



Annual Business Plan & Annual Budget 2026-27

Adopted at the Ordinary Council Meeting on 16 June 2026

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1. Introduction & District Profile

Proclaimed on 4 May 1911, the District Council of Cleve has grown to become the heart of one of South Australia's key agricultural regions.

Centrally located between Whyalla and Port Lincoln on the Eyre Peninsula, the township of Cleve sits within a diverse and scenic landscape. The Council area stretches from the Spencer Gulf coastline at Arno Bay in the east to the mountain ranges of Darke Peak in the west. This region is renowned for its sweeping views, productive cereal-growing plains, sandy beaches, and some of the finest recreational fishing in the country.

Covering an area of 529,543 hectares and serving a population of approximately 1,742 (2021 census), the District Council of Cleve shares borders with the Kimba, Franklin Harbour, Elliston, and Tumby Bay Councils. It encompasses the townships of Cleve, Arno Bay, Darke Peak, and Rudall.

The district's economic strength is driven by a robust agricultural sector, underpinned by the production of cereal grains, oilseeds, pulses, and livestock. Bulk grain-handling facilities in several towns support the local farming industry, which is a major source of employment.

In addition to agriculture, the Eyre Peninsula is currently experiencing a mining exploration boom, with potential for the extraction of iron ore, dolomite, nickel, and graphite – offering further economic opportunities for the region.

Arno Bay, a picturesque coastal town within the district, boasts extensive foreshore reserves, safe swimming beaches, a well-known jetty, a scenic mangrove boardwalk, and excellent boat launching facilities. It is widely regarded as one of Australia's top locations for recreational fishing, particularly for King George Whiting and Snapper.

The District Council of Cleve manages assets valued at approximately \$113 million, including an airport, roads, footpaths, effluent drainage systems, playgrounds, and community facilities such as halls. These assets play a vital role in supporting the wellbeing and development of the local community.

2. Strategic Directions

This Annual Business Plan & Annual Budget has been developed in line with the strategic objectives of the District Council of Cleve's Strategic Plan 2025-2030 adopted 27 November 2024. The implementation of the goals and objectives within Council's Strategic Plan is reported each year in Council's Annual Report.

Our Vision

Council's vision is to be:

A thriving district of inclusive and supportive rural and coastal communities enjoying a safe, well-serviced and relaxed country lifestyle.

Our Mission

Council will support the pursuit of its Vision by:

- Providing engaged leadership and working collaboratively to meet community expectations.
- Building an inclusive community through active engagement and collaboration with all stakeholders.
- Delivering quality community services while maintaining and improving community facilities.
- Encouraging sustainable economic growth to maintain and enhance our population.
- Making fiscally responsible decisions to ensure sustainable financial management.
- Promoting environmental sustainability and responsible management of natural resources.

Our Core Values

Efficient

We continuously explore ways to improve our efficiency in meeting community outcomes and be dependable in delivering quality services, infrastructure and facilities.

Consultative

We listen to our community's needs and aspirations and are consultative in our delivery.

Respectful

We demonstrate care and empathy in our processes, considerations and dealings within and beyond Council.

Integrity

We act with honesty and integrity in our dealings and are transparent in our decision making.

Innovative

We embrace innovation in pursuing quality and sustainable services, infrastructure and facilities.

Supportive

We embrace our role in supporting the community and fostering a sense of inclusion and pride.

Our Key Strategic Goals & Objectives

The following key strategic goals and objectives address the requirement of Section 123 (2)(a) of the *Local Government Act 1999* by including a summary of the Council's long-term objectives, as set out in its Strategic Management Plan 2025-2030.

Wellbeing Strategies

- 1.1 Foster a vibrant, inclusive community that promotes health and wellbeing for all ages**
 - 1.1.1 Foster community engagement and participation in district-wide events and facilities.
 - 1.1.2 Maintain support for valuable community events.
 - 1.1.3 Offer assistance to local sporting clubs, social clubs, and committees.
 - 1.1.4 Advocate for improved aged care options.
 - 1.1.5 Promote and facilitate high levels of volunteer involvement.
 - 1.1.6 Encourage the provision of in-home services under the National Disability Scheme in the district.
 - 1.1.7 Pursue meaningful ways of engaging with and supporting our youth population.

- 1.2 Develop accessible spaces and programs that support physical and mental health, encouraging activity community engagement**
 - 1.2.1 Support healthy living and wellbeing through community programs and recreational facilities like walking trails and playgrounds.
 - 1.2.2 Collaborate with local mental health and wellbeing organisations.
 - 1.2.3 Expand and improve recreation areas and playgrounds.
 - 1.2.4 Maintain township infrastructure, streetscapes, parks and open spaces to a high standard.

- 1.3 Build a resilient community with high health literacy, fostering a collective spirit of optimism and mutual support**
 - 1.3.1 Support community groups in organising and delivering impactful community events when needed.
 - 1.3.2 Regularly assess and update community safety measures to address extreme weather events and natural disasters.
 - 1.3.3 Highlight and promote community assets for the benefit of all district residents.
 - 1.3.4 Uphold Council's dedication to Australia Day awards.
 - 1.3.5 Promote and support community safety initiatives including advocating for improved fire safety
 - 1.3.6 Utilise improved communication mediums appropriate to the diversity of our community and their needs to improve communication delivery and access.

Prosperity Strategies

- 2.1 Create opportunities that attract investment, encourage innovation, and provide diverse employment opportunities**
 - 2.1.1 Advocate for responsible local mining development to boost employment and investment opportunities.
 - 2.1.2 Support initiatives to encourage local spending and economic circulation within the district.
 - 2.1.3 Develop an economic development strategy for the district.
 - 2.1.4 Further develop and enhance tourism infrastructure.
 - 2.1.5 Promote and support diverse economic development opportunities in the district.
 - 2.1.6 Encourage and support economic development and economic development resources within council.
 - 2.1.7 Encourage greater diversity on Council.
 - 2.1.8 Ensure land-use zoning encourages new investment opportunities.

- 2.2 Foster regional collaboration, strategic partnerships, and empower our community to drive sustainable economic growth**
 - 2.2.1 Continue ongoing economic development initiatives within the district.
 - 2.2.2 Maintain support for Regional Development Australia (RDA) economic initiatives.
 - 2.2.3 Support local businesses by facilitating investment opportunities, hosting networking events, and providing access to demographic and economic data.
 - 2.2.4 Maintain strong relationships with government bodies and stakeholders to advocate for community needs.
 - 2.2.5 Advocate to all levels of government and other Stakeholders for retention and improvements to essential services.
 - 2.2.6 Work with local tourism operators to improve standard of tourism facilities.

- 2.3 Cultivate a vibrant community that celebrates our unique identity and attracts diverse talent**
 - 2.3.1 Promote initiatives that foster community pride and local identity.
 - 2.3.2 Enhance the unique identity and heritage of our townships through the development of their public spaces.
 - 2.3.3 Support and encourage public art initiatives throughout the district.
 - 2.3.4 Advocate for the preservation and recognition of our environmental, heritage, and cultural assets.
 - 2.3.5 Explore measures to encourage retained spending within the local economy.
 - 2.3.6 Ensure effective and efficient use of Council resources (financial and otherwise) in tourism initiatives.

- 2.4 Strengthen governance and advocate for community needs through effective civic planning**
- 2.4.1 Strengthen relationships with government, non-government organisations, and stakeholders to advocate for community needs.
 - 2.4.2 Expand stakeholder and community engagement through effective consultation and feedback mechanisms to address key issues.
 - 2.4.3 Continue to improve transparency and accountability in decision-making through policies, procedures, and Audit Committee oversight.
 - 2.4.4 Seek increased state and federal funding for road network maintenance and upgrades.
 - 2.4.5 Advocate for funding and opportunities to support local industry and educational institutions.
 - 2.4.6 Support community groups through various means, including the Community Grants Program.
 - 2.4.7 Provide professional development for Council staff and Elected Members to improve overall performance.
 - 2.4.8 Regularly review and implement Council's asset management plans.
 - 2.4.9 Exercise sound financial management that ensures effective planning for the short, medium and long term.
 - 2.4.10 Represent Council at schools to increase civic awareness and support the next generation of community leaders and volunteers

Biodiversity Strategies

- 3.1 Implement innovative strategies for resource management and sustainable practices across the district**
- 3.1.1 Support ongoing initiatives for efficient waste management and recycling programs.
 - 3.1.2 Advocate for reliable power, water, and telecommunications.
 - 3.1.3 Promote and support community-led environmental initiatives and education programs.
 - 3.1.4 Continue to explore cost-effective means of resourcing within Council including via shared service arrangements with neighbouring Councils.
 - 3.1.5 Support Renewable Energy Initiatives.
- 3.2 Enhance environmental resilience through targeted conservation, preservation, and enhancement, and multi-functional green spaces**
- 3.2.1 Maintain and enhance existing green spaces and parks for biodiversity and community use.
 - 3.2.2 Support partnerships to improve the protection and sustainable management of coastal habitats.
 - 3.2.3 Promote community involvement in local environmental preservation projects.

- 3.2.4 Advocate for the care, protection and recognition of environmental, heritage and cultural assets
- 3.2.5 Advocate for retained access to natural assets in a manageable and sustainable manner.
- 3.3 **Implement sustainable infrastructure that balances urban needs with ecological preservation**
 - 3.3.1 Support efficient and effective development services that are sympathetic to the region's character.
 - 3.3.2 Promote effective consultation and engagement when planning services and infrastructure.
 - 3.3.3 Advocate for eco-friendly design principles in urban development projects.
 - 3.3.4 Advocate for retention of jetties.
 - 3.3.5 Continue to improve service delivery through community feedback and customer input.

3. Significant Influences and Priorities

The preparation of the Council's 2026-27 Annual Business Plan & Annual Budget has been influenced by several significant factors.

3.1 Economic Development Strategy

The District Council of Cleve has traditionally taken a conservative role in economic development in the district. However, significant population loss and aging are now evident, resulting from economic structural change in the region, and in turn constraining future investment, jobs and population growth.

It was essential that the District Council of Cleve developed a long-term vision and took a strong leadership and facilitation role to enable a new and sustainable future for the community. Accordingly, an Economic Development Framework was created and adopted by Council on 14 September 2021. This strategy has been successful and continues to be implemented today

The primary objectives of the Economic Development Framework include:

- Increase the population to 2,000 people, with a younger demographic profile.
- Attract and retain 100 new families into the district.
- Create 100 new export (out of district sales) orientated jobs.

Since 2021, work has been undertaken to build the foundations, with a focus on enhancing visitor attractions and key liveability aspects in the district, to support the attraction and retention of population and workforce in the region.

In 2026-27, the Council will continue to build on the foundations stage they initiated over the past few years, with a focus on transformational opportunities. This phase of major transformational project development focuses on a theme of re-generation, creating long-term sustainable competitive advantage for the Cleve district. Council's 'pitch prospectus', created in 2022-23, has been continually updated since that time and is fundamental in assisting the Council to apply for and secure future government funding, private partnerships, and ultimately sustainable investment and, population and jobs growth.

The well-aligned 2026-27 projects will achieve:

- new export industry job creation
- major enabling infrastructure
- renewable resources
- modern housing development, and
- direct attraction of population and workforce into the district.

The following table summarises the financial impact on Councils operating activities (separately from the capital projects listed in section 5 below) over the next year:

Economic Development Projects	\$
Economic Transformational Opportunities Project Scoping & Consultancy	50,000
Tourism Projects	25,000
Starlink Volunteer Reimbursement Fund	25,000
General Community Sponsorship	20,000
Place Activation Fund	20,000
Annual Council Events	18,000
Canberra Government Council Visit	15,000
Health Initiatives	15,000
Arno Bay Master Plan	10,000
Cleve National Trust	15,000
Marketing Strategy	12,000
Population Housing Support	10,000
New Settlers Program & Migration	10,000
Total	245,000

3.2 Other Influences & Factors

Other influences and factors include:

- Consumer Price Index/Local Government Prices Index increases on existing goods and services of 4.6% for year (All Groups, March 2026 quarter).
- Requirements to maintain and improve infrastructure assets to acceptable standards, including roads, footpaths, storm water drainage and community wastewater management systems.
- Service delivery needs for a decreasing population.
- State/Commonwealth grant funding not keeping pace with the increase in associated service delivery costs,
- Facilitating the future financial sustainability of Council by ensuring the financial operations remain within policy targets adopted for such purpose.
- Continuation of Council's annual works program.
- Provision of sufficiently qualified, experienced and trained staff to meet service delivery demands.

4. Continuing Services

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

- regulatory activities (e.g., Planning, Building & Development, Environmental Health Service, Fire Prevention, Cat & Dog Management),
- setting rates, preparing an annual budget and determining longer-term strategic management plans for the area,
- management of basic infrastructure including roads, footpaths, parks and gardens, public open spaces and community wastewater systems,
- street lighting and storm water drainage, and
- street cleaning, rubbish collection, recycling and waste management.

In response to community needs the Council also provides or funds further services and programs including:

- | | |
|-----------------------------------|-------------------------------------|
| ➤ Community Library | ➤ Food Safety Inspections |
| ➤ Economic Development | ➤ Traffic Management |
| ➤ Environmental Programs | ➤ Community Development Programs |
| ➤ Community Programs | ➤ Skate Park |
| ➤ On & Off-Street Parking | ➤ Community Services |
| ➤ Airport Services | ➤ Tourism Information & Support |
| ➤ Boat Ramps & Jetties | ➤ Festivals & Events |
| ➤ Cemeteries | ➤ Local Museums & Heritage Support |
| ➤ Citizenship Ceremonies | ➤ Coast Care Programs |
| ➤ Aged Care | ➤ Walking & Cycling Tracks |
| ➤ Development Application Service | ➤ Recreational Facilities & Centres |
| ➤ Event Management | ➤ Ovals |
| ➤ Fire & Burning | ➤ Public Swimming Pools |
| ➤ Public Conveniences | ➤ Mosquito Control |

The Council also operates a number of facilities on a fee-for-service basis. These provide important community benefits while generating revenue used to provide the following services:

- Community Wastewater Management System - Cleve and Arno Bay
- Arno Bay Boat Ramp (launching fee applies)

The Community Wastewater Management Systems raise separate service charges which are used to maintain the operation of the system and any future capital expenditure required to upgrade the system. All surplus funds are reserved for future capital expenditure.

