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Advice

Local Government Advice - Attachment

Regional Council of Goyder

February 2023

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A The Commission's approach

In providing the Advice for the Regional Council of Goyder (**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

- ▶ Annual Business Plan and Budget 2022/23 and Long Term Financial Plan 2022-32 (adopted 21 June 2022)
- ▶ Annual Business Plan and Budget 2021/22 and Long Term Financial Plan 2021-31 (adopted 15 June 2021)
- ▶ Goyder Master Plan 2022 - 2037 V1 (adopted August 2022)
- ▶ Infrastructure Asset Management Plan - Buildings (last review November 2021)
- ▶ Infrastructure Asset Management Plan - Transport Assets (last review June 2021)

The Council does not yet have asset management plans (**AMPs**) for community wastewater management system (**CWMS**) or plant and equipment, but it has indicated that preliminary projects and costings have been incorporated into the Annual Business Plan and Budget and its long-term financial plan (**LTFP**).⁴

Given that the Commission must, in providing advice, have regard to the objective of councils maintaining and implementing their infrastructure and asset management plans (**IAMPs**) (usually termed AMPs) and LTFPs,⁵ it has also considered the Council's performance in that context. Findings regarding the content of the Regional Council of Goyder's AMPs, and the alignment between its LTFP and AMPs,⁶ are discussed in section C.3.

The Commission has also reviewed the Council's template data which contains its 2022-23 LTFP forecasts for 2022-23 to 2031-32, as well as its 2021-22 LTFP forecasts, and historical financial data and number of rateable properties and council staff (Full Time Equivalent (**FTE**)) numbers from 2011-12

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 (Regulations)*. Since 2011, each council has been required to refer to these three indicators in its plans, annual budget, mid-year budget review and annual financial statements. The councils can adopt their own target range for each ratio, but the Commission has adopted the previously suggested Local Government Area (**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 Regional Council of Goyder's performance against these indicators to determine affordability, cost control and other sustainability risks.

⁴ Regional Council of Goyder, *Annual Business Plan and Budget Summary 2022/23 and Long Term Financial Plan 2022-32*, June 2022, p. 6, available at https://www.goyder.sa.gov.au/_data/assets/pdf_file/0018/1177002/ABP-and-Budget-2022-23-adopted-final-June-2022.pdf.

⁵ *Local Government Act 1999 (LG Act)* s122(1g) (a)(i).

⁶ As required under s122(1b) of the LG Act.

onwards.^{7 8} All charts and tables in the Advice are primarily sourced from these datasets. In addition, the Commission has reviewed the Council audit committee reports, and other public information, as appropriate.

The Commission has reported estimates in nominal terms, for consistency with the Council's plans and actual rate levels, but it has compared estimated inflation impacts to these trends as a guide to identify 'real' rather than 'inflationary' effects. In the charts, the CPI line shows the cumulative growth in the Consumer Price Index (**CPI**) (Adelaide) series from 2011-12, and then projections of this series from 2022-23 based on Reserve Bank of Australia (**RBA**) (Australia-wide) inflation forecasts (to the June quarter 2025), and the midpoint of the RBA target range (2.5 percent) thereafter.

Finally, in formulating this Advice, the Commission has had regard to the circumstances of the Regional Council of Goyder, including its location as a regional council, its income level (\$9.8 million) and the size of its rates base (more than 4,400 ratepayers⁹). The Commission acknowledges that the advice is based on the Council's 2022-23 projections.

⁷ Sourced from the Local Government Grants Commission (including data reported by the Office of the Valuer-General) and the Council's data.

⁸ The Council's for the 2021-22 financial year, relied on at the time of preparing this advice were unaudited.

⁹ Based on the estimated number of property assessments in 2022-23.

