Dependence on government grants can expose Council to potential funding uncertainties if government policies or priorities change.
- A stable income does not allow Council to expand services or infrastructure programs to accommodate changing community needs
- Grant income as a percentage of total income has decreased putting more pressure on ratepayers – there needs to be more of a concerted effort in the way council identifies and applies for relevant grant funding.



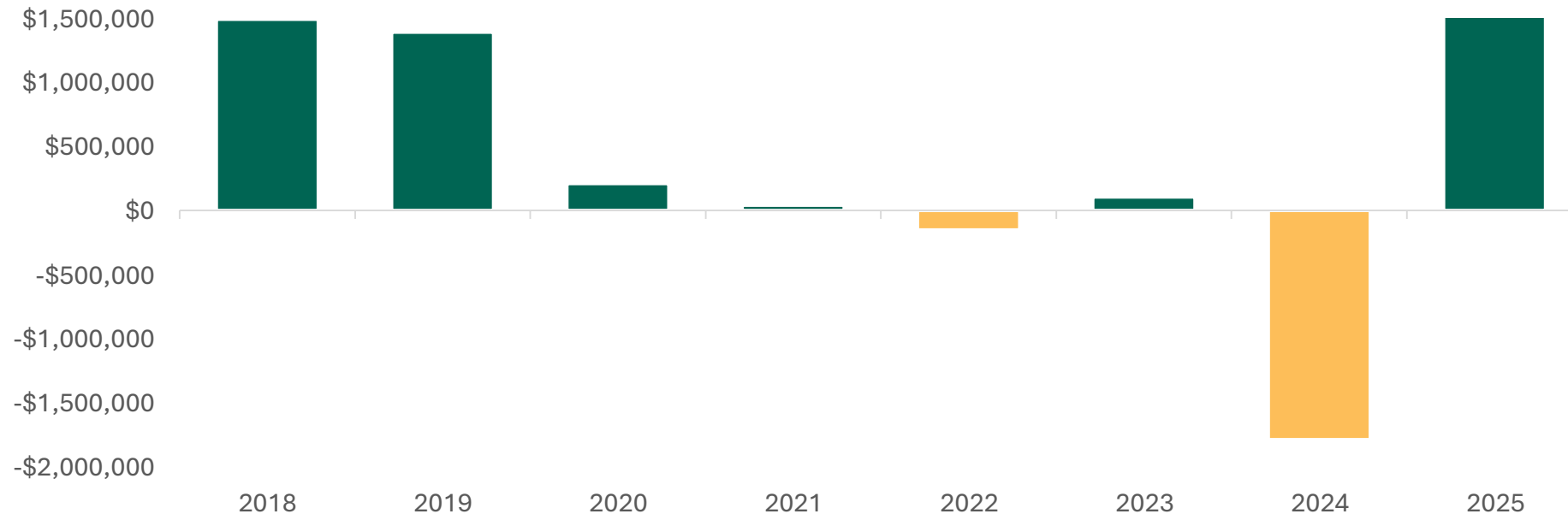
Operating Expenditure

- Over 70% of operating expenditure in 2025/2026 is toward depreciation and employee costs.
- Depreciation accounts for 34% of Operating expenditure and presents a significant challenge for rural councils like Southern Mallee, where large, ageing infrastructure networks must be accounted for despite limited revenue capacity.
- Council is expecting a substantial increase in depreciation expenses in the coming year, driven by the fact that asset revaluations have not been undertaken for over five years, resulting in a likely upward adjustment to asset values and associated depreciation charges. This will severely affect the operating result of Council.
- Controlling and managing expenses are crucial for maintaining financial health and maintaining and renewing infrastructure.
- Understanding the composition of expenses and identifying areas where costs can be reduced or optimised is essential for improving financial performance.