5. Capital Expenditure - Project Priorities for the Year

Item	Budget 2026-27 \$,000	Comment
Existing Asset Renewal / Replacement		
<i>Resealing</i>		
Balumbah-Kinnard Rd (reseal) - 22,500 sqm	270	SLRP Funded
Sunrise Drive, Arno Bay - 6,300 sqm	60	
<i>Resheeting (Category 1 & 2 Roads)</i>		
Rocky Corner Rd – 5km	225	
Pine Corner Rd – 4km	180	
Rangeview Rd – 4km	180	
Wudinna Rd – 4km	180	
Heggaton Rd – 3km	135	
Pump Station Rd – 3km	135	
Wharminda Rd – 3km	135	
Carpa Rd – 2km	90	
Bammann Rd – 2km	90	
Balumbah-Kinnard Rd	400	SLRP Funded
<i>Resheeting – Property Access (Category 3 Roads)</i>		
Cowley Rd, Cleve – 1km	35	
Haywood Rd – 1km	35	
Old Mangalo Rd – 1km	35	
Ricketts Rd – 1km	35	
Footpath, Kerb & Guttering		
Arno Bay Rd, Cleve – 345m2	50	

Item	Budget 2026-27 \$,000	Comment
<i>Plant & Equipment</i>		
Case IH Tractor – P1400	130	
Crown Forklift – P145	70	
Mitsubishi Utility Twin Cab (Construction) – P1212	60	
Mitsubishi Utility Twin Cab (Maintenance) – P1216	60	
<i>CWMS</i>		
Relining	120	
Total Renewal & Replacement of Existing Assets	2,710	
New / Upgraded Assets		
Construction of 8 New Homes, Elson Subdivision	2,106	(Building only)
Carry out site prep, build new carports, variations & landscaping to 8 New Homes, Elson Subdivision	883	
Turnbull Park Playground Equipment	62	100% funded
Arno Bay Boardwalk Upgrade	60	
Cleve RV Park Power Upgrade	40	
Cleve Aerodrome Fencing Upgrade	20	
Darke Peak Cemetery Fencing Upgrade	15	
Cleve Council Depot Solar Line Power Upgrade	6	
New Disabled Car Park at Second St	5	
Total New / Upgraded Assets	3,197	
Total Capital Expenditure	5,907	

6. Financial Sustainability/Financial Performance Measures

Council is committed to ensuring its long term financial sustainability. Council's financial sustainability is dependent on ensuring that, on average over time, its expenses are at least matched by its revenue. In addition, capital expenditure on existing infrastructure and other assets should be optimised in accordance with Council's long term renewal programs as referenced in Council's Infrastructure & Asset Management Plan.

Regulation 7 of the Local Government (Financial Management) Regulations 2011 states:

Pursuant to section 123(10)(b) of the Act, each budget of a council under the Act must -

... include estimates with respect to the council's operating surplus ratio, asset sustainability ratio and net financial liabilities ratio presented in a manner consistent with the note in the Model Financial Statements entitled Financial Indicators.

6.1 Operating Surplus Ratio

The operating surplus ratio expresses the operating surplus (deficit) expressed as a percentage of operating income. This ratio answers the question: Is Council covering its operating expenditure and depreciation charge from its operating revenue?

	Forecast 2025-26 \$,000	Budget 2026-27 \$,000
Operating Surplus <i>divide by</i>	(213)	155
Operating Revenue	8,722	8,798
Operating Surplus Ratio	-2.4%	1.8%

Council aims for an operating surplus between 0% and 10% of operating income.

For the 2026-27 financial year, Council is forecasting an operating surplus of 1.8%.

6.2 Net Financial Liabilities (Assets) Ratio

Net financial liabilities are a comprehensive measure of the indebtedness of the Council as they include items such as employee long-service leave entitlements and other amounts payable as well as taking account of Council's level of available cash and investments. Specifically, net financial liabilities equal total liabilities minus financial assets, where financial assets for this purpose include cash, cash equivalents, trade and other receivables, and other financial assets, but excludes equity held in Council businesses, inventories and land held for resale.

The following table sets out NFLR estimates as of 30 June 2027:

Calculation of Net Financial Liabilities Ratio	\$,000
Trade & Other Payables	447
Borrowings	1,265
Provisions	414
Total Liabilities	2,126

Less Financial Assets:	
Cash & Cash Equivalents	3,032
Trade & Other Receivables	470
Financial Assets	56
Total Financial Assets	3,558
Equals: Net financial liabilities (NFL)	(1,432)
Operating Income (Opinc)	8,798
Net Financial Liabilities Ratio (NFL divide Opinc)	(16%)

A negative result indicates that Council is in a Net Financial Assets position, meaning that its financial assets are greater than its total liabilities.

Based on the estimates included in this plan it is anticipated that Council's remaining cash reserves as at the 30 June 2027 will be \$3.0M.

6.3 Asset Renewal Funding Ratio

The Asset Renewal Funding Ratio indicates whether the Council is renewing or replacing existing non-financial assets at the same rate as its overall stock of assets is wearing out.

The ratio is calculated by measuring capital expenditure on renewal and replacement of assets relative to the amount identified in Councils long term renewal programs as referenced in Council's year one of the asset management plan. Council is aiming to attain a result of 100% for the year ending 30 June 2027.

	Forecast 2025-26 \$,000	Budget 2026-27 \$,000
Net Asset Renewals <i>divided by</i>	3,633	2,710
Asset Renewals as per the Infrastructure & Asset Management Plan	3,510	2,710
Asset Sustainability Ratio	104%	100%

A result in the range of 90% to 110% would indicate that Council is replacing its assets in a timely manner. The asset renewal funding ratio for the 2026-27 is 100% which indicates that Council is replacing the same amount of assets as identified as being due for renewal in the asset management plan in the 2026-27 financial year.

6.4 Financial Sustainability Assessment

The results forecast from the key financial indicators above indicate that Council is operating in a financially sustainable manner.

Council is forecasting operating revenue to be greater than operating expense thereby producing an operating surplus.

Financial assets are greater than total liabilities hence Council is not exposed to any financial risk from interest rates increasing.

Finally, Council is replacing its assets at the same speed at which they are being consumed as it has funded the asset renewal requirements of year one of the 2027-36 asset renewal program.

7. Non-Financial Performance Measures – 2026-27

The following proposed non-financial performance measures for the financial year are linked to the District Council of Cleve Strategic Plan 2025-2030:

7.1 Wellbeing

- Provide grants to local community organisations through our community grants program.
- Provide ongoing support to the community library.
- Provide support and co-ordinate community events and civic functions including:
 - Seniors Week Luncheon 2026
 - Remembrance Service 2026
 - Cleve Christmas Pageant 2026
 - Australia Day Ceremony 2027
 - ANZAC Day Service 2027
- Build a resilient community with high health literacy, fostering a collective spirit of optimism and mutual support.

7.2 Prosperity

- Attract new families to the district.
- Work with industry to develop a housing support package.
- Provide a Public Arts Program.
- Provide ongoing support for youth activities when funding becomes available.
- Provide a Centrelink access point and services to the community.
- Continue to investigate and pursue economic transformational opportunities.
- Continue branding and marketing strategy for the district.
- Continually promote our district through different media channels.
- Produce visitor and RV guides and social media.
- Provide support and co-ordinate local business development including the Business Networking Event 2026.
- Pursue potential walking and mountain bike trails in the district.
- Utilise shared services with local councils when and where we can.
- Continue to update skills of Elected Members and staff through training.
- Continue to update the Work Health & Safety (WHS) and Risk Management (RM) Programs.
- Continual review and update of Council's policies and related procedures.
- Construct 8 new homes in Elson Subdivision, including site prep, new carports, add on and landscaping.
- Upgrade Turnbull Park Playground equipment.
- Upgrade Darke Peak Cemetery Fencing
- Construct new disabled car park in Second Street
- Upgrade Cleve Aerodrome Fencing
- Upgrade Cleve RV Park Power
- Upgrade Cleve Council Depot Solar Line Power
- Upgrade Arno Bay Boardwalk
- Road Resealing including line marking and guideposts
- Road Resheeting – Cat 1 & 2 Roads – 7km's.
- Road Resheeting – Property Access Cat 3 Roads
- Footpath, Kerb & Guttering
- Upgrade plant and machinery including:
 - Case IH Tractor
 - Crown Forklift
 - Mitsubishi Utility Twin Cab (Construction)
 - Mitsubishi Utility Twin Cab (Maintenance)

7.3 Biodiversity

- Complete Biodiversity Framework
- Finalise the Darke Peak Masterplan
- Arno Bay Boardwalk Weed eradication and planting
- Develop sustainable farming project

8. Non-Financial Performance Annual Business Plan Achievements for 2025-26

The following non-financial performance achievements included in the 2025-26 Annual Business Plan & Budget are linked to the District Council of Cleve Strategic Plan 2025-2030:

WELLBEING STRATEGIES	
Project	Status
Goal 1.1: Foster a vibrant, inclusive community that promotes health and wellbeing for all ages	
Provide ongoing support to the community library	Ongoing
Provide support and co-ordinate community events and civic functions including: • Remembrance Service 2025 • Cleve Christmas Pageant 2025 • Australia Day Ceremony 2026 • Seniors Week Luncheon 2026 • ANZAC Day Service 2026	Completed Completed Completed Completed Completed
Goal 1.2: Develop accessible spaces and programs that support physical and mental health, encouraging activity community engagement	
Provide grants to local community organisations through our community grants program	Completed
Goal 1.3: Build a resilient community with high health literacy, fostering a collective spirit of optimism and mutual support	
Build a resilient community with high health literacy, fostering a collective spirit of optimism and mutual support	Ongoing

PROSPERITY STRATEGIES	
Project	Status
Goal 2.1: Create opportunities that attract investment, encourage innovation, and provide diverse employment opportunities	
Attract new families to the district	Ongoing
Work with industry to develop a housing support package	Ongoing
Pursue opportunities to increase childcare facilities in the district	Ongoing

PROSPERITY STRATEGIES	
Project	Status
Goal 2.2: Foster regional collaboration, strategic partnerships, and empower our community to drive sustainable economic growth	
Continue to investigate and pursue economic transformational opportunities	Ongoing
Continue branding and marketing strategy for the district	Ongoing
Continually promote our district through different media channels	Ongoing
Produce visitor and RV guides and social media	Completed
Utilise shared services with local councils when and where we can	Ongoing
Goal 2.3: Cultivate a vibrant community that celebrates our unique identity and attracts diverse talent	
Provide a Public Arts Program	Completed
Provide ongoing support for youth activities when funding becomes available	Ongoing
Provide support and co-ordinate local business development including the Business Networking Event 2026	Ongoing
Pursue potential walking and mountain bike trails in the district	Ongoing
Goal 2.4: Strengthen governance and advocate for community needs through effective civic planning	
Provide a Centrelink access point and services to the community	Ongoing
Continue to update skills of Elected Members and staff through training	Completed
Continue to update the Work Health & Safety (WHS) and Risk Management (RM) Programs	Ongoing
Continual review and update of Council's policies and related procedures	Ongoing

BIODIVERSITY STRATEGIES	
Project	Status
Goal 3.1: Implement innovative strategies for resource management and sustainable practices across the district	
Complete Biodiversity Framework	Ongoing
Finalise the Darke Peak Masterplan	Ongoing

BIODIVERSITY STRATEGIES	
Project	Status
Goal 3.2: Enhance environmental resilience through targeted conservation, preservation, and enhancement, and multi-functional green spaces	
Undertake Arno Bay Creek and Mangrove Ecosystem consultancy	Completed
Goal 3.3: Implement sustainable infrastructure that balances urban needs with ecological preservation	
Develop sustainable farming project	Ongoing

9. Grant Funding

Local Government receives four streams of recurrent grant funding being:

- General Purpose Financial Assistance Grants
- Identified Local Roads Financial Assistance Grants
- Supplementary Local Roads Grants
- Roads to Recovery Grants

Council's 2026-27 budget assumes that four quarterly instalments of Federal Government financial assistance grants (both general purpose and local roads components) will be received during 2026-27 financial year.

Grant Funding	Amount \$,000
Financial Assistance Grant - General Purpose	1,379
Financial Assistance Grant - Identified Local Roads	591
Financial Assistance Grant - Supplementary Local Roads	203
Roads to Recovery	762
SA Libraries	4
Coastal Erosion Prevention	66
Operating Grants	3,005
Algal Bloom	62
Financial Assistance Grant – Special Local Roads Program	400
Capital Grants	462
Affordable Housing Grant	800
Amounts Specifically for the Renewal or Upgrade of Assets	800
Total Grant Funding	4,267

10. Funding the Business Plan

The Council's long-term financial sustainability is dependent on ensuring that, on average over time, its expenses are less than its revenue. As covered in more detail in section 6.1 above, Council's high level of grant income due to be received from the Federal and State Government in 2026-27 will sufficiently fund the operational and capital expenses, resulting in an operating surplus of \$155k being budgeted for 2026-27.

Council's revenue in 2026-27 includes \$4.821M proposed to be raised from general and other rates. General rate revenue is to increase by 5.7%, whilst Other Rate revenue is to increase by 4%

Other sources of proposed revenue for the Council are:

- user charges and commercial revenue
- statutory charges set by State Government
- grants
- other revenue

11. Uniform Presentation of Council Finances

The Uniform Presentation of Finances together with the results of the Key Financial Indicators provides a summarised report that focuses on Council's finances at a strategic level.

Definitions and examples of the key components of this report are included in the glossary at the end of this document.

The Uniform Presentation of Finances report highlights the operating surplus/ (deficit) measure which is considered the most critical indicator of a Council's financial performance.

The last line, or rather the result of this report, is the movement in Net Financial Liabilities (Net Lending/Borrowing) for the year based on Council's planned capital and operating budgets for that year.

Achieving a zero result on the net lending / (borrowing) measure in any one year essentially means that the Council has met its forecast expenditure from its forecast income.

The result of (\$2.3M) indicates that Council will spend \$2.3M more than it receives across the 2026-27 financial year. This will be reversed in future years when the Capital Projects are completed, and Council will receive significantly more revenue than expenditure. Refer to Councils Long Term Financial Plan for additional detail

A full explanation of the components to the above Uniform Presentation of Finances is contained in Appendix A.

UNIFORM PRESENTATION OF FINANCES	Forecast 2025-26 \$,000	Budget 2026-27 \$,000
Operating Revenue	8,722	8,798
less Operating Expense	(8,935)	(8,643)
Operating Surplus / (Deficit) before Capital Amounts	(213)	155
less Net Outlays on Existing Assets		
Capital Expenditure on renewal and replacement of Existing Assets	3,633	2,710
less Depreciation, Amortisation & Impairment	(2,577)	(2,577)
less Proceeds from Sale of Replaced Assets	(71)	(50)
	985	83
less Net Outlays on New & Upgraded Assets		
Capital Expenditure on New & Upgraded Assets	816	3,197
less Amounts Specifically for New or Upgraded Assets	(310)	(800)
less Proceeds from Sale of Surplus Assets	0	0
	506	2,397
Net Lending/ (Borrowing) for Financial Year	(1,705)	(2,325)

12. Rating Arrangements 2026-27

Service Charges:

Community Wastewater Management Systems - Service Charge

Pursuant to Section 155 of the Local Government Act 1999, the Council proposes to adopt an annual service charge for the financial year ending 30 June 2027, in respect of the prescribed service of effluent waste disposal, on all land to which the Council provides or makes available the service as follows:

- CWMS – Connected Allotments \$646
- CWMS – Unconnected Allotments \$431
- CWMS Arno Bay Foreshore Properties Separate Rate \$508

This separate rate is applied to 43 properties located on the Arno Bay Foreshore and is to be applied over a 10-year period from 30 June 2021 to 30 June 2031 being a fixed charge of \$508 to recover capital contribution towards the construction of the Arno Bay Foreshore Community Wastewater Management Scheme.