B Material plan amendments in 2022-23

The Regional Council of Goyder has made various amendments to its 2022-23 budget and forward projections, partly for inflation and partly for other revenue and spending initiatives. The material amendments to some of its main financial forecasts are listed in the table below (in nominal terms).¹⁰ To ensure a comparable analysis of estimates between the 2021-22 and 2022-23 LTFPs, the Commission has reviewed the nine overlapping years' statistics: 2022-23 to 2030-31 and identified material amendments accordingly.

| Selected Financial Item | Sum of 2022-23 to 2030-31 estimates in 2021-22 LTFP (\$ million) | Sum of 2022-23 to 2030-31 estimates in 2022-23 LTFP (\$ million) | Change in 2022-23 estimates (\$ million) | Change in 2022-23 estimates (%) |
|---|--|--|--|---------------------------------|
| Rates and statutory charges income | 63.8 | 64.7 | +0.9 | +1.4 |
| Total operating income | 109.6 | 114.4 | +4.8 | +4.4 |
| Employee expenses | 31.0 | 32.3 | +1.3 | +4.3 |
| Total operating expenses | 108.9 | 115.2 | +6.3 | +5.8 |
| Total capital expenditure on: renewal of assets and new and upgraded assets | 44.6 | 46.0 | +1.4 | +3.3 |

B.1 Increase to operating income estimates

The Council's estimated operating income to 2030-31 has increased by \$4.8 million or 4.4 percent in its 2022-23 LTFP estimates.¹¹ There were three main categories that contributed to the increase on the 2021-22 estimates for the period 2022-23 to 2030-31. Rate revenue increased by \$0.8 million, grants and subsidies increased by \$1.6 million and commercial activities increased by \$2.1 million.

B.2 Increase to operating expense estimates

The Regional Council of Goyder's estimated operating expenses have increased by a total of \$6.3 million or 5.8 percent from 2022-23 to 2030-31 compared with its 2021-22 LTFP estimates.¹²

More than half of the Regional Council of Goyder's higher operating expenses are due to higher materials, contracts, and other expenses, with an increase of \$5.6 million or 14 percent on the 2021-22 LTFP estimates (from 2022-23 to 2030-31).

B.3 Increase to capital expenditure estimates

In terms of capital expenditure, the Council's latest (2022-23) LTFP has factored in a total of \$1.4 million or 3.3 percent more capital expenditure between 2022-23 to 2030-31, compared with the

¹⁰ This table shows only selected financial items to demonstrate the material amendments made by the Council in its 2022-23 estimates. It excludes various financial items and individual items do not sum to totals.

¹¹ The set of nine years forecast in both the 2021-22 and 2022-23 LTFP projections.

¹² Regional Council of Goyder, *Annual Business Plan and Budget Summary 2022/23 and Long Term Financial Plan 2022-32*, Appendix A, June 2022, p. 3.

previous year's LTFP.¹³ The Council's capital expenditure outlook is also discussed further in section C.3.

B.4 Indexation assumptions

Based on the Council's assumptions in its 2022-23 LTFP, an increase in its operating revenue and expense estimates by up to around 4 percent to 2030-31 takes into account higher inflation (compared with its estimates in 2021-22). The Council indicated that it had used a cost index of 3.5 percent for its 2022-23 estimates and 3.5 percent for its annual projections over the remaining life of the LTFP (to 2031-32).¹⁴

The RBA revised its inflation forecasts for CPI to increase by 6.7 percent in the year to the June 2023 quarter, by 3.6 percent in the year to the June 2024 quarter and by 3.0 percent in the year to the June 2025 quarter.¹⁵ Beyond the June 2025 quarter, the RBA has not published inflation forecasts, but a return to the long-term average (of 2.5 percent based on the midpoint of the RBA's target range of 2 and 3 percent) is a reasonable assumption.