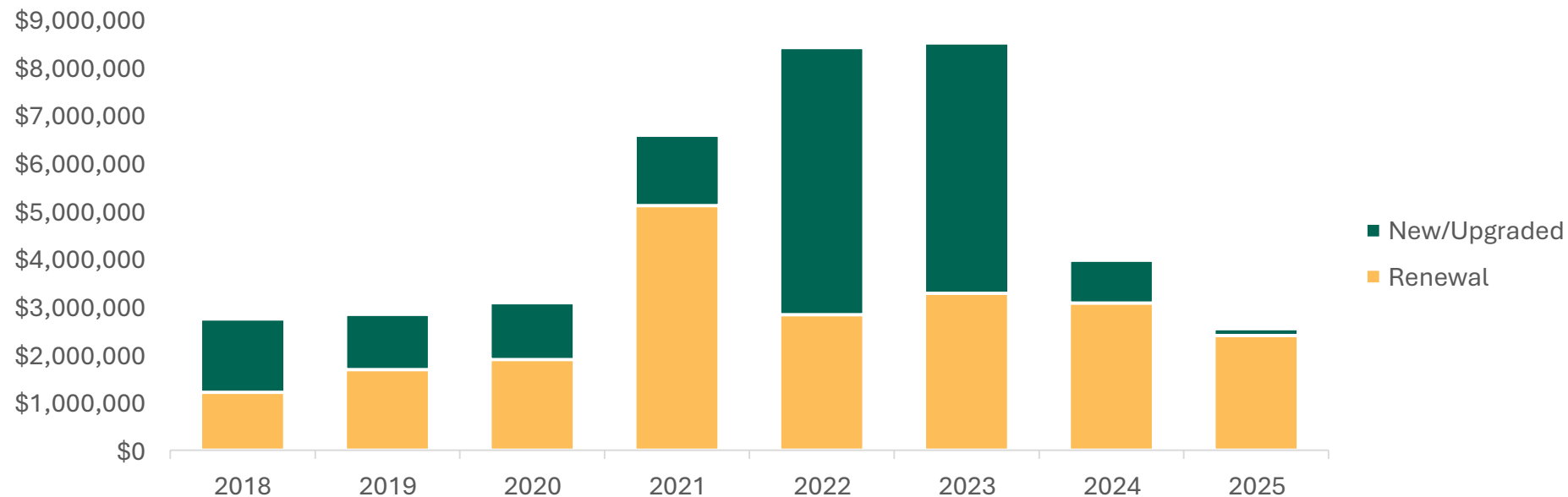
Operating Surplus/(Deficit)

- Prior to Covid, Council had significant Operating Surplus' of over \$1,000,000 for the years 2018 and 2019, however due to large capital projects this has reduced to small surpluses and deficits combined with a decrease in the cash balance. It should be noted that the large deficit in 2024 was largely due to the delayed timing of the Government's Financial Assistance Grant. This was rectified in 2025 where the Grant was received in advance.
- Without meaningful revenue growth or reductions in expenditure, the operating result is expected to remain in deficit, placing ongoing pressure on Council's financial sustainability and limiting its capacity to fund asset renewal and new initiatives from operating income
- In local government, a surplus should not be equated with a "profit," as commonly understood in business terms. Unlike business profit, which reflect financial gains after deducting expenses, a surplus in local government are funds derived from income sources which are put to strategically deliver community services and infrastructure. However, Council needs to strike a balance between investment now and investment into the future.



Capital Expenditure

- Southern Mallee District Council's capital expenditure is primarily focused on the renewal of critical infrastructure assets (roads), which represent the majority of Council's asset base and are essential to community connectivity and service delivery. However, the ability to fund capital works is constrained by limited internal revenue.
- Compounding this challenge, the infrastructure asset management plans completed in 2023—are based on outdated asset valuation data, with infrastructure assets not having been revalued for over five years.
- These plans also assume only a 3% annual increase in renewal costs, which significantly underestimates current market conditions where construction and material costs have risen sharply.
- As a result, there is a growing risk that Council is underestimating the true cost of asset renewal, potentially leading to a widening infrastructure gap and further pressure on long-term financial sustainability
- The escalation in Capital Expenditure through 2021 – 2023 included the Childcare Centres, Main Street redevelopment in Pinnaroo and Lameroo, Pinnaroo CWMS upgrade among others. The funding for these projects came through a combination of increased grant funding during Covid Loans and Cash.