CATV – Service Charge

Pursuant to Section 155 of the Local Government Act 1999, the Council proposes adopting an annual service charge for the financial year ending 30 June 2027, in respect of the prescribed service of the CATV, on all land to which the Council provides or makes available the service as follows:

CATV Service – Cleve (Whyte Street/Cottages)	\$30
--	------

Kerbside Bin Collection – Service Charge

Pursuant to Section 155 of the Local Government Act 1999, the Council proposes adopting an annual service charge for the financial year ending 30 June 2027, in respect of the prescribed service of Kerbside bin collection, on all land to which the Council provides or makes available the service as follows:

- | | |
|---|-------|
| • Kerbside Bin Collection
(Cleve, Arno Bay, Rudall & Darke Peak) | \$307 |
|---|-------|

Method used to value land

The Council adopted to continue to use Capital Value as the basis for valuing land within the Council area. The 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 ratepayers of similar wealth pay similar taxes and ratepayers of greater wealth pay more tax than ratepayers 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; and
- the distribution of property values throughout the Council area is such that few residential ratepayers will pay significantly more than the average level of rates payable per property.

The Council adopted the most recent valuations made by the Valuer-General that are made available to the Council at the time that the Council adopts the budget, being valuations as at the \$1,490,025,840 as at the 7 June 2026.

If a ratepayer is dissatisfied with the valuation made by the Valuer-General, you may object to the valuation referred to on the notice within 60 days after the date of service of receiving the notice of valuation.

- Note: (a) if you have previously received a notice under the Local Government Act 1999 referring to the valuation and informing you of a 60 day objection period, the objection period is 60 days after service of the first notice;
- (b) you may not object to the valuation if the Valuer-General has already considered an objection by you to that valuation.

The Valuer-General may extend the 60 day objection period where it can be shown there is reasonable cause to do so by a person entitled to make an objection to a valuation.

A written objection to a valuation must set out the full and detailed grounds for objection. Objections can also be submitted via an online form at <http://www.sa.gov.au/landservices> and enter "Objecting to a Valuation" in the search field. Differential Rates (and or charges) imposed by rates (and or charges) are still due and payable by the due date even if an objection has been lodged.

Objections are to be submitted to the Office of the Valuer General via:

Office of the Valuer General
GPO Box 1354, ADELAIDE SA 5001
Land Services SA
Level 9, 101 Grenfell Street, ADELAIDE SA 5000

E-mail: OVGO objections@sa.gov.au

Phone: 1300 653 346

Fax: 08 8226 1428

Business Impact Statement

The Council has considered the impact of rates on all businesses in the Council area, including primary production. In considering the impact, Council assessed the following matters:

- Council via elected members direct consultations with ratepayers;
- the equity of the distribution of the rate burden between classes of ratepayers receive broadly comparable services and are generally similarly impacted upon by prevailing economic conditions;
- Council's policy on facilitating local economic development preference for local suppliers where price, quality and service provision are comparable to suppliers outside the Council area; and
- current local, state and national economic conditions and expected changes during the next financial year. The general economic climate is stable and appears likely to continue to be stable over the next 12 months.

Council's Revenue Raising Powers

All land within a Council area, except for land specifically exempt (e.g. crown land, Council occupied land and other land prescribed in the Local Government Act 1999 – refer to Section 147 of the Act), is rateable.

The Local Government Act 1999 provides for a Council to raise revenue for the broad purposes of the Council through a general rate, which applies to all rateable properties, or through differential general rates, based on either land use and/or locality of properties.

In addition, Council can raise separate rates, for specific areas of the Council or service rates or charges for specific services. The Council also raises revenue through fees and charges, which are set considering the cost of the service provided and any equity issues.

Differential General Rates

The Council adopted to impose differential general rates varying according to the locality of the land and its use.

All land use within the Commercial Bulk Handling Zone (CBHZ) as described in Council's Development Plan as consolidated 1 December 2011, is set at 1.275999 cents in the dollar

Land outside the Commercial Bulk Handling Zone with the following land uses are set at:

- | | |
|----------------------|------------------------------|
| • Residential | 0.196125 cents in the dollar |
| • Commercial | 0.196125 cents in the dollar |
| • Industry | 0.196125 cents in the dollar |
| • Primary Production | 0.218850 cents in the dollar |
| • Vacant Land | 0.196125 cents in the dollar |
| • Other | 0.196125 cents in the dollar |

	ABP & AB 2025-26 \$,000	ABP & AB 2026-27 \$,000	% Change
Total expected revenue from general rates	3,796	4,012	5.70%
Total expected revenue from general rates (excluding rebates and remissions on rates that are not discretionary rebates or remissions)	4,574	4,821	5.41%

Council's budget contains general rate revenue of \$4,821 net of rebates. This represents a 5.41% per annum increase on total general rates raised (net of rebates) compared to 2025-26.

The average residential rates payable are budgeted to be \$1,217.

Average change in expected rates for the 2026-27 for each land use category:

Land Use Category/ Zone	ABP & AB 2025-26 Rates Raised \$,000	ABP & AB 2026-27 Expected Rates Raised \$,000	Average Change %
Residential	799	845	5.7%
Commercial	74	78	5.7%
Industry (inc CBHZ)	215	227	5.7%
Primary Production	2,623	2,772	5.7%
Vacant Land	76	80	5.7%
Other	9	10	5.7%
Total	3,796	4,012	5.7%

Fixed Charge

The Council adopted a fixed charge of \$669. The fixed charge is levied against the whole of an allotment (including land under a separate lease or license). Only one fixed charge is levied against two or more pieces of adjoining land (whether intercepted by a road or not) if they are owned by the same owner and occupied by the same occupier. The reason for imposing a fixed charge is the Council considers it appropriate that all rateable properties make a contribution to the cost of creating and maintaining the physical infrastructure that supports each property.

Pensioner Concessions, State Senior Card Ratepayer (Self-Funded Retiree) and Other Concessions

From 1 July 2015, the State Government elected to replace the concession on Council rates with the “cost of living payment” provided directly to those entitled. This payment may be used for any purpose, including offsetting Council rates. To check eligibility, contact the Department for Communities and Social Inclusion Concessions Hotline 1800 307 758 or at www.sa.gov.au.

From 1 July 2017, the State Government provided an alternative method of delivering the CWMS pensioner concession. This concession is also no longer processed through the Council rates.

Postponement of Rates - Seniors

Ratepayers who hold a State Seniors Card (or who are eligible to hold a State Seniors Card and have applied for one) are able to apply to Council to postpone payment of rates on their principal place of residence. Postponed rates remain as a charge on the land and are not required to be repaid until the property is sold or disposed of. Interest (at the rate prescribed in the Local Government Act 1999) will be charged and compounded monthly on the total amount postponed, until the debt is paid.

Landscape Levy

The Landscape Levy is a State Government initiative under the *Landscape South Australia Act 2019*.

The Levy provides additional funding to help take care of natural resources such as water, soil, animal and plant control sustainably developing and protecting natural resources for the benefit of communities and future generations living in the Cleve district.

Council levies an amount against each rateable property to collect the amount determined by the State Government.

The total levy to be collected for 2026-27 is \$130,213.74. The levy is collected from all rateable land in Council's area within the board.

Rebate of Rates

The *Local Government Act 1999* requires Councils to rebate the rates payable on some land. Specific provisions are made for land used for health services, community services, religious purposes, public cemeteries and educational institutions. Discretionary rebates may be applied by the Council under Section 166 of the *Act*.

Sale of Land for Non-payment of Rates

The *Local Government Act 1999* (Section 184) provides that Council may sell any property where the rates have been in arrears for three years or more. The Council is required to provide the principal ratepayer and the owner (if not the same person) with details of the outstanding amounts and advise the owner of its intention to sell the land if payment of the outstanding amount is not received within one month.

Payment of Rates

Council rates are billed quarterly in accordance with the *Local Government Act 1999*.

Rates may be paid as follows:

- BPay by Internet Banking. Please pay each assessment in a separate transaction to ensure the amount is allocated correctly;
- Australia Post BillPay by paying in person at any Post Office, phone 131816 or go online to postbillpay.com.au;
- phone the District Council of Cleve on 08 8628 2004 during business hours to pay with Bankcard, Mastercard or Visa. Please quote your Assessment Number;
- post your bank cheque (marked payable to the District Council of Cleve) with your remittance to the District Council of Cleve, PO Box 36, Cleve SA 5640; or
- in person at the District Council of Cleve Office at 10 Main Street, Cleve SA 5640.

That pursuant to Section 181(1) of the *Local Government Act 1999*, all rates are payable in four equal or approximately equal instalments on or before the following dates:

- **11 September 2026**
- **11 December 2026**
- **12 March 2027**
- **11 June 2027**

and further that, pursuant to Section 181(11) of the *Local Government Act 1999*, Council determines that:

- ratepayers may apply to pay their rates and service charges in full by 11 December 2026;
- such applications must be lodged with Council by 11 September 2026;
- if rates in these circumstances are paid in full by 11 December 2026, fines and interest will not be applied for the September to December period.

Late Payment of Rates

The *Local Government Act 1999* provides that councils impose a penalty of 2% on any payment for rates, whether instalment or otherwise, that is received late. A payment that continues to be late is then charged an interest rate, set each year according to a formula in the *Act*, for each month it continues to be late. The purpose of this penalty is to act as a genuine deterrent to ratepayers who might otherwise fail to pay their rates on time, to allow councils to recover the administrative cost of following up unpaid rates and to cover any interest cost the council may meet because it has not received the rates on time.

The Council imposes late payment penalties strictly in accordance with the *Local Government Act 1999*. When the Council receives a payment in respect of overdue rates the Council applies the money received as follows:

- First – to satisfy any costs awarded in connection with court proceedings;
- Second – to satisfy any interest costs;
- Third – in payment of any fines imposed; and
- Fourth – in payment of rates, in date order of their imposition (starting with the oldest account first).

13. PUBLIC CONSULTATION & RESULTANT AMENDMENTS

Council published a notice in the Eyre Peninsula Advocate and on Council's website informing the community of the preparation of the draft 2026-27 Annual Business Plan & Annual Budget and inviting the community to attend the public consultation meeting to give them the opportunity to ask questions and make submissions, in relation to draft plan.

The draft 2026-27 Annual Business Plan & Annual Budget was made available on Council's website, via a link on their Facebook page and upon request at the Council Office prior to the public consultation meeting that took place at:

As per Council's Public Consultation Policy, the public consultation period will commence from 21 May 2026 and will conclude after a minimum of 21 days, closing 5pm 11 June 2026.

Public Consultation Session 10am on 3 June 2026, Council Chambers, 10 Main Street, Cleve.

Written submissions can be made via email to council@cleve.sa.gov.au or in writing addressed to:

The Chief Executive Officer
District Council of Cleve
PO Box 36
CLEVE SA 5640

14. AMENDMENTS POST PUBLIC CONSULTATION

Amendments to the Public Consultation Draft Annual Business Plan and Budget post public consultation as per S123(6) of the Local Government Act 1999:

(6a) *However, if a council proposes to adopt an annual business plan with amendments, the council must include in the adopted business plan a statement— (a) setting out any significant amendments from the draft annual business plan; and (b) providing reasons for those amendments.*

No material changes were made to the Public Consultation version of the 2026-27 Annual Business Plan & Budget

Some minor changes were made as follows:

Economic Development

Health Initiatives	15
Arno Bay Masterplan	10

Capital Expenditure

Bal-Kin Reseal increase	35
Case IH Tractor increase	10
CWMS Relining	120

Grant Funding

Coastal Erosion Funding	66
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Appendix A – Explanation of Uniform Presentation of Finances

(Example only for explanation purposes – left blank intentionally)

UNIFORM PRESENTATION OF FINANCES		2025-26 Forecast \$'000	2026-27 Budget \$'000
Income			
less Expenses			
Operating Surplus/(Deficit)		-	-
Less: Net Outlays on Existing Assets			
Capital Expenditure on Renewal/Replacement of Existing Assets			
less Depreciation, Amortisation and Impairment Expenses			
less Proceeds from Sale of Replaced Assets			
Net Outlays on Existing Assets		-	-
Less: Net Outlays on New and Upgraded Assets			
Capital Expenditure on New/Upgraded Assets			
less Amounts received specifically for New/Upgraded Assets			
less Proceeds from Sale of Surplus Assets			
Net Outlays on New and Upgraded Assets		-	-
Net Lending/(Borrowing) for Financial Year		-	-

Explanation/Examples of Components of Uniform Presentation of Finances

Operating Revenue and Expenditure: Represent the totals from the relevant lines of the Statement of Comprehensive Income (operating statement) for the year being reported on.

Capital Expenditure on renewal and replacement of Existing Assets: e.g., Roads reseals, replacement tractor, building renovations, replacement computer hardware.

Proceeds from sale of replaced assets: e.g., trade in value of a tractor or motor vehicle being replaced.

Capital Expenditure on New and Upgraded Assets: e.g., constructing a new building, constructing a new catchment pond, purchasing a piece of machinery that was not previously on hand.

Amounts specifically for new or upgraded Assets: e.g., Capital grants to partly fund a new CWMS, funds received to build new footpaths that did not previously exist.

Proceeds from Sale of Surplus Assets: Proceeds from the sale of a council building that was no longer required, sale of surplus land.

Appendix A – Explanation of Uniform Presentation of Finances (continued)

New/Upgraded vs Renewal/Replacement of Assets

The following definitions have been obtained from the South Australian Local Government Model Financial Statements (see <http://www.lga.sa.gov.au/site/page.cfm?u=769#e4291>).

A *new asset* is additional to Council's previous asset complement (e.g., roads constructed as part of a Council-owned subdivision are new assets. Similarly laying footpaths in areas where they did not previously exist are also new assets).

An *upgraded asset* replaces a previously existing asset with enhanced capability or functionality.

Renewal or replacement of an asset occurs where a previously existing asset is replaced without enhancement of the service capability except where this is incidental and unavoidable.

It is possible for capital expenditure to be a *combination of renewal as well as upgrade*. This is particularly prevalent in this Council region due to the increased volume of Restricted Access Vehicles (RAV) traffic experienced in recent times. This has required existing roads to be rebuilt to higher standards (e.g., the replacement of a road that was initially a 6 metre wide sheeted surface with an 8 metre width sheeted surface can be considered part replacement and part upgrade).

The important point to understand is that if Council is not able to replace its existing assets in a timely manner, then new assets should not be built unless essential. By building new assets Council is effectively building new liabilities as the assets usually don't generate revenue (e.g., roads), cannot be sold, and will need to be maintained and eventually replaced.