The Commission notes that the LTFP 2022-23 does not provide a breakdown of the cost index to reveal what the assumptions are for the key drivers (for example materials and wages). Nor does the Council explicitly state its inflation assumptions, as a percentage increase each year in its LTFP or annual business plan (separate to other impacts). Instead, it applies a one-size fits all 'cost index' model which appears to reflect a mix of projected Local Government Price Index (LGPI), Adelaide CPI, wage agreement terms and other adjustments in the one index.

The Commission considers that the application of the cost index to cost and revenue series is not unreasonable but could be clearer in the Council's LTFP, to better distinguish anticipated inflationary from real (efficiency or service-related) changes for different series. Further, while its inflation estimates are also not necessarily unreasonable, there is the risk that its short-term forecasts could be low while its longer-term forecasts could be high. For these reasons it would be appropriate for the Regional Council of Goyder to:

1. **Provide** greater transparency in its long-term financial plan (and as necessary, its annual business plan and budget) concerning the inflation assumptions feeding into its projected revenue (including rates) and expense series as distinct from 'real' impacts.
2. **Review** its inflation assumptions (cost index) in its forward projections from 2023-24, given the potential for higher short-term inflation outcomes, followed by a return to long-term averages.

¹³ Based on the Council's Excel template (with the 2022-23 forecasts) it provided to the Commission.

¹⁴ Regional Council of Goyder, *Annual Business Plan and Budget Summary 2022/23 and Long Term Financial Plan 2022-32*, June 2022, p. 4.

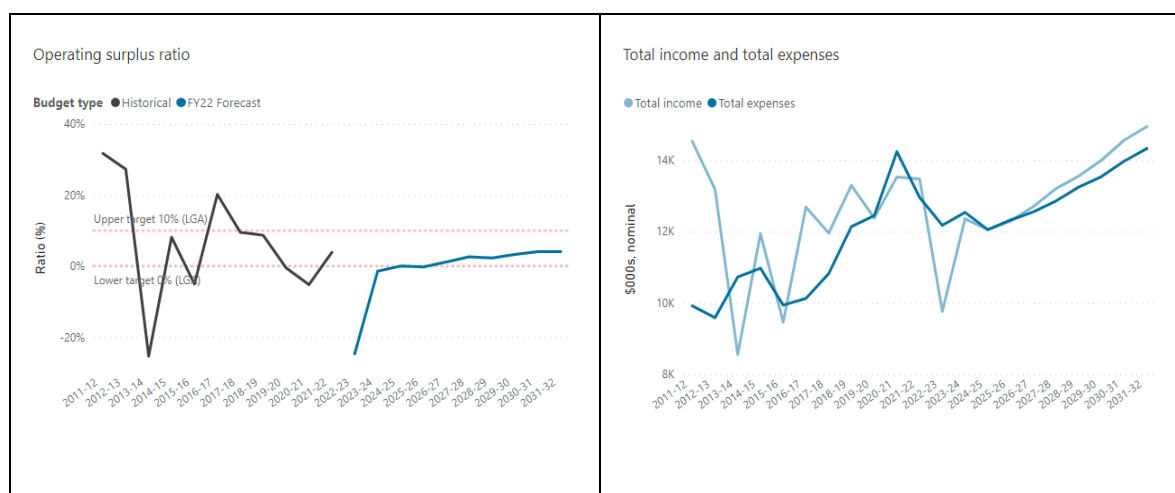
¹⁵ RBA, Forecast Table - February 2023, available at <https://www.rba.gov.au/publications/smp/2023/feb/forecasts.html>.

C Financial sustainability

C.1 Operating Performance

Historically, the Regional Council of Goyder's operating performance has been quite volatile but on average, it has generated an operating surplus, as indicated by its average operating surplus ratio¹⁶ of 6.9 percent, from 2011-12 to 2020-21 (see the left chart below). This is within the higher portion of the suggested LGA target range for the ratio.