What contributed to the financial *challenges*?



Cost Shifting

Councils across the state and country are continually required to do more without any additional resources. This has increased the cost to Council for waste, child services, libraries, development and regulation.



High infrastructure renewal burden per ratepayer

A large network of roads and infrastructure spread across a sparsely populated area results in a high renewal and maintenance cost per ratepayer. This results in a growing infrastructure backlog from insufficient investment and assets not being replaced at the required rate.



Rising cost pressures

General inflation, escalating construction and materials costs, and increasing regulatory and compliance requirements are driving up Council's operating and capital expenditure. These cost pressures are outpacing revenue growth and placing strain on core service delivery.



Inadequate grant funding

The Financial Assistance Grant from Federal Government has decreased as a percentage of federal taxation from 1% to 0.5%. This has had a detrimental effect on Council's ability to run its business and maintain its infrastructure.



Small population with limited growth prospects

Council's ability to raise revenue is constrained by a small population, with limited prospects for significant residential or economic growth. This limits rate income and places greater demand on aged and health-related community services.



Legacy decisions impacting financial flexibility

Past decisions relating to asset acquisition & disposal, service levels and cash balance deterioration have created financial commitments that are difficult to unwind. These legacy issues reduce Council's ability to reallocate resources or respond flexibly to emerging priorities.

Financial Sustainability Vision

“The Southern Mallee District Council is committed to being a financially sustainable organisation. We will have sufficient funds to renew and maintain our assets appropriately and provide services without imposing a significant burden on our residents and community, today and into the future.”



Objectives

The objectives for Council to achieve its financial sustainability vision are as follows:

1. **Council operations are effective, efficient and lean** – optimising productivity and efficiency to manage operating costs.
2. **Council optimises our revenue-generating services and assets** to generate revenue, balancing both cost of service-delivery and accessibility of services to the community.
3. **Council delivers services that are relevant**, that are delivered at the appropriate service level and that provide value for money to the community.
4. **Council effectively manages assets, plant and equipment**, with a focus on investment in and renewal of the right assets.

This will involve action in the following areas:



Reduce costs and improve efficiency



Improve how we manage and allocate finances



Ensure we are delivering services at the right level



Increase the income we receive



Improve our processes for better planning and delivery



Improve how we manage our assets

Action Plan

Actions we are taking to achieve our vision of financial sustainability.

Objective 1 Council Operations are effective, efficient and lean – optimising productivity and efficiency to manage operating costs.			
Activity to achieve objective	Sub-Activity	Target Completion	Responsible Area
1.1 Define Council Productivity and Efficiency Improvement Plan and track the delivery of agreed actions	1.1.1 Identification of operation efficiencies through the business process mapping and improvement	December 2026	ELT
	1.1.2 Implement agreed efficiency saving initiatives and report progress	December 2026 (and ongoing)	ELT
1.2 Implement Council-wide cost controls to reduce operational spend	1.2.1 Complete review of high-value procurement categories and implement recommendations, including: - Fuel - Rubble - Road maintenance - Electricity - Waste - Cleaning - IT and Communications - Development services - Legal services	June 2026 (review) (implementation ongoing)	ELT
	1.2.2 Quarantine identified savings and report progress against savings goals	Ongoing	Corporate Services

Action Plan

Activity to achieve objective	Sub-Activity	Target Completion	Responsible Area
1.3 Review of workforce for corporate functions, focused on areas with largest cost base	1.3.1 Complete workforce plan for all roles	September 2025	ELT
	1.3.2 Complete critical vacancy and recruitment review	September 2025 (and ongoing)	ELT
	1.3.3 Develop staff incentivisation initiatives to identify and implement cost savings	June 2026	ELT
1.4 Rationalisation of under-utilised and excess plant assets	1.4.1 Sale of under-utilised plant and equipment determined from the service review	September 2026	Infrastructure Services
1.5 Budget framework improvements – including activity-based budgeting and increased budget accountability	1.5.1 Define and measure key productivity and efficiency metrics	December 2025	Corporate Services
	1.5.2 Formalise budget parameters in line with principles of financial sustainability	June 2026	Corporate Services
	1.5.3 Build a roadmap and implement best practice budget processes including budget bid framework to identify savings and efficiencies	December 2025	Corporate Services