Appendix B - Statutory Statements

STATEMENT OF COMPREHENSIVE INCOME	Forecast 2025-26 \$,000	Budget 2026-27 \$,000
INCOME		
Rates – General	3,796	4,012
Rates - Other	778	809
Statutory Charges	30	31
User Charges	303	315
Grants & Subsidies - Capital	0	462
Grants & Subsidies - Operating	3,656	3,005
Investment Income	20	25
Reimbursements	110	110
Other Revenues	29	29
Total Operating Income	8,722	8,798
EXPENDITURE		
Employee Costs	2,316	2,489
Materials, Contracts & Other Expenses	4,027	3,562
Depreciation	2,577	2,577
Finance Charges	15	15
Total Operating Expenditure	8,935	8,643
OPERATING SURPLUS/(DEFICIT)	(213)	155
Amounts Received Specifically for New Assets	310	800
NET SURPLUS / (DEFICIT) transferred to Equity Statement	97	955

STATEMENT OF FINANCIAL POSITION	Forecast 2025-26 \$,000	Budget 2026-27 \$,000
ASSETS		
CURRENT ASSETS		
Cash & Cash Equivalents	4,407	3,032
Trade & Other Receivables	450	450
Inventories	20	20
Total Current Assets	4,877	3,502
NON-CURRENT ASSETS		
Financial Assets	56	56
Infrastructure, Property, Plant & Equipment	73,140	76,420
Other	754	754
Total Non-Current Assets	73,951	77,231
TOTAL ASSETS	78,828	80,733
LIABILITIES		
CURRENT LIABILITIES		
Trade & Other Payables	447	447
Borrowings	58	58
Short Term Provisions	361	361
Total Current Liabilities	866	866
NON-CURRENT LIABILITIES		
Long Term Borrowings	258	1,208
Long Term Provisions	53	53
Total Non-Current Liabilities	311	1,261
TOTAL LIABILITIES	1,177	2,127
NET ASSETS	77,651	78,606
EQUITY		
Accumulated Surplus	35,617	36,572
Asset Revaluation Reserve	41,376	41,376
Other Reserves	658	658
TOTAL EQUITY	77,651	78,606

STATEMENT OF CASH FLOW	Forecast 2025-26 \$,000	Budget 2026-27 \$,000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		
Operating Receipts	8,652	8,773
Investment Receipts	20	25
Payments		
Operating Payments to Suppliers & Employees	6,422	6,051
Finance Payments	15	15
Net Cash provided by (or used in) Operating Activities	2,235	2,732
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts		
Grants Specifically for new or upgraded assets	310	800
Sale of replaced assets	71	50
Sale of surplus assets	0	0
Payments		
Expenditure on renewal/replaced assets	3,633	2,710
Expenditure on new/upgraded assets	816	3,197
Net cash provided by (used in) Investing Activities	(4,068)	(4,882)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts		
Proceeds from Borrowings	0	950
Payments		
Repayment of Borrowings	0	0
Net Cash Provided by (used in) Financing Activities	0	950
Net Increase / Decrease in Cash	(1,834)	(1,375)
Cash and Cash Equivalents at start of reporting period	6,241	4,407
CASH & CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD	4,407	3,032

STATEMENT OF EQUITY	Forecast 2025-26 \$,000	Budget 2026-27 \$,000
ACCUMULATED SURPLUS		
Balance at end of previous reporting period	35,520	35,617
Net Result for Year	97	955
Transfer from Reserves	0	0
Transfer to Other Reserves	0	0
Balance at end of period	35,617	36,572
ASSET REVALUATION RESERVE		
Balance at end of previous reporting period	41,376	41,376
Gain on Revaluation of Property Plant & Equipment	0	0
Balance at end of period	41,376	41,376
OTHER RESERVES		
Balance at end of previous reporting period	658	658
Transfers from Accumulated Surplus	0	0
Transfers to Accumulated Surplus	0	0
Balance at end of period	658	658
TOTAL EQUITY AT END OF REPORTING PERIOD	77,651	78,606

Appendix C - Services provided to the community by Council - Where your rates are spent

The following is a detailed explanation of the services provided by the Council to the community. The cash flows generated by the provision of these services are summarised in the budget for the financial year ending 30 June 2027. The services are broken up into the 5 organisational units of the council, being corporate services, community services, infrastructure services, environmental services and executive services.

CORPORATE SERVICES

There are 2 categories of governance, being organisational and elected member. Expenses incurred in this service include executive salaries, elected members expenses and allowance, member training, memberships, travel, conferences, public liability, insurance, administration and officer support to Council.

Administration

Administration services cover the following activities:

- Financial Services – provision of accounting services, record keeping, bill paying, payroll, insurance, financial reporting and management.
- Human Resources – compliance with occupational Work Health and Safety (WHS) policies and legislation, recruitment, rehabilitation and performance management.
- Information Technology – operation of the Council's information technology systems, purchase of computer hardware.
- Communication – telephone and internet services.
- Rates Administration – administration and collection of rates and associated record keeping.
- Records Management – maintenance of records management system.
- Customer Service – customer support at the council office plus a range of community administration services.

Financing & Investing

Covers cash inflows and outflows associated with the Council's financing and investing activities.

COMMUNITY SERVICES

Aged Services

This service covers the following activity:

- Support of community health service
- Seniors Week Luncheon
- Centrelink Agency

Youth Services

This service covers activities including a Youth Week Event held (if funding available) and maintaining the Cleve Skate Park and Play Space.

Cultural & Arts

This service covers a range of activities including event support, civic functions and support community arts initiatives.

Library Services

Council will work with DECS to ensure the library service will continue to meet the needs of the population. The services provided by libraries include books and magazines, free internet.

INFRASTRUCTURE SERVICES

Community Wastewater Management System (CWMS)

This service covers maintenance and construction of the effluent scheme at Cleve and Arno Bay. Activities include repairing and replacing lines as required. Ongoing inspections of system connections are also conducted to ensure all connections have been installed and operating correctly.

The Cleve CWMS underwent a large relining project of all the old earthenware pipes in the Cleve township. This project was completed in 2024-25. The Arno Bay CWMS expansion project was completed in 2019-20 and includes the remainder of the shacks, caravan park and parklands in Arno Bay.

Waste Management

This service includes collection of waste, operation of a waste transfer station at Cleve and Arno Bay, general litter collection and drum musters.

Kerbside Rubbish & Recycling Collection

This service includes providing kerbside rubbish and recycling collection to Cleve, Arno Bay, Darke Peak and Rudall using the Council owned waste truck.

Roads & Footpaths

This service covers the following activities:

- Road and footpaths construction – annual works program and developer contributed works.
- Road maintenance – fixing potholes, reinstating trenches across roads, small patches of resealing and repairing and straightening rough edges (kerbing, water tables and traffic signage are also charged to this area).
- Ongoing upgrade and replacement of plant and equipment.
- Road maintenance of rural unsealed roads – grading, tree trimming and spraying of weeds.
- Footpath maintenance and repairs.
- Street sweeping in each of the townships.
- Cleve Aerodrome – inspections and maintenance to runway lights, windsock and also maintaining the grass.
- Street cleaning.
- Car parking.
- Works depots.
- Walking and cycling tracks.

Foreshore Protection

This service covers the management of coastal environment and provision of facilities to enable sustainable use of coastal areas including the provision of boat ramps and marina area at Arno Bay. Conservation will be undertaken where required to ensure protection of the foreshores.

Stormwater Drainage

This service covers the storm water management and recycling including management and collection of street runoff and the development of capital schemes to enable the reuse of storm water.

Private Works

This service covers the infrastructure works performed by Council on behalf of individuals or the government. This work is charged out at commercial rates.

ENVIRONMENTAL SERVICES

Legislative Compliance

This service covers dog and cat management, traffic control, fire control, health control, noise, litter and emergency services as required under various pieces of legislation.

Parks and Gardens

This service covers the provision and maintenance of parks and recreational facilities including parks and reserves as well as playgrounds.

Cemeteries

Council operates cemeteries in each of the townships for the local and regional community. Expenditure includes the costs involved in locating, digging and backfilling of graves and general maintenance of the area.

Public Conveniences

The maintenance and cleaning of public conveniences is undertaken by Council on a regular basis. Council will continue to undertake maintenance and upgrades of these facilities as and when required. Public conveniences are inspected with basic plumbing, repairs and maintenance carried out as required.

Landscape Levy

Council collects a levy on behalf of the State Government and the Landscape Board. Decisions relating to the protection of the state's landscapes, and their sustainable and integrated management are made by this Board independently from the Council.

EXECUTIVE SERVICES

Economic Development

Economic development activities include strategic land divisions, Regional Development Australia membership, encouraging industrial development as well as representing the Cleve district's interests at other levels of government.

Tourism

Tourism activities include increasing visitation by tourists through the district. This includes tourism signage, marketing and promotion through various forms of media, special events, development of tourism assets including walking and cycling trails, the RV friendly sites and camping grounds.

Appendix D – ESCOSA Local Government advice

The District Council of Cleve participated in the process outlined below during the 2023-24 financial year. Where Council agrees with the advice provided and the benefits of implementing the advice are greater than the costs, the recommendations will be implemented over time.

Council is fully compliant with Section 122. Further to this, Council has for many years had an Annual Business Plan & Annual Budget that links directly into the Long Term Financial Plan that funds the asset expenditure identified in the Asset Management Plan. The ten year asset expenditure program is updated annually as part of the Annual Budget development process.

The following is an extract from the Essential Services Commission of South Australia (ESCOSA) website briefly explaining the process.

Council Advice 2023-24

Under the Local Government Advice Scheme established through the Local Government Act 1999, the Essential Services Commission has released advice for the second tranche of 17 of the State's 68 councils. Under the Scheme, the Commission is an advisory body, providing advice to all councils across a four-year cycle. The aim of the Scheme is to provide independent, risk-based advice to assist councils when making long-term financial and investment decisions for the benefit of ratepayers.

Councils are long-term businesses with ongoing service provision obligations and long-lived assets. From an overall community perspective, it is important that council rates are set at levels as low as sustainably possible, while:

- providing the standard and breadth of services that ratepayers value, and
- ensuring that councils have robust, long-term asset management, financing and operational plans which allow them to manage their assets efficiently and effectively over the long term, so as to sustain the delivery of those services and minimise their lifetime cost.

In that context, the advice relates to the appropriateness of councils' long-term financial plans, infrastructure and asset management plans and revenue sources as outlined in funding plans. It is an advisory scheme, identifying both risks and areas of good practice for councils to consider, with decision making remaining the hands of the councils.

OFFICIAL



Advice

Local Government Advice

District Council of Cleve

February 2024

OFFICIAL

Enquiries concerning this advice should be addressed to:

Essential Services Commission
GPO Box 2605
Adelaide SA 5001

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



District Council of Cleve

AT A GLANCE

OVERVIEW

The Essential Services Commission finds the District Council of Cleve's current and projected financial performance **sustainable** taking into account the council's forecast low expense growth increase over the next 10 years, property growth of 1.4% p.a. over this period and the planned average rate increases per property of 2.2% p.a. until 2032-33

RISKS IMPACTING SUSTAINABILITY

- ⚠️ Forecast inflation assumptions may be overstated
- ⚠️ If low forecast expense growth is not achieved, this may result in higher average rate increases than previously projected
- ⚠️ Forecast growth in rateable properties is not achieved

CONTINUE

- ✅ Reviewing inflation forecasts in the budget and forward projections from 2023-24
- ✅ Monitoring cost growth in the budget
- ✅ Reporting any actual and projected cost savings in the annual budget
- ✅ Reviewing the estimates of asset lives and asset valuations

COMMISSION'S RECOMMENDATIONS

- Provide more funding to the renewal of assets
- Increase transparency about the assumptions underpinning the figures in the Annual Business Plans, Budgets and the long-term financial plan
- Provide ratepayers with a version of the long-term financial plan in nominal terms
- Consider limiting future increases in rates to no more than expected inflation in real terms
- Consider minimising average rate level increases if unanticipated grants are received

KEY FACTS

- Population in 2021 was **1,765**
- Council covers **4,507 square kilometres**
- **1,550** rateable properties in 2022-23
- **\$3.8 million of rate income** in 2022-23
- Value of assets held in 2022-23 equals **\$55.6 million**

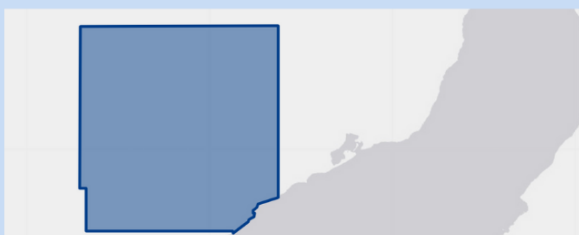


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Glossary of terms

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

Legend: ■ Low-risk ■ Moderate-risk ■ High-risk

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

Current financial performance:



Unsustainable	Potentially Unsustainable	Mostly Sustainable	Sustainable

Projected financial performance (future):



Unsustainable	Potentially Unsustainable	Mostly Sustainable	Sustainable

Previous financial performance (past ten years):



Unsustainable	Potentially Unsustainable	Mostly Sustainable	Sustainable

The Essential Services Commission (**Commission**) finds the District Council of Cleve's (**Council's**) short-term financial position sustainable and notes that it has taken steps to further consolidate a sustainable position in the medium to long-term. The Council's projected improvement to its financial performance is reliant on achieving its planned growth, the renewal of its asset stock and a period of service consolidation, with ongoing cost control while limiting further rate increases as forecast.

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

Budgeting considerations

1. **Continue** to review its inflation forecasts in its budget and forward projections from 2023-24, given the potential for higher short-term inflation outcomes, followed by a return to long-term averages.
2. **State** the basis for preparation of Annual Business Plans, Budgets and the long-term financial plan overtly in the accompanying documentation to increase transparency about the assumptions underpinning the figures.
3. **Provide** a version of the long-term financial plan in nominal terms, when developed using real terms, for the benefit of ratepayers.

Continuing to provide evidence of ongoing cost efficiencies

4. **Continue** to monitor cost growth in its budgeting, where possible, including related to employee expenses.
5. **Consider** minimising average rate level increases if unanticipated grants (not already accounted for in the long-term financial plan) are received.
6. **Continue** its practice of reporting any actual and projected cost savings in its annual budget (and long-term financial plan, as appropriate), to provide evidence of constraining cost growth and achieving efficiency across its operations and service delivery.

Refinements to asset management planning

7. **Adhere** to the principles underpinning its long-term financial plan projections to provide more funding to the renewal of its assets, rather than prioritising initiatives which involve new or upgraded infrastructure.
8. **Continue** its practice of reviewing the estimates of asset lives and valuations in its long-term financial plan and asset management plans, to ensure that depreciation and renewal expenditure remain aligned in the longer term.

Containing rate levels

9. **Consider** limiting future increases in rates to no more than expected inflation in real terms based on the Council's strong financial position, to help reduce any emerging affordability risk in the community.

2 About the advice

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

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

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

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

The Council is obliged under the *Local Government Act 1999* (**LG Act**) to publish this advice and its response, if applicable, in its 2024-25 Annual Business Plan (including any draft Annual Business Plan) and subsequent plans until the next cycle of the scheme.⁸ It does not need to publish the attachment to the advice (these will be available with the advice on the Commission's website⁹), nor is it compelled under the LG Act to follow the advice. The Commission thanks the Council for providing relevant information to assist the Commission in preparing this advice.

2.1 Summary of advice

In general, the Commission finds the Council's short-term financial position sustainable and notes that it has taken steps to further consolidate a sustainable position. Historically, the Council has constrained costs to a lower level growth rate than income, achieving an operating surplus above the LGA target range. The Council forecasts that both income and expenses per property will remain in line with or below inflation in the period from 2023-24 to 2032-33.

The past rate increases above inflation, together with borrowing, have been used by Council to fund its capital renewal and upgrade programs while maintaining a high cash balance. Capital expenditure will remain high for three years commencing 2023-24 following expenditure on new/upgraded assets until 2024-25 as Council addresses cyclone damage utilising disaster recovery funding.

¹ Amendments to the LG Act (s122(1c) to (1k) and (9)) specify the responsibilities for the Commission and local councils for the Local Government Scheme Advice. The Commission must provide advice to each council in accordance with the matters outlined in s122(1e), (1f) and (1g).

² Commonly referred to as asset management plans.

³ The objectives of the advice with reference to a council's LTFP and IAMPs are presented under LG Act, s122(1g). LG Act s122(1) specifies the requirements of a council's SMP, including the LTFP and IAMPs.