The Council has forecast the ratio to be negative in three of the four years between 2022-23 and 2025-26, largely due to a decrease in grant income in 2022-23 that was paid in advance in 2021-22. From 2011-12 to 2020-21 grant income contributed on average 41 percent of total income while in 2022-23, grant income contributed only 17 percent of total income. The improvement to its projected operating position over the medium term is attributable to the budgeting for continued rate income, an improvement in grant income (from the 2022-23 grant amount received) and slower expense growth than has been achieved historically (see the right chart below).



Between 2011-12 and 2020-21 the Council's operating income changed by an average annual amount of negative 0.8 percent. The decrease in income is due to grants, subsidies and contributions decreasing from \$7.9 million in 2011-12 to \$4.4 million in 2020-21. During this period, grants income has been 'lumpy' from year to year¹⁷ with the three-year annual average of \$1,095 per ratepayer in 2020-21 lower than the three-year annual average of \$1,369 in 2013-14. This reflects a decrease in value in real terms (since it is lower than inflation growth over this period).

Despite the fall in grants income, the Council achieved six operating surpluses due to an average annual increase in rate income per property of 2.8 percent¹⁸ and an increase in user charges income per property of 7.6 percent associated with its commercial activities.¹⁹ These growth trends compare with the average CPI growth of 1.7 percent.²⁰

¹⁶ 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).

¹⁷ Due to the timing of different grants and sometimes advance grant payments (as for the 2022-23 grant allocation).

¹⁸ Based on the compound average annual growth rate formula throughout the Commission's Advice.

¹⁹ Passport Product, Burra Caravan Park and Paxton Square Cottages.

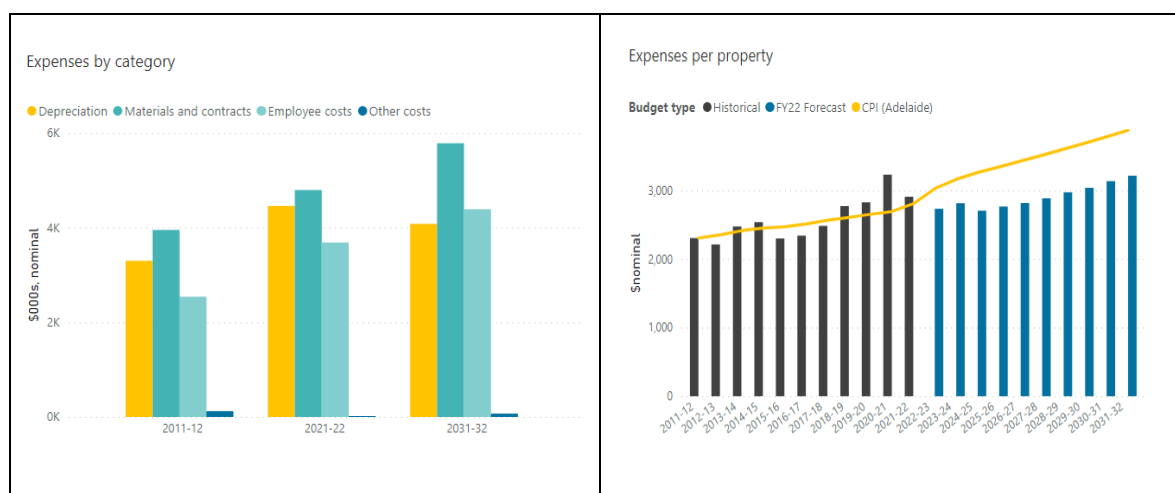
²⁰ Based on the compound average annual growth rate formula throughout the Commission's Advice.

The operating expense growth of 4.1 percent (from 2011-12 to 2020-21) was primarily due to an average annual increase of 4.7 percent in employee expenses and 4.5 percent in materials, contracts, and other expenses' (see the changes by expense type in specific time periods in the left chart below). This expense growth was at least in part due to additional costs associated with its commercial activities, and the Commission also notes the impact of the increase in the solid waste levy for councils' waste management costs over this period.