Action Plan

Activity to achieve objective	Sub-Activity	Target Completion	Responsible Area
1.6 Develop and implement Council's digital transformation strategy	1.6.1 Procure and implement a cost-effective Enterprise Resource Planning Suite (ERP) using best of breed “cloud first” technology, including: • Finance • Rates and property • Asset management • Records management	March 2027	Corporate Services
	1.6.2 Review, consolidate and or upgrade/replace systems outside of ERP including: • Server infrastructure • Phone System • Customer request	June 2026	Corporate Services

Action Plan

Objective 2		Council optimises revenue-generating services and assets to generate income, balancing both cost of service-delivery and accessibility of services to the community.	
Activity to achieve objective	Sub-Activity	Target Completion	Responsible Area
2.1 Implement a framework for grant applications	2.1.1 Implement processes to ensure all funding sources are identified and applied for	September 2026	CEO
	2.1.2 Determine list of applicable projects for grant funding when available	June 2026	ELT
2.2 Under-performing and excess asset disposal	2.2.1 Determine under-performing council owned land and building assets and present to Council workshop	September 2025	Property Services
	2.2.2 Sale/Disposal of under-performing land and buildings	June 2026	Property Services
	2.2.3 Sale of under-utilized plant and equipment determined from the service review	September 2026	Infrastructure Services
2.3 Review fees and charges to reflect cost for service where practical to do so	2.3.1 Fees and charges % increase for FY 2026/27	June 2026	Corporate Services
	2.3.2 Coordinate review of all fees and charges prior to FY 2026/27 budget process and present to Council workshop	June 2026	Corporate Services
	2.3.3 Review developer contributions	June 2026	Property Services

Action Plan

Objective 3 Council delivers services that are relevant, that are delivered at the appropriate service level and that provide value for money to the community.			
Activity to achieve objective	Sub-Activity	Target Completion	Responsible Area
3.1 Conduct a Service Review Program to strategically assess the range and levels of service provided to the community	3.1.1 Service review with current service levels, budget and recommendations to Council workshop	December 2026	ELT
	3.1.2 Non-core service review with current service levels, budget and recommendations to Council workshop	December 2026	ELT
3.2 Complete service reviews of Council's Commercial business entities	3.2.1 Complete Pinnaroo and Lameroo Childcare review identify savings and efficiencies	December 2026	Corporate Services
	3.2.2 Complete review of Lameroo caravan park and implementation of EOI if determined applicable	June 2026	Property Services
	3.2.3 Complete review of Pinnaroo retirement village	November 2025	Property Services
3.3 Review of Council's Administration facilities and opening times	3.3.1 Review of costs and benefits of maintaining two offices and Depots and present recommendations to Council workshop	December 2025	CEO

Action Plan

Objective 4		Council effectively manages assets, with a focus on investment in and renewal of the right assets.	
Activity to achieve objective	Sub-Activity	Target Completion	Responsible Area
4.1 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	4.1.1 Detailed asset plans (condition, quantity) across Council's asset portfolio to inform Long Term Financial Plan, including: • Roads • Land and Buildings • Stormwater • CWMS	April 2026 (and ongoing)	Infrastructure Services, Property Services
	4.1.2 Create integrated 10-year capital works plan including: • Make projects more stageable • Increase budget contingencies • Scale the program to organization capacity	April 2026 (and ongoing)	Infrastructure Services
4.2 Improvement in asset data collection	4.2.1 Assess Council's unit rates and useful lives to ensure appropriate asset value and depreciation calculations	March 2026	Infrastructure Services
	4.2.2 Define current and ideal levels of service and performance measures for each asset management plan.	April 2026	Infrastructure Services



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