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

⁵ Commission, *Framework and Approach – Final Report*, August 2022, pp. 2-3, available at www.escosa.sa.gov.au/advice/advice-to-local-government.

⁶ LG Act s122(1f)(a) and (1g)(a)(ii).

⁷ LG Act s122(1f)(b) and (1g)(b).

⁸ LG Act s122(1h).

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

Its forward projections from 2023-24 (in its LTFP) indicate ongoing financial sustainability despite the forecast rate of operating revenue growth being less than expense growth and with:

- ▶ continued average rate increases per property below the Reserve Bank of Australia (RBA)-based forecast inflation rate,
- ▶ achieving the forecast growth in rateable properties,
- ▶ continued cost constraint with negative cost growth, and
- ▶ low spending on new or upgraded capital works with reduced spending on renewal and rehabilitation capital works.

It should be noted that the LTFP prepared by the Council is stated in 'real terms' as opposed to 'nominal terms'. As a result, (in the process of drafting this report) the Commission requested that the Council provide updated LTFP figures in nominal terms, based on its own assumptions of inflation and other relevant factors. Accordingly, the figures mentioned throughout the report may not align (but are based on) those figures published in the Council's ABP and LTFP documents. The conversion has provided the Commission an opportunity to compare actual past performance financial data, with projected forecast performance in nominal terms for the purpose of this report.

The Commission notes the Council's practice regarding the formulation of its financial projections in its LTFP, and disclosures around its assumptions and strategic directions, including ratepayer impacts. It is also reporting risks and non-financial measures through its Annual Business Plan documentation and the Commission supports this approach.

The Council's past and projected operating surplus ratio, net financial liabilities ratio, asset renewal funding ratio and average rate revenue per property calculations, together support these findings.

2.2 Detailed advice findings

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

In providing this advice, the Commission has followed the approach it previously explained in the Framework and Approach – Final Report (F&A). The attachment explores these matters further.¹⁰

2.2.1 Advice on material plan amendments in 2023-24

Key Points:

- ✓ Additional \$1.7 million (or 7 percent) for asset renewals and an additional \$5.4 million (or 359 percent) for new and upgraded capital works.
- ✓ Additional spend on assets is mainly driven by comprehensive updates of Asset Management Plans.

The Council's 2023-24 LTFP includes amendments to operating performance due to inflationary pressures, and increases to its projected capital expenditure estimates, compared with the 2022-23 forecasts,¹¹ as follows:

¹⁰ The attachment will be available on the Commission's website with the Advice.

¹¹ The overlapping forecast period in both LTFPs (2022-23 to 2031-32 and 2023-24 to 2032-33).

- ▶ An increase in operating income by \$4.0 million or by 5.3 percent, and an increase in operating expenses of \$1.5 million or by 2.1 percent, mainly driven by the receipt of a grant payment made in advance (for income) and inflationary pressures.
- ▶ An additional \$1.7 million (or 7 percent) for asset renewals, and an additional \$5.4 million (or 359 percent) for new and upgraded capital works. Much of the increase is driven by a comprehensive update of asset management plans and includes the impact of significant storm damage caused in January 2022.

The Council noted Consumer Price Index (CPI) inflation increases of 7 percent in 2022-23 and that it believes actual cost drivers for LG are higher again. This upward revision may be overstated when compared to RBA forecasts – 3.6 percent in the year to the June 2024 quarter and 3.1 percent in the year to June 2025, leading to a forecast average of 2.6 percent over the reporting period.¹²

The Commission notes the practice of the Council in including its most up to date long term financial plan projections in its annual business plan and budget to provide more transparency to the community about any changes to forward projections, including rate projects, and the longer-term impacts of its short-term decisions. However, the publication of the LTFP in real terms is less transparent for ratepayers and the Council did not provide the inflation forecasts it used to convert its LTFP from real to nominal terms. Doing so, would provide a more meaningful context to the community regarding the Council's expectations with respect to rates and charges and allow for improved community input regarding their expectations of the Council about cost control and service levels. The Commission further notes that the Council's stated assumptions for indexation in its 2023-24 LTFP are transparent and based on its annual review of these forecasts but considers there is still uncertainty around its assumptions.

Notwithstanding the need for the Council to endeavour to find savings and reduce any inflationary impact on its community, and noting that the Council prepared its public documents using real terms as opposed to nominal terms, the Commission recommends that the Council:

1. **Continue** to review its inflation forecasts in its budget and forward projections from 2023-24, given the potential for higher short-term inflation outcomes, followed by a return to long-term averages.
2. **State** the basis for preparation of annual business plans, Budgets, and the long-term financial plan overtly in the accompanying documentation to increase transparency about the assumptions underpinning the figures.
3. **Provide** a version of the long-term financial plan in nominal terms, when developed using real terms, for the benefit of ratepayers.

The Council adopted its annual business plan and budget in July 2023, one month before it adopted its LTFP 2024-33 in August 2023. The Commission observes that the Council's LTFP identifies the risks to the financial estimates (due to economic factors, for example) and that the annual business plan also includes its 2023-24 estimates (from the LTFP) to show any further budget amendments to those estimates.

Additionally, the Council advised the Commission of material increases to its capital expenditure budget. The additional expenditure is due to the updated asset management plans and includes \$1.6 million of funding from State Government's Disaster Recovery Fund to address the damages caused by ex-tropical cyclone Tiffany in January 2022 and Federal government stimulus grant funding.¹³ The Council noted economic factors and maintenance of service standards as additional drivers for

¹² The forecast average annual growth in the CPI from 2023-24 to 2032-33 is estimated to be 2.6 percent based on the RBA forecasts for the CPI (Australia-wide) and the Commission's calculations of average annual percentage growth; RBA forecasts available at: RBA, Forecast Table - November 2023, available at [Forecast table – November 2023 | RBA](#).

¹³ Information obtained at meeting with the Council on 24 November 2023.

increased expenditure. The Commission encourages the Council to continue to monitor these matters, and where required, ensure that the community is consulted on further material budget adjustments.

2.2.2 Advice on financial sustainability

Operating performance

Key Points:

- ✓ Operating surpluses consistently achieved between 2014-15 and 2021-22.
- ✓ The operating surplus ratio is forecast to meet the suggested LGA target range in each year to 2032-33 averaging 4 percent.
- ⚠ Operating expenses grew at an average of 6.1 percent per annum between 2012-13 and 2021-22.
- ✓ Forecast expenses are predicted to grow more slowly at an average of 1.2 percent per annum.

The Council has predominantly run operating surpluses from 2012-13 to 2021-22, with the operating surplus ratio¹⁴ averaging 16 percent over this period, with a range between negative 0.9 percent (2013-14) and 36.1 percent (2016-17). In its forward projections, the operating surplus ratio is forecast to fall but continue to meet the suggested LGA target range (from 2023-24 to 2032-33) averaging 4 percent.

The Council received a combination of additional rates, statutory charges, user charges and 'grants, subsidies and contributions' income between 2012-13 and 2021-22 to generate its relatively strong operating income growth of 5.9 percent per annum.

Looking forward, the Council is projecting total income growth averaging 0.8 percent annually, which is well below the RBA inflation forecasts. Despite this, average annual rates revenue growth of 3.5 percent to 2032-33 is forecast, which is above the RBA forecast long-term inflation rate,¹⁵ but includes growth in rateable properties of 0.8 percent. Increasing rates, offsets an average annual decline of 3.5 percent in income from grants, subsidies, and contributions, noting the Council's practice of only recognising grants once they are certain.

On the cost side, its 'employee costs', 'materials, contracts and other' and 'depreciation' expenses increased at 3.9 percent, 8 percent, and 6.3 percent per annum respectively between 2012-13 and 2021-22. Growth in total expenses averaged 6.1 percent for the period which was higher than average annual CPI growth of 2.6 percent for the same period.¹⁶ Employee numbers (full-time equivalent (FTE) staff per year) decreased over the same period by 0.5 percent. The Commission notes the Council may use in-house resources for some capital works¹⁷ which may capitalise what might otherwise be operational expenditures utilising unanticipated grant funding not included in the LTFP. In this context, the Council could review future average rate level increases.

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

¹⁵ The forecast average annual growth in the CPI from 2023-24 to 2032-33 is estimated to be 2.6 percent based on the RBA forecasts for the CPI (Australia-wide) to June 2025 (and the Commission's calculations of average annual percentage growth) and the midpoint of the RBA's target range (2-3 percent) from 2026-27.

¹⁶ CPI (All groups). <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release#data-downloads:%20table%205:%20CPI:%20Groups.%20Index%20Numbers%20by%20Capital%20City>

¹⁷ Information obtained at meeting with District Council of Cleve on 24 November.2023.

The rate of growth in operating expenses projected over the next 10 years is estimated to be an average of 1.2 percent per annum, which is below the RBA-based forecast inflation.¹⁸ Combined with forecast growth in overall rates revenue of 3.5 per cent and minimal overall income growth over the same period (0.8 percent), the Council expects to maintain its operating performance within the suggested LGA target range. The associated impact on ratepayers is discussed further below.

The Commission has observed the current good practice of the Council in conducting regular service level reviews of its operations, focused on achieving increased productivity, efficiency, and effectiveness to achieve sustainability.¹⁹

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

4. **Continue** to monitor cost growth in its budgeting, where possible, including related to employee expenses.
5. **Consider** minimising average rate level increases if unanticipated grants (not already accounted for in the long-term financial plan) are received.
6. **Continue** its practice of reporting any actual and projected cost savings in its annual budget (and long-term financial plan, as appropriate), to provide evidence of constraining cost growth and achieving efficiency across its operations and service delivery.

Net financial liabilities

Key Points:

-  The net financial liabilities ratio has been below the LGA target range between 2012-13 and 2021-22.
-  The forecast net financial liabilities ratio is predicted to average negative 16 percent between 2023-24 and 2032-33, remaining below the LGA target range.
-  Debt decreased between 2012-13 and 2021-22 and will be retired by 2026-27.

Predominantly achieving operating surpluses from 2012-13 (including depreciation expenses), the Council's net cash flow after operating and investing (that is, capital-related) activities averaged \$0.5 million per annum.

The Council has partly used borrowings to fund its capital expenditure program (including acquisition of new and upgraded assets) over this period. Borrowings peaked in 2015-16 and steadily decreased over the period 2016-17 to 2020-21 and are forecast to be repaid by 2026-27.

The NFLR between 2012-13 and 2021-22 averaged negative 84 percent which is below the LGA target range. The forecast NFLR is predicted to average negative 16 percent between 2023-24 and 2032-33 which shows a decrease in cash held but remaining below the suggested LGA target range.²⁰

¹⁸ The forecast average annual growth in the CPI from 2023-24 to 2032-33 is estimated to be 2.6 percent based on the RBA forecasts for the CPI (Australia-wide) and the Commission's calculations of average annual percentage growth; RBA forecasts available at: RBA, Forecast Table - November 2023, available at <https://www.rba.gov.au/publications/smp/2023/nov/economic-outlook.html>.

¹⁹ District Council of Cleve IAMP 2024-33, August 2023 pp7-9 and District Council of Cleve ABP 2023-2024.

²⁰ The net financial liabilities ratio is defined as: Net financial liabilities ÷ Total operating income. This ratio measures the extent to which a council's total operating income covers, or otherwise, its net financial liabilities. The suggested LGA target range is between zero and 100 percent of total operating income, but possibly higher in some circumstances (LGA SA Financial Indicators Paper, pp. 7 and 8).

The Council has historically maintained a net cash position averaging \$1.8 million between 2012-13 and 2021-22 and forecasts to continue this practice with an average net cash position of \$1.5 million between 2023-24 and 2032-33. The strong cash position provides the Council with options to utilise surplus cash to further address its asset renewal expenditure requirements and keep rates increases at lower levels or reduce them in real terms.

Through discussions with the Council, the Commission notes that the Council has various ongoing development strategies. Accordingly, an option available to the Council may be to raise the NFLR by accepting a lower operating surplus ratio than normal.

Asset renewals expenditure

Key Points:

- ✓ The asset renewal funding ratio averaged 101 percent between 2012-13 and 2021-22 although volatile from year to year.
- ✓ The forecast asset renewal funding ratio until 2032-33 is 94 percent with spending averaging \$2.7 million per annum on renewal/replacement of assets.
- ✓ Capital expenditure in the past has been higher on renewal/replacement of assets than new/upgraded assets.
- ✓ Capital expenditure is forecast to be lower on new/upgraded assets with an average spend of \$0.7 million per annum to 2032-33.
- ✓ The value of the council's assets has risen historically and is forecast to remain steady in the future.

Between 2012-13 and 2021-22, the Council's total capital expenditure averaged \$2.9 million per annum (including \$1.9 million on asset renewals and \$1 million on new and upgraded assets). The expenditure on asset renewal and rehabilitation aligned with the requirements specified in its AMPs.

The Council's asset renewal funding ratio (IAMP-based) was typically within the suggested LGA target range of 90 to 110 percent over these years²¹ averaging 108 percent between 2012-13 and 2021-22 (however there was considerable volatility in actual expenditure with half of those years outside the LGA target range). The Council met its asset service sustainability requirements over this period when considered as a whole. Furthermore, the Commission notes the Council's regional issues of materials and staffing resource scarcity that may impact the timing of capital expenditure projects.²²

Looking forward, from 2023-24, the Council is forecasting an increase in its asset renewals spending profile (with projected annual renewal expenditure averaging \$2.7 million to 2031-32). This coincides with lower forecast spending by the Council on new or upgraded assets (estimated to average \$0.7 million per annum to 2032-33), decreasing by an average of 12.3 percent per annum. Its asset renewal funding ratio (IAMP-based) is expected to remain within the suggested LGA target range (averaging 100 percent from 2023-24 to 2032-33) reflecting the Council's intention to continue meeting its renewal needs based on revised asset management plans. The lower forecast spending on new/upgraded assets will result in a decrease in the value of asset stock in real terms; however the Commission notes the practice of the Council in building new assets based on successful grant funding²³ which is only recognised in the LTFP when certain and may cause the value of asset stock to vary from the forecast.

²¹ The IAMP-based method is the current industry standard whereby asset renewal/replacement expenditure is divided by the recommended expenditure in the IAMP (or AMP). Ideally, this will show the extent to which a council's renewal or replacement expenditure matches the need for this expenditure, as recommended by the plan. The suggested LGA target range for the ratio is 90 to 110 percent (LGA SA Financial Indicators Paper, p. 9).

²² Information obtained at meeting with the Council on 24 November 2023.

²³ Information obtained at meeting with the Council on 24 November 2023.

Acknowledging this shift in proposed asset spending priorities by the Council, reflected in its LTFFP projections, and noting that additional grant funding may influence future capital expenditure on new/upgraded assets, the Commission considers that it would be appropriate for it to:

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

When the asset renewal funding ratio is instead calculated by the depreciation-based method, between 2012-13 and 2021-22, it has historically been an average of 120 percent over the period. The projected performance for 2023-24 to 2032-33 is for an average of 97 percent (although with volatility from year to year) suggesting that the level of spending recommended by the AMP is reasonably aligned with asset valuations and useful life assumptions, as used for depreciation purposes over the longer-term.

From 2028-29 to 2032-33, depreciation expenses are forecast to be consistently higher than renewal expenditure although below the LGA target range and with a decreasing trend. This presents a risk that asset lives could be assumed to be shorter (in the depreciation calculation) than occurs in practice; however overall, there does not appear to be a pattern of divergence.