Looking forward, the Council is projecting average annual rates revenue growth of 3.1 percent out to 2031-32, which is similar to RBA-based forecast inflation²¹ and is higher than projected expense growth of 1.8 percent (Rate levels and associated affordability risk are discussed in more detail in section D).

Lower average expense growth marks a shift from the Council's past performance concerning its cost management.

Expenses per property (a metric which also accounts for growth²²) are expected to increase by an average of 1.9 percent per annum over this period, which would represent a cost reduction in real terms (based on Council and RBA-based inflation projections) (see the right chart below).



'Employee' expenses are now forecast to increase by an average of 3.4 percent per annum from 2022-23 to 2031-32, which again is above projected RBA-based inflation growth (see left chart above but aligned with the Council-based inflation growth forecasts (3.5 percent)).

The Commission notes that there are the two current Enterprise Bargaining Agreements due to expire in June 2024 that have a 2 percent minimum annual pay increase or CPI. There is also the annual incremental 0.5 percent increase to superannuation charges, until 2025.²³ Salaries and wage increases for years 3 to 10 are dependent on renewed Enterprise Bargaining Agreements but are currently based on an average increase of 3.5 per cent including superannuation increases.²⁴

²¹ The forecast average annual growth in the CPI from 2022-23 to 2031-32 is estimated to be 2.8 percent based on 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 (2.5 percent) from 2025-26. It is acknowledged that the Council's average annual forecast of 3.5 percent is higher.

²² The Regional Council of Goyder has not factored any growth into the number of rateable properties over the 10-year period. There are no planned subdivisions over the 10 year period that are likely to materialise.

²³ The Superannuation Guarantee (SG) Levy is the amount that an employer is required to pay into a superannuation account on behalf of an employee. From 1 July 2021, the SG was legislated to rise in half per cent increments from 9.5 percent each year until reaches 12 percent of wages in 2025.

²⁴ Regional Council of Goyder, *Annual Business Plan and Budget Summary 2022/23 and Long Term Financial Plan 2022-32*, June 2022, p.17.

'Materials, contracts and other' expenses are forecast to increase by an average of 1.8 percent per annum, which would also reflect much more contained growth and is below the Council's forecast cost index (see left chart on previous page).²⁵

The estimated rate of growth in these expenses projected over the next 10 years combined with higher rates increases, is projected to ensure the Council's operating performance steadily improves and achieves annual surpluses from 2026-27 to 2031-32.

Despite the lower forecast cost growth, the Commission has observed that the Council has not identified any projected savings or efficiencies in its annual business plan or LTFP. Given its past performance regarding cost growth, and to avoid any unnecessary rate pressure, it would be appropriate for the Council to:

3. **Monitor** cost growth in its budgeting, where possible, particularly related to 'employee' and 'materials, contracts, and other' expenses.
4. **Report** its actual and projected cost savings in its annual budget, to provide evidence of minimising cost growth and achieving efficiency across its operations and service delivery.

C.2 Net financial liabilities

The Regional Council of Goyder's net financial liabilities ratio²⁶ result was negative each year from 2011-12 to 2020-21. The annual average over this period was negative 34 percent which is outside the suggested LGA target range (see bottom left chart over the page). The Council has forecast that its net financial liabilities ratio will continue to remain negative throughout the forecast period to 2031-32 and remain below the suggested LGA target range. The annual average forecast from 2022-23 to 2031-32 is negative 22 percent.

The Council's negative net financial liabilities is forecast to increase from negative \$1.5 million in 2022-23 to negative \$5.5 million in 2031-32. Furthermore, the net financial liabilities ratio is forecast to reduce from negative 16 percent in 2022-23 to negative 37 percent in 2031-32. This performance appears to be consistent with an expected period of further service consolidation by the Council, with limited spending forecast on new or upgraded infrastructure and low borrowing levels (see bottom right chart over the page).

The Council's cash reserves are maintained at a sufficient level to meet its LTFP requirements and fund various reserves.²⁷ The cash and cash equivalent balance is forecast to increase from \$2.7 million in 2022-23 to \$6.5 million in 2031-32, an annual increase of 10.4 percent for this time (see top left chart over the page). Included in the cash and cash equivalent forecast balance of \$6.5 million in 2031-32 is \$1.1 million for 'general funds' while the remaining amount is for reserve balances which include Paxton Square Cottages, Burra Caravan Park, the Burra passport product and the CWMS.²⁸ Without the reserved balances, the net financial liabilities ratio performance would be slightly negative.

²⁵ Regional Council of Goyder, *Annual Business Plan and Budget Summary 2022/23 and Long Term Financial Plan 2022-32*, June 2022, p. 4.

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

²⁷ Regional Council of Goyder, *Annual Business Plan and Budget Summary 2022/23 and Long Term Financial Plan 2022-32*, June 2022, p. 3.

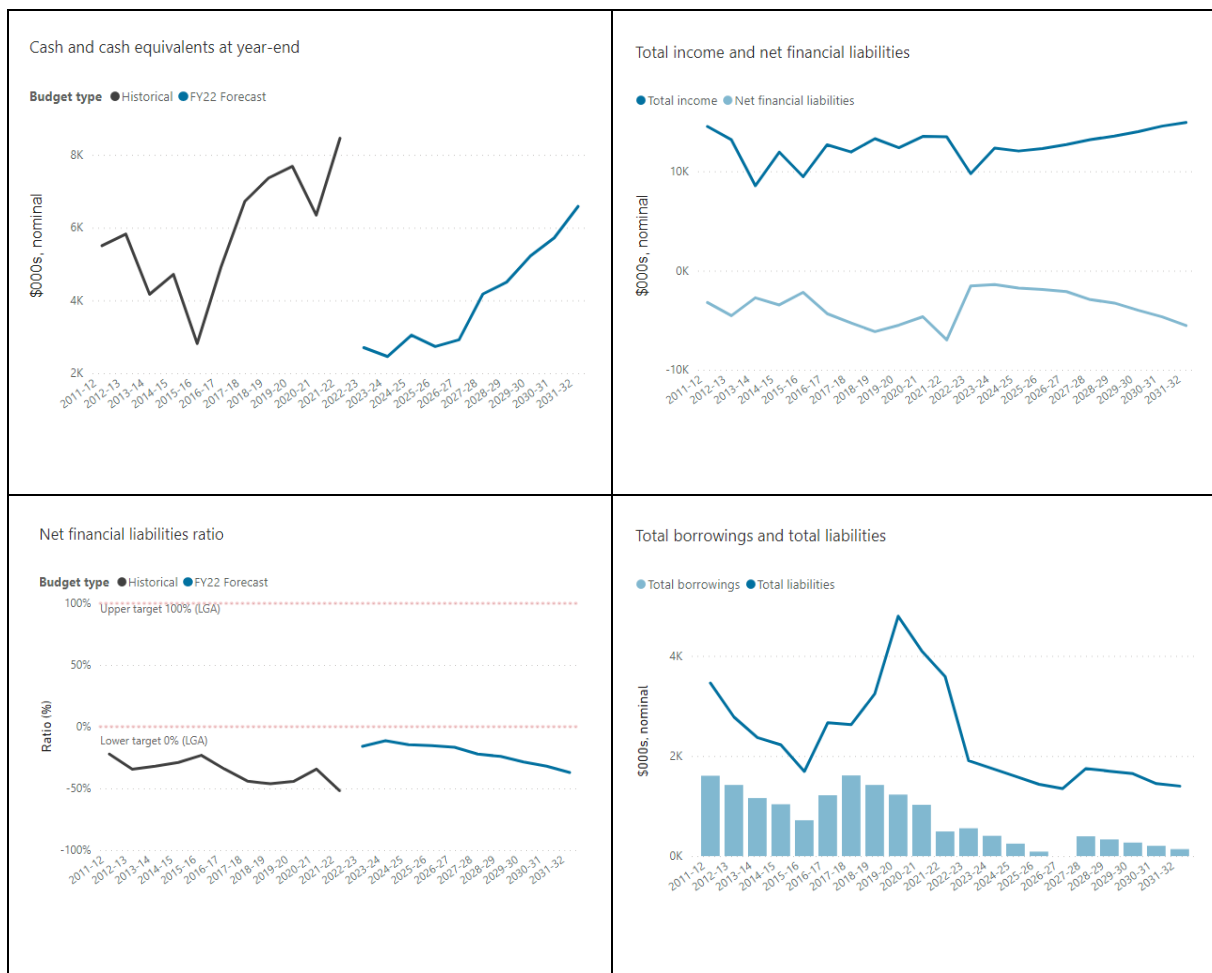
²⁸ Regional Council of Goyder, *Annual Business Plan and Budget Summary 2022/23 and Long Term Financial Plan 2022-32*, June 2022, Appendix A, p. 8.