Noting the stated practice of the Council in revaluing its assets frequently to ensure both depreciation and the fair value of assets is accurate,²⁴ the Commission recommends that Council:

8. **Continue** its practice of reviewing the estimates of asset lives and valuations in its long-term financial plan and asset management plans, to ensure that depreciation and renewal expenditure remain aligned in the longer term.

2.2.3 Advice on current and projected rate levels

Key Points:

-  Rate revenue per property growth has averaged 3.8 percent between 2012-13 and 2021-22 (1.8 percent above CPI).
-  The forecast rate revenue increase for 2023-24 is 9.8 percent per property.
-  Rateable properties are forecast to grow by 1.4 percent until 2025-26 and then remain constant.
-  Based on the forecast of rateable property increases between 2023-24 and 2032-33, the average rate revenue per property is forecast to increase by 2.2 percent per annum which is below the RBA-based forecast average of inflation of 2.6 percent per annum.

The Council's rate revenue per property growth averaged 3.8 percent or \$66 per annum for each property in the period between 2012-13 and 2021-22, which exceeded CPI growth at an average of 2 percent per annum over this same period. However, the Council still has relatively low rate levels for residential categories, and slightly higher rates for non-residential ratepayers compared with similar councils.²⁵

²⁴ Information obtained at meeting with the Council on 24 November 2023.

²⁵ Refer to Councils in Focus rates data for 2019-20 available at https://councilsinfocus.sa.gov.au/councils/district_council_of_cleve. The Commission is not relying on these rate comparisons for its advice; the data source provides just one indicator, among many, which has informed its advice on the appropriateness of the rate levels.

In 2023-24 to 2032-33, the Council's rate revenues are estimated to result in growth of 3.5 percent per annum increase, which is above than the RBA forecast inflation of 2.6 percent for the same period²⁶ but includes growth in rateable properties. When adjusted for the projected growth in rateable properties, rate revenue per property is forecast to increase by 2.2 percent. Overall, the 2023-24 LTFP forecasts an average increase of rates per property per annum of \$80 from 2023-24 to 2032-33 (to an average of \$3,245 per property per annum).

The Commission notes that the rates forecast is based on the achievement of growth in rateable properties which presents a risk of higher rates if the forecast growth is not achieved. However, it is further noted that the strong economic development strategy is already achieving population growth results (as noted in meeting with Council).²⁷

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

9. **Consider** limiting future increases in rates to no more than expected inflation in real terms based on the Council's strong financial position, to help reduce any emerging affordability risk in the community.

2.3 The Commission's next advice and focus areas

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

- ▶ ongoing performance against its LTFP estimates (including review of growth assumptions),
- ▶ achievement of cost savings and efficiencies and its continued reporting of these in its plans,
- ▶ reprioritisation of its capital spending towards asset renewal and rehabilitation works, and
- ▶ actions to address any misalignment between the capital expenditure and depreciation estimates in its LTFP and various AMPs.

²⁶ The forecast average annual growth in the CPI from 2023-24 to 2032-33 is estimated to be 2.6 percent based on the RBA forecasts for the CPI (Australia-wide) and the Commission's calculations of average annual percentage growth; RBA forecasts available at: [RBA Forecast Table - November 2023, available at https://www.rba.gov.au/publications/smp/2023/nov/economic-outlook.html](https://www.rba.gov.au/publications/smp/2023/nov/economic-outlook.html).

²⁷ Information obtained at meeting with the Council on 24 November 2023.



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Advice

Local Government Advice - Attachment

District Council of Cleve

February 2024

OFFICIAL

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A The Commission's approach

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

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

- ▶ 2023-24 Annual Business Plan and Annual Budget (adopted July 2023)
- ▶ 2024-2033 Long-Term Financial Plan (adopted August 2023)
- ▶ 2023-2032 Long-Term Financial Plan
- ▶ 2012-2013 to 2032-2033 LTFP estimates provided by the Council to the Commission (in an Excel template)
- ▶ 2012-2013 to 2032-2033 LTFP estimates provided by the Council to the Commission (in an Excel template) – updated into nominal terms at Commission's request
- ▶ 2024-33 Infrastructure and Asset Management Plan (adopted August 2023)-
- ▶ 2020-2025 Strategic Plan
- ▶ Economic Development Framework (adopted September 2021)

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

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

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

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

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

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

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

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

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

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

the Commission has reviewed the Council audit committee reports, and other public information, as appropriate.

The Commission has noted that the Council originally prepared its LTFP in real terms as opposed to nominal terms. While the Council may have its reasons for doing so, this approach does not allow the Commission to undertake a fair analysis and comparison of past performance with forecast performance. The Commission therefore requested the LTFP be provided in nominal terms to provide advice that is meaningful and of value to Council and its community. Note that this conversion to nominal terms means that figures mentioned below may not align with Council's published ABP and LTFP documents.

The Commission has reported its estimates in nominal terms based on the amended data provided. In the charts, the Consumer Price Index (**CPI**) line shows the cumulative growth in the CPI (Adelaide) series from 2012-13, and then projections of this series from 2023-24 based on the Reserve Bank of Australia (**RBA**) (Australia-wide) inflation forecasts (to the June quarter 2025), and the midpoint of the RBA target range (2.6 percent) thereafter.

Finally, in formulating this Advice, the Commission has had regard to the circumstances of the Council, including its location as a regional council, its income level (\$8.1 million) and the size of its rates base (more than 1,550 ratepayers⁸).

⁸ Based on the estimated number of property assessments in 2022-23.

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

The 'heat map' diagram below summarises the Commission's findings with reference to whether the Council has met the suggested Local Government Association (**LGA**) target ranges for the three main financial sustainability indicators⁹ and the level of cost control and affordability risk identified for the Council over time.

Financial sustainability indicators:	Last 10 years from 2012-13 (Actual performance)		2022-23 estimate	Next 10 years from 2023-24 (Council forecasts)
Operating surplus ratio (target 0-10%)	Def- icit	Surplus above or within target range from 2014-15 to date ----->	Surplus within target range predicted from 2022-23 ----->	
Net financial liabilities ratio (target 0-100%)	Net cash position historically ----->		Ratio projected within target from 2022-23----->	
Asset renewal funding ratio (target 90-110%)	Volatility in renewal works spending & some years below target range ----->		Ratio projected within target from 2022-23----->	
Identified Risks:				
Cost control risk	Operating expenses per property average growth 5.3% pa to 2021-22 (CPI 2.0%) ----->		On average, operating expenses per property growth below forecast CPI ----->	
Affordability risk	Rates Revenue per property average growth 5.1% pa to 2021-22 (CPI 2.0%) ----->		On average, rates revenue per property growth below forecast CPI ----->	

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

⁹ LGA SA Financial Indicators Paper.

B Material plan amendments in 2023-24

The Council has made various amendments to its 2023-24 budget and forward projections, partly for inflation and partly for other revenue and spending initiatives. The material amendments to some of its main financial forecasts are listed in the table below, which is based upon the Council's updated nominal terms calculations.¹⁰ To ensure a comparable analysis of estimates between the 2022-23 and 2023-24 LTFPs, the Commission has reviewed the nine overlapping years' statistics: 2023-24 to 2031-32 and identified material amendments accordingly.

Selected Financial Item	Sum of 2023-24 to 2031-32 estimates in 2022-23 LTFP (\$ million)	Sum of 2023-24 to 2031-32 estimates in 2023-24 LTFP (\$ million)	Change in 2023-24 estimates (\$ million)	Change in 2023-24 estimates (percent)
Total operating income	76.6	80.6	+4.0	+5.3
Total operating expenses	75.4	77.0	+1.6	+2.1
Operating surplus / (deficit)	1.2	3.7	+2.5	+212.0
Capital expenditure on renewal of assets ¹¹	23.4	25.1	+1.7	+7
Capital expenditure on new and upgraded assets ¹²	1.5	6.9	+5.4	+359.0

B.1 Changes to operating performance

The Council has budgeted (in 2023-24) an increase in its operating surplus of \$3.7 million compared to \$1.2 million in the 2022-23 LTFP. In aggregate, the projections in its current and previous LTFPs (that is, over the nine-year comparative period to 2031-32, as shown in the table above) indicate the Council's cumulative operating surplus is forecast to improve by \$2.5 million, which reflects the Council's recognition of inflationary impacts, and forecast increases in operating income being higher than operating expenses.

Some of the amendments, compared to the 2023-2032 LTFP, account for:

- ▶ Recent high inflation estimates of 7 percent, and
- ▶ Inflation in local government cost drivers, including grant funding not keeping pace with increases in service delivery costs.¹³

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

B.2 Indexation adjustments

The Commission notes that as the Council's published LTFP is in real terms, its intentions on how it proposes to manage the impact of inflation and the implications this may have for ratepayers are less

¹⁰ This table shows only selected financial items to demonstrate the material amendments made by the Council in its 2023-24 estimates. It excludes various financial items and individual items do not sum to totals.

¹¹ The capital expenditure estimates are based on the 2023-24 LTFP estimates provided by the Council to the Commission (in an Excel template).

¹² Footnote 10 applies.

¹³ District Council of Cleve 2023-2024 Annual Business Plan & Annual Budget, p. 9, available at <https://www.cleve.sa.gov.au/council/performances/plans>.

transparent. Also, the Council did not provide the inflation forecasts it used to convert its LTFP into nominal terms when providing the conversion to the Commission.

To provide some guidance on how the Council's 2024-23 LTFP forecasts for 2023-24 to 2032-33 income and expenditure compare relative to inflation, the Commission notes that the RBA currently forecasts the CPI (Australia-wide) to increase by 3.6 percent in the year to the June 2024 quarter and by 3.1 percent in the year to June 2025. Thereafter, it is reasonable to anticipate a return to long-run averages (and average growth of 2.6 percent per annum from 2024-25 to 2032-33, based on the RBA's 2 to 3 percent target range).¹⁴ The subsequent sections have regard for this as considered relevant.

While the Council may wish, for its own purposes, to identify real term changes only in its financial planning, the meaning of this is not transparent to all its ratepayers. This is because it need not highlight the Council's estimate of the nominal rates and charges, more indicative of the Council's expectations of the community's contribution toward its income. Given this, and the objective of open and transparent consultation, there is benefit in any published version of the LTFP also being available in nominal terms and clearly identifying all indexation and inflation assumptions used. This provides a more meaningful context to the community regarding the Council's expectations with respect rates and charges, so allowing for improved community input regarding their expectations of the Council, with respect to cost control and service levels.

In general, and notwithstanding the need for the Council to endeavour to find savings and reduce any inflationary impact on its community, the Commission recommends that the Council:

1. **Continue** to review its inflation forecasts in its budget and forward projections from 2023-24, given the potential for higher short-term inflation outcomes, followed by a return to long-term averages.
2. **State** the basis for preparation of annual business plans, budgets, and the long-term financial plan overtly in the accompanying documentation to increase transparency about the assumptions underpinning the figures.
3. **Provide** a version of the long-term financial plan in nominal terms, when developed using real terms, for the benefit of ratepayers.

B.3 Increase to capital expenditure estimates

The Council's 2023-24 LTFP indicates an increase in capital expenditure for asset renewals (by \$1.7 million or 7 percent), and for new and upgraded assets (by \$5.4 million or 359 percent), compared to the previous year's LTFP (for the period from 2022-23 to 2031-32). Over the 10-year projections in the 2023-24 LTFP, the Council has factored in a total of \$27.1 million in capital renewal and replacement works and \$7.8 million in new and upgraded capital works, accounting for 78 percent and 22 percent of the total capital expenditure program respectively.

The Council's transport assets (mainly road assets) represent the largest asset class, and is a major focus of its renewal investment, projected to account for 65.8 percent of the total asset renewal budget over the next 10 years.¹⁵

The Council's increase in proposed expenditure follows a comprehensive update of its asset management plan, reflecting the impact of multi-million-dollar damage inflicted on road networks in January 2022 storms.¹⁶ Significant grant revenue over the period 2022-23 to 2024-25 provided for

¹⁴ RBA, Forecast Table - November 2023, available at <https://www.rba.gov.au/publications/smp/2023/nov/>.

¹⁵ District Council of Cleve Infrastructure & Asset Management Plan 2024-33 August 2023, p. 3 available at [District Council of Cleve | District Council of Cleve](#).

¹⁶ District Council of Cleve Infrastructure & Asset Management Plan 2024-33 August 2023, p. 9 available at [District Council of Cleve | District Council of Cleve](#).

disaster recovery funding and Federal government stimulus funding enables higher capital expenditure.¹⁷

For new and upgraded assets in 2023-24, the Council is budgeting \$2.8 million for projects outlined in its annual business plan then allowing an additional \$4.9 million spread over the remaining 9 years from 2024-25 to 2032-33 plan for future projects that will enable funding of its economic development plans.¹⁸ The Council's capital expenditure outlook is discussed further in section C.3.

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

The Council adopted its annual business plan and budget in July 2023, one month before it adopted its LTFP 2024-33 in August 2023. There is no current regulatory requirement for it to publish its LTFP projections with its annual business plan and budget.

The Commission notes that the Council's LTFP identifies variances due to the impact of an early payment of \$1.79M Financial Assistance Grant (FAGs) in June 2023¹⁹ and that timing in payment of FAGs may cause volatility in sustainability ratios.

¹⁷ Information obtained at meeting with District Council of Cleve, 24.11.2023.

¹⁸ District Council of Cleve Infrastructure & Asset Management Plan 2024-33, p. 4, August 2023, available at [District Council of Cleve | District Council of Cleve](#).

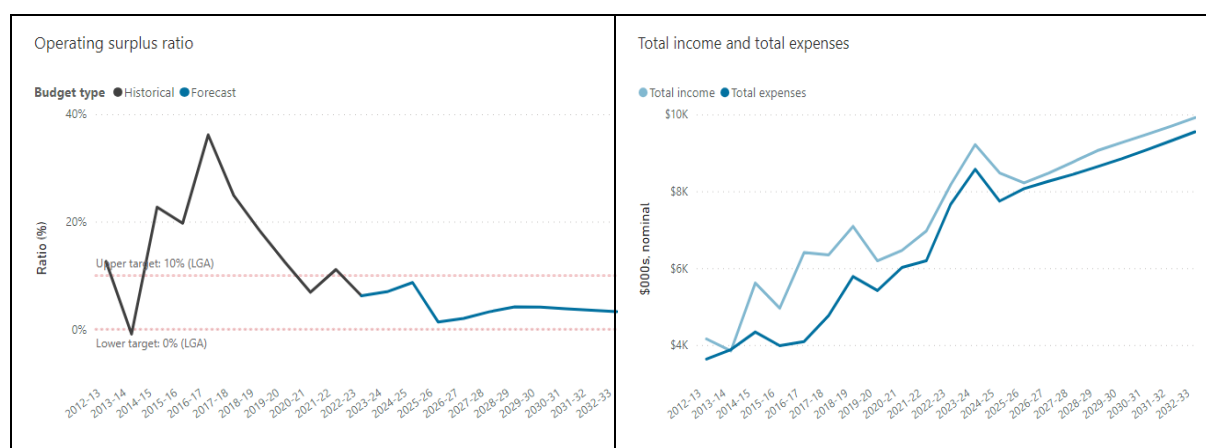
¹⁹ District Council of Cleve Long Term Financial Plan 2024-2033, p. 9, August 2023, available at [District Council of Cleve | District Council of Cleve](#)

C Financial sustainability

C.1 Operating performance

The Council has predominantly run operating surpluses from 2012-13 to 2021-22, with the operating surplus ratio²⁰ averaging 16 percent over this period. The Council received a combination of additional rates, statutory charges, user charges and 'grants, subsidies and contributions' income to generate its relatively strong operating income growth of 5.9 percent per annum from 2012-13 to 2021-22. In its forward projections, the operating surplus ratio is forecast to be 4 percent on average and remain within the suggested LGA target range of 0-10 percent in the period 2023-24 –2032-33.