Although the nature of 'restricted' reserves is that the funds are hypothecated for specific uses only, the Commission observes that the Council has forecast continued growth across all its various reserves to 2031-32.

This forecast accumulation of cash would suggest that there is strong capacity to meet borrowing costs projected by the Council and potentially take on further borrowing, without compromising its financial sustainability. In addition, it suggests that there is more opportunity for it to allocate funds to spending initiatives (including for which funds are reserved) or if appropriate, restrict any further increases to its rate contributions, in consultation with its community about desired service levels.

Accordingly, the Commission considers that it would be appropriate for the Regional Council of Goyder to:

5. **Review** the extent of cash reserves forecast in the context of its net financial liabilities ratio performance to determine whether reserves can be prudently lowered and additional spending initiatives undertaken or future rate rises reduced.



C.3 Asset renewals expenditure

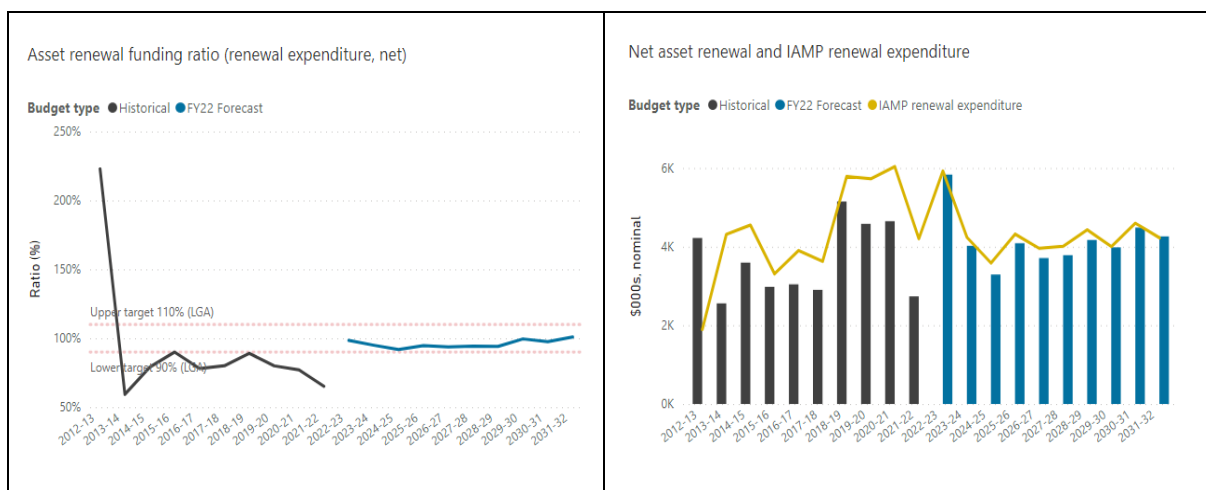
The Regional Council of Goyder's asset renewal funding ratio (under the 'IAMP-based' approach)²⁹ has performed within the suggested LGA target range³⁰ in the nine years to 2020-21, with an average of 95 percent. This suggests that the Council has been renewing or rehabilitating its asset base, on average, in line with the requirements for such works specified in its SMP. The Council's spending on renewal or rehabilitation of assets averaged \$3.9 million each year (over this period).