The decrease in its projected operating performance is attributed to budgeting for modest revenue increases which are lower than expense growth, even when taking into consideration that expense growth is forecast to be slower than it has in the previous 10 years.



Rates revenue has increased on average by 4.7 percent per annum from 2012-13 to 2021-22²¹ (when rateable property growth averaged 0.8 percent and CPI growth averaged 2 percent).

Over the same period 'grants, subsidies and contributions' (accounting for 35 percent of total operating income) increased by an average of 6.9 percent per annum. Grants income has been 'lumpy' from year to year,²² and has averaged \$2,091 per property over the period from 2012-13 to 2021-22. The Commission acknowledges the impact of the irregular payment of the FAGs where councils may receive payments that do not correspond to the financial year to which the payment relates. This may distort sustainability ratios from year to year, particularly in smaller councils where grants income is a significant proportion of income.

The Council's operating expense growth (from 2012-13 to 2021-22) was primarily due to an average annual increase of 3.9 percent in 'employee' expenses and 8 percent in 'materials, contracts and other' expenses (see the changes by expense type in specific time periods in the left chart overleaf).

Looking forward, the Council is projecting total income growth averaging 0.8 percent annually, which is well below the RBA inflation forecasts. Despite this, average annual rates revenue growth of 3.5 percent

²⁰ The operating surplus ratio is defined as: Operating Surplus (Deficit) ÷ Total Operating Income. The general target is to achieve, on average over time, an operating surplus ratio of between zero and 10 percent (Local Government Association of South Australia, *Financial Sustainability Information Paper 9 - Financial Indicators Revised*, May 2019 (**LGA SA Financial Indicators Paper**), p. 6).

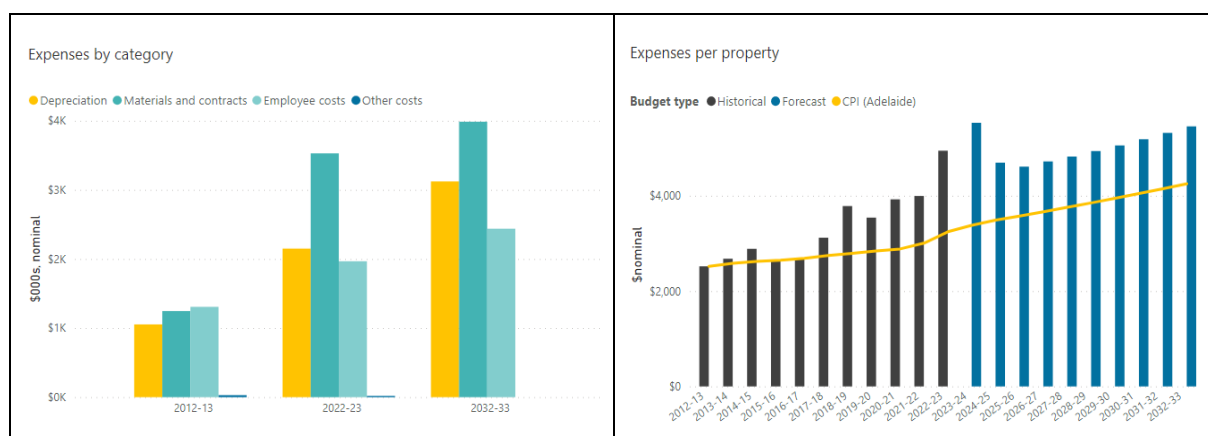
²¹ Based on the compound average annual growth rate formula (which is the adopted approach to calculating average annual growth rates throughout the Commission's advice).

²² Due to the timing of different grants and sometimes advance grant payments (as for the 2023-24 grant allocation, which was received and accounted for in 2022-23).

to 2032-33 is forecast, which is above the RBA forecast long-term inflation rate,²³ but includes growth in rateable properties of 0.8 percent. Increasing rates, offsets an average annual decline of 3.5 percent in income from grants, subsidies, and contributions, noting the Council's practice of only recognising grants once they are certain.

Total income growth is lower than forecast average expense growth of 1.2 percent per annum, which is below the RBA-based forecast inflation growth²⁴ and represents a change from the Council's past performance (with average annual growth of 6.1 percent in the 10 years to 2021-22). The main contributor to this is significantly lower growth in materials and contracts expenses and employee costs. The Council will utilise in-house resources for some capital works which will capitalise what otherwise might be operational expenditures. The Council is also projecting that employee numbers will remain at 21 FTE over the LTFP.

Lower expenses growth, coupled with expected growth in rateable properties averaging 1.4 percent annually, results in expenses per property decreasing by an average of 0.2 percent per annum over the period from 2023-24 to 2032-33, which represents a cost reduction in real terms (based on current inflation projections) (see the right chart below). Despite this, actual expenses per property remain high relative to the inflation adjusted equivalent from 2012-13 to 2032-33. This is because historically expenses growth has exceeded inflation by a considerable margin, resulting in the LTFP starting from a high base.



User charges (averagely 4 percent of total income); however, are forecast to grow by an average of 17.5 per cent which is slightly higher than the historical average of 14.9 percent per annum.²⁵ These charges reflect the Council's strategy of cost recovery for service provision such as CWMS. Noting that some of the following expenses may be capitalised as renewal capital works are undertaken in-house, 'employee' expenses and 'materials, contracts and other' expenses are forecast to increase by an average of 1.8 percent and decline by an average of 0.9 percent per annum respectively, from 2023-24 to 2032-33. Overall, this would reflect much more constrained growth, below forecast inflation. This is a positive trend, noting that the Council's improved financial sustainability outlook does rely on continued 'cost constraint'.

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

²³ The forecast average annual growth in the CPI from 2023-24 to 2032-33 is estimated to be 2.6 percent based on the RBA forecasts for the CPI (Australia-wide) to June 2025 (and the Commission's calculations of average annual percentage growth) and the midpoint of the RBA's target range (2-3 percent) from 2026-27.

²⁴ Footnote 23 applies.

²⁵ Based on the Council's Excel template provided to the Commission. Historical average is based on the 10-year period from 2012-13 to 2022-23; and forecast average is based on the 10-year period from 2023-24 to 2032-33.

4. **Continue** to monitor cost growth in its budgeting, where possible, including related to employee expenses.
5. **Consider** minimising average rate level increases if unanticipated grants (not already accounted for in the long-term financial plan) are received.
6. **Continue** its practice of reporting any actual and projected cost savings in its annual budget (and long-term financial plan, as appropriate), to provide evidence of constraining cost growth and achieving efficiency across its operations and service delivery.

C.2 Net financial liabilities

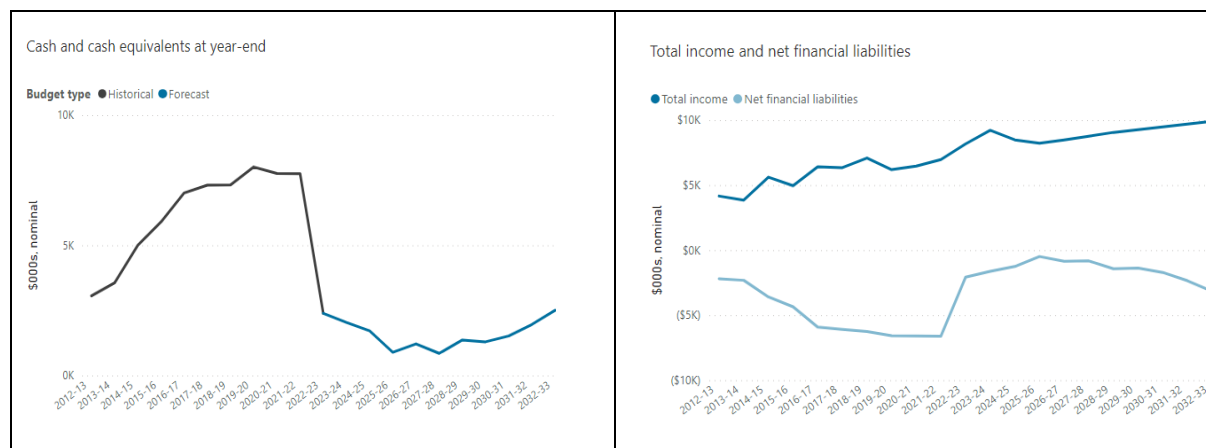
With the Council's predominant operating surpluses from 2012-13, its net cash flows after operating and investing (that is, capital-related) activities have averaged \$0.5 million annually between 2012-13 and 2021-22 (refer to left chart below).

The Council has used loan borrowings between 2012-13 and 2021-22 and is progressively reducing this debt.²⁶ Forecasts for 2023-24 indicate that the Council will pay down this debt by 2026-27 with no new debt going forward.

The Council's net financial liabilities ratio has trended between negative 52.8 and negative 106.2 percent between 2012-13 and 2022-23 (see the left chart overleaf) with a positive net cash position. This is below the suggested LGA target range for the indicator of between zero and 100 percent (averaging -84 percent over this period).

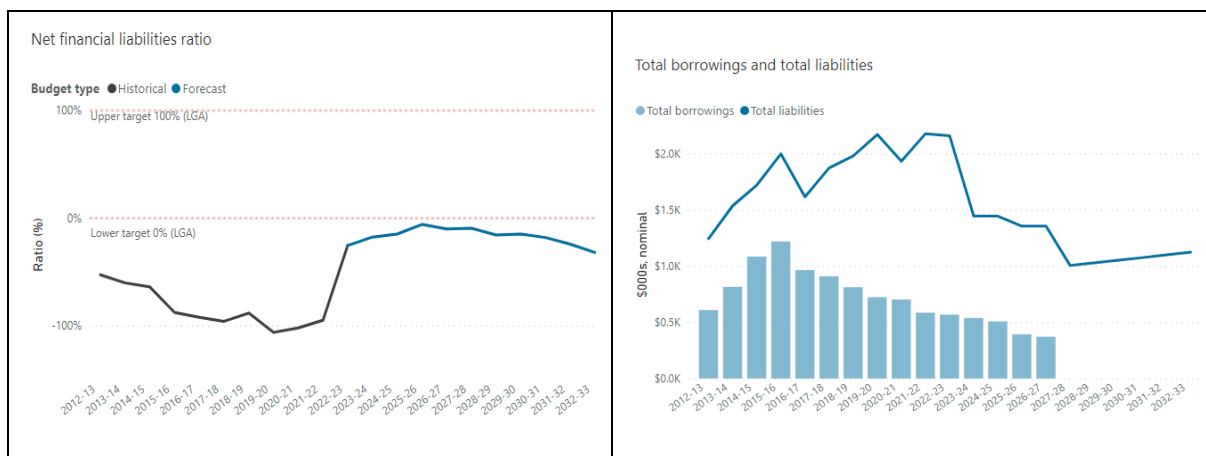
The Council has estimated that the net financial liabilities ratio will average negative 16 percent between 2023-24 and 2032-33 which is below the LG recommended ratio (see the left chart overleaf).²⁷ The positive net cash position that is held throughout the forecast period reflects the repayment of borrowings, maintenance of other liability levels, and growth in income that exceeds growth in expenses.

As previously stated, the Council is relying predominantly on further rates revenue growth together with lower growth in operating expenses to maintain overall financial sustainability.



²⁶ Based on the Council's Excel template provided to the Commission.

²⁷ The net financial liabilities ratio is defined as: Net financial liabilities ÷ Total operating income. This ratio measures the extent to which a council's total operating income covers, or otherwise, its net financial liabilities. The suggested LGA target range is between zero and 100 percent of total operating income, but possibly higher in some circumstances (LGA SA Financial Indicators Paper, pp. 7-8).

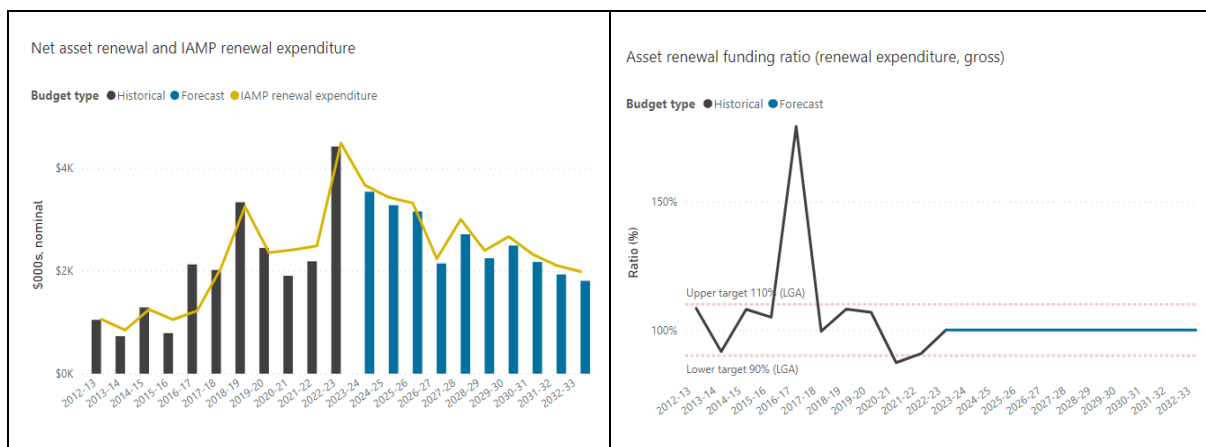


Based on the Council's projected repayment of borrowings, and negative forecast net financial liabilities ratio, the Commission notes that it might have the opportunity to utilise surplus cash to further address its asset renewal expenditure requirements and keep rate increases at minimum levels required.

The strong end of year cash positions forecast also provides the Council with the opportunity and capacity to limit any rate rises in real terms below the rate of CPI. Noting the Council's economic development strategies however, it may also be appropriate to raise the NFLR by accepting a lower operating surplus ratio than normal due to the large cash balances on hand.

C.3 Asset renewals expenditure

The Council has maintained its average asset renewal funding ratio²⁸ between 2012-13 and 2021-22 within the LGA target range and the 2022-23 unaudited estimates²⁹ indicate this trend will continue (see the charts below).



Between 2012-13 and 2021-22, the asset renewal funding ratio (under the 'IAMP-based' approach) averaged 108 percent (see right chart above),³⁰ signifying an appropriate spend on the renewal and rehabilitation needs of its asset stock over this period. The Council's spending on renewal and rehabilitation of assets averaged \$1.8 million each year (over this period).

²⁸ The IAMP-based method is the current industry standard whereby asset renewal/replacement expenditure is divided by the recommended expenditure in the IAMP (or AMP). Ideally, this will show the extent to which a council's renewal or replacement expenditure matches the need for this expenditure, as recommended by the plan. The suggested LGA target range for the ratio is 90 to 110 percent (LGA SA Financial Indicators Paper, p. 9).

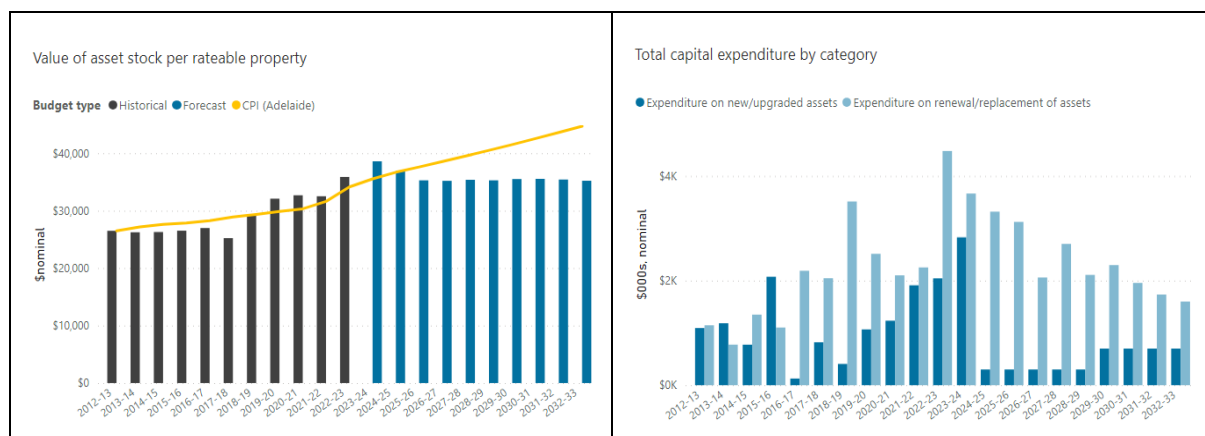
²⁹ Based on the Council's Excel template provided to the Commission.

³⁰ The quoted averages for the ratio are based on 'gross asset renewal expenditure' (before the sale of replaced assets) rather than 'net asset renewal expenditure'.

The Council's planned renewal expenditure is mainly attributed to transport assets (covering sealed roads, sheeted roads, kerbs, and footpaths) and accounts for approximately 65.8 percent of total renewals expenditure from 2023-24 to 2032-33.³¹ Aside from transport works, the Council has planned renewals expenditure for plant and equipment which equals approximately 26 percent of total renewals).

From 2023-24 to 2032-33, the ratio is forecast to average 100 percent, reflecting the Council's intention to continue meeting its renewal needs based on revised asset management plans. Average annual spending on renewal or rehabilitation of assets is projected to be \$2.7 million (in real terms).

The Council has grown its asset base over the past 10 years from \$38.2 million to \$50.4 million with total capital expenditure averaging \$3 million per annum (including \$1 million per annum on new or upgraded assets) between 2012-13 and 2021-22 (see the right chart below). This has led to an average increase in the value of the asset stock per property of \$6,707 or an average of 2.5 percent growth per annum over the 10 years to 2021-22 (see the left chart below). By implication this indicates the Council's asset stock has maintained value in real terms (as the increase was above the historical rate of inflation).



Over the next ten years of its LTFP, the Council is forecasting to slightly decrease its asset renewal funding ratio and minimise spending on new/upgraded assets which will result in a decrease in the value of asset stock in real terms (see chart above at left). The Commission notes the practice of the Council to forecast recurrent grants only and recognise additional grant funding when obtained, in line with its strategic approach of developing capital projects, then seeking grant funding or subsidy.³² This practice may understate likely grant forecasts given the Council's successful track record in obtaining grants.

Council will need to assess the risk of adding new infrastructure in the context of creating a stream of future liabilities associated with each asset. While affordability of the initial expenditure is not an issue for the Council due to cash reserves and borrowing capacity, affordability to the community in the longer-term requires consideration.

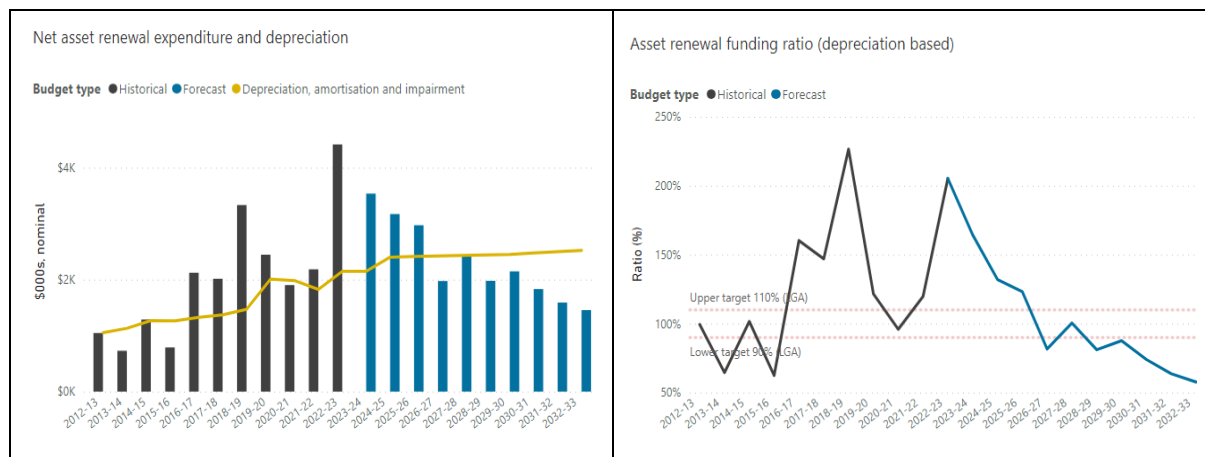
Noting that additional grant funding may influence future capital expenditure on new/upgraded assets, the Commission considers that it would be appropriate for the Council to:

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

³¹ District Council of Cleve Infrastructure & Asset Management Plan 2024-33, p. 3 and 4, adopted August 2023, available at [2024-33-Infrastructure-and-Asset-Mangement-Plan-Final.pdf \(cleve.sa.gov.au\)](https://cleve.sa.gov.au/2024-33-Infrastructure-and-Asset-Mangement-Plan-Final.pdf).

³² Information obtained at meeting with the Council on 24 November 2023.

When the asset renewal funding ratio is instead calculated by the depreciation-based method, between 2012-13 and 2021-22 it has historically been an average of 120 percent over the period. The projected performance for 2023-24 to 2032-33 is for an average of 97 percent (although with volatility from year to year) suggesting that the level of spending recommended by AMPs is becoming more closely aligned with asset valuations and useful life assumptions, as used for depreciation purposes (see charts below).



The forecast capital expenditure reflects a significant shift in the Council's asset spending priorities towards asset renewals rather than new and upgraded asset expenditures (see graph above right – previous page). However, from 2028-29 to 2032-33 depreciation expenses are forecast to be consistently higher than renewal expenditure range and with a decreasing trend (see graph above left).

This presents a risk that asset lives could be assumed to be shorter (in the depreciation calculation) than occurs in practice; however overall, there does not appear to be a pattern of divergence. Accordingly, the Commission considers that it would be appropriate for the Council to:

8. **Continue** its practice of reviewing the estimates of asset lives and valuations in its long-term financial plan and asset management plans, to ensure that depreciation and renewal expenditure remain aligned in the longer term.

The Council has recently updated its Infrastructure & Asset Management Plan which covers most of the Council's asset base and reflects asset valuations that have been carried out within the last four years. The Commission notes the practice of the Council in revaluing its assets as frequently as is needed to ensure both depreciation and the fair value of assets is accurate.³³ The Commission has also noted the current practice of the Council in conducting asset management data and service level reviews of its operations, focused on achieving increased productivity, efficiency, and effectiveness.³⁴

In formulating its AMPs, the Council has considered several matters such as customer levels of service, utilisation of and demand for its assets, life cycle management, and risk management planning. These matters (among others) have informed the Council's planned operating and maintenance budgets, and asset renewal needs over the period to 2033. The Council has also showed the extent to which its asset renewal funding forecasts (in its 2023-24 LTFP) aligns with its AMP renewal targets. The Commission's review of the AMPs has found that, on balance, the Council's strategic planning processes align with good practice for a council of its size and complexity.

³³ Information obtained at meeting with the Council on 24 November 2023.

³⁴ District Council of Cleve 2023-2024 Infrastructure and Asset Management Plan 2024-33, p. 7, adopted August 2023, available at [2024-33-Infrastructure-and-Asset-Mangement-Plan-Final.pdf \(cleve.sa.gov.au\)](https://cleve.sa.gov.au/2024-33-Infrastructure-and-Asset-Mangement-Plan-Final.pdf).

The Council continues to undertake a significant economic development strategy to increase both population and economic activity.³⁵ It is undertaking major new asset construction in 2023-24 aligned with its economic and development plans, including:³⁶

- ▶ Boarding house
- ▶ Tourism assets – RV parks, marina upgrades
- ▶ Residential amenities – Community Wastewater Management System (CWMS) play-space, dog park

³⁵ Footnote 38 applies.

³⁶ Footnote 38 applies.

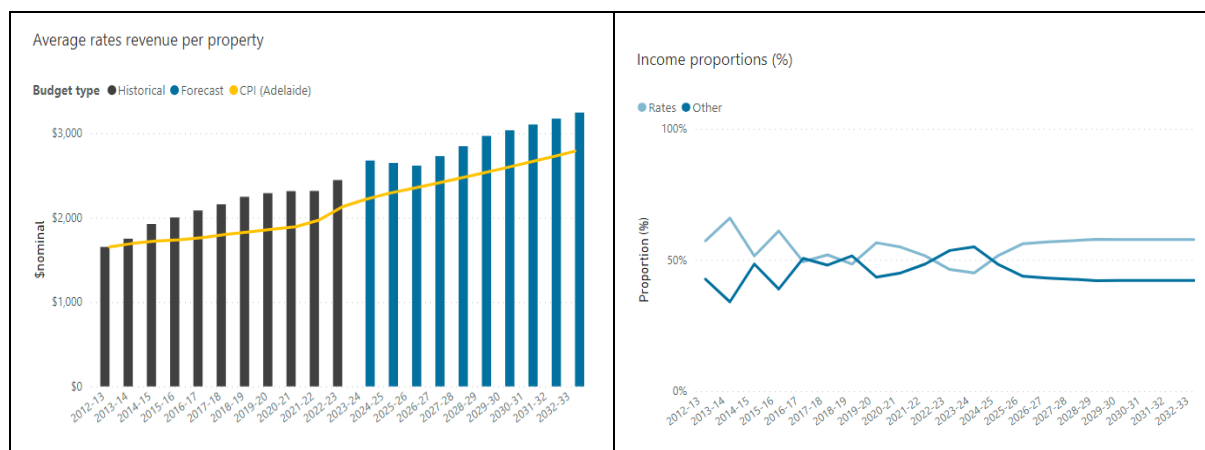
D Current and projected rate levels

D.1 Historical rates growth

The Council's rate revenue per property growth has averaged 3.8 percent or an average increase of \$66 per annum for each property over the past 10 years,³⁷ to reach an estimated \$2,316 per property in 2021-22 (see the left chart below). This has exceeded CPI growth of an average of 2 percent per annum over this period, but also encompasses 0.8 percent average annual growth in rateable property numbers. Current rate levels partially reflect its recent history of spending growth, predominantly on capital expenditure (on renewals, and new and upgraded assets), and higher employee and materials-related costs.

The Council remains reliant on its rate base for its operating sustainability. As the chart below indicates (to the right), rates revenue is forecast to account for 45 percent of budgeted operating income in 2023-24, and averaging 55 percent in the period 2023-24 to 2032-33, which remains consistent with the period from 2012-13 - 2021-22.

The Commission notes that the Council has average rates across all categories of ratepayer that are comparable to similar councils;³⁸ however it has relatively lower levels for residential categories, and higher rates for rural ratepayers.



D.2 Proposed 2023-24 rate increases

The Council has budgeted for an average rate increase of 9.8 percent (from 2022-23) for its existing ratepayers in 2023-24 taking the average residential rate to \$952.³⁹ The rates increase reflects higher short-term inflation (estimated by the Council to be 7.9 percent), maintaining and improving infrastructure to acceptable standards, and service delivery needs for a decreasing population.⁴⁰ The Council has also assumed a small growth in the area in rateable properties (continuing at 1.4 percent per annum).⁴¹

³⁷ From 2012-13 to 2021-22

³⁸ Refer to Councils in Focus rates data for 2019-20 available at https://councilsinfocus.sa.gov.au/councils/district_council_of_cleve. 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.

³⁹ Based on the Council's 2023-24 Annual Business Plan (p. 26) and its Excel template (with the 2023-24 forecasts) provided to the Commission. The Commission has used \$4.149 million (in 2023-24 budgeted rates revenue) compared to unaudited 2022-23 estimates. Individual rate level changes may be higher or lower depending on the rates category and property value.

⁴⁰ District Council of Cleve Annual Business Plan & Budget 2023-2024, p. 9.

⁴¹ Based on the Council's Excel template provided to the Commission.

Ratepayer categories are subject to differential general rate charges based on locality of land and its use; however, all ratepayers are to pay the same percentage increase of 9.8 percent on 2022-23 levels.⁴²

On a proportional revenue basis, residential ratepayers account for around 21 percent of 2023-24 budgeted rates revenue, while primary production ratepayers account for 69 percent.

Other than 'general rates' revenue, the Council collects income from waste collection and the CWMS charge.⁴³

D.3 Projected further rate increases

Over the forward years of its LTFP, the Council is projecting average rates increases in overall rates revenue for its existing ratepayers of approximately 3.5 percent per annum from 2023-24 to 2031-32. Combined with the projected increase in rateable properties of 1.4 percent, the LTFP effectively projects an average increase of \$80 per annum per existing ratepayer (to an estimated \$3,245 per annum) by 2032-33, which is below the RBA-based inflation forecast of an average of 2.6 percent per annum.⁴⁴

The percentage of the Council's total income contributions from ratepayers is projected to remain consistent with the historical rate at an average of 55 percent. The Commission notes that the projections for rate increases are based on the achievement of growth in rateable properties which presents a risk of higher rates if the forecast growth is not achieved. However, it is further noted that the strong economic development strategy is already achieving population growth results (as per meeting with Council).⁴⁵

D.4 Affordability risk

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

- ▶ the Council's relative average socio-economic indexes for areas (SEIFA) economic resources ranking for the Council area,⁴⁶ and
- ▶ the current relatively low average rates (across most ratepayers).

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

9. **Consider** limiting future increases in rates to no more than expected inflation in real terms based on the Council's strong financial position, to help reduce any emerging affordability risk in the community.

⁴² District Council of Cleve Annual Business Plan & Budget 2023-2024, p. 26.

⁴³ District Council of Cleve Annual Business Plan & Budget 2023-2024, p. 24.

⁴⁴ The forecast average annual growth in the CPI from 2022-23 to 2031-32 is estimated to be 2.6 percent based on the RBA forecasts for the CPI (Australia-wide) to June 2025 (and the Commission's calculations of average annual percentage growth) and the midpoint of the RBA's target range (2.6 percent) from 2025-26.

⁴⁵ Information obtained at meeting with District Council of Cleve, 24 November 2023.

⁴⁶ The District Council of Cleve area is ranked 46 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 [SEIFA \(abs.gov.au\)](https://abs.gov.au)



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