From 2022-23 to 2031-32, the ratio is forecast to average 96 percent and remain consistently within the suggested LGA target range for the sector. Average annual spending on renewal of assets is projected to increase to \$4.4 million (in nominal terms). This coincides with lower forecast spending by the Council on new or upgraded assets (estimated to average \$0.7 million per annum between 2022-23 and 2031-32) (in nominal terms).

The Regional Council of Goyder's LTFP projections focus spending on renewal or replacement of assets as opposed to expenditure on new or upgraded assets. Accordingly, the value of asset stock per rateable property is forecast to decline in real terms to 2031-32.

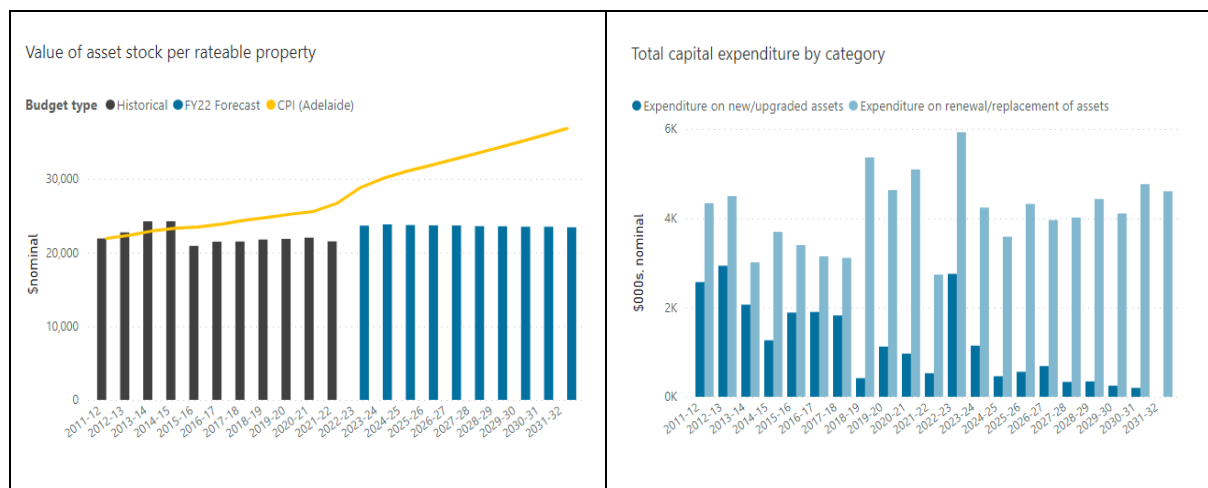
The Council has slightly increased its asset base over the past 10 years with expenditure on new or upgraded assets averaging \$1.7 million per annum between 2011-12 and 2020-21 (see top right chart over the page), which includes a portion of grant funding for certain projects. This has led to an average annual growth in the value of the asset stock per property of only \$12, or 0.6 percent per annum, in the 10 years to 2020-21. However, the value of asset stock over this period has still declined in real terms (as the CPI-comparison line shows).

As can be seen from the top left chart over the page, the Council's asset stock value per rateable property is relatively steady, at around \$23,000 per rateable property from 2022-23 to 2031-32. This trend indicates a continued period of service consolidation by the Regional Council of Goyder as it continues to renew its existing asset base sustainably without significant spending on new or upgraded infrastructure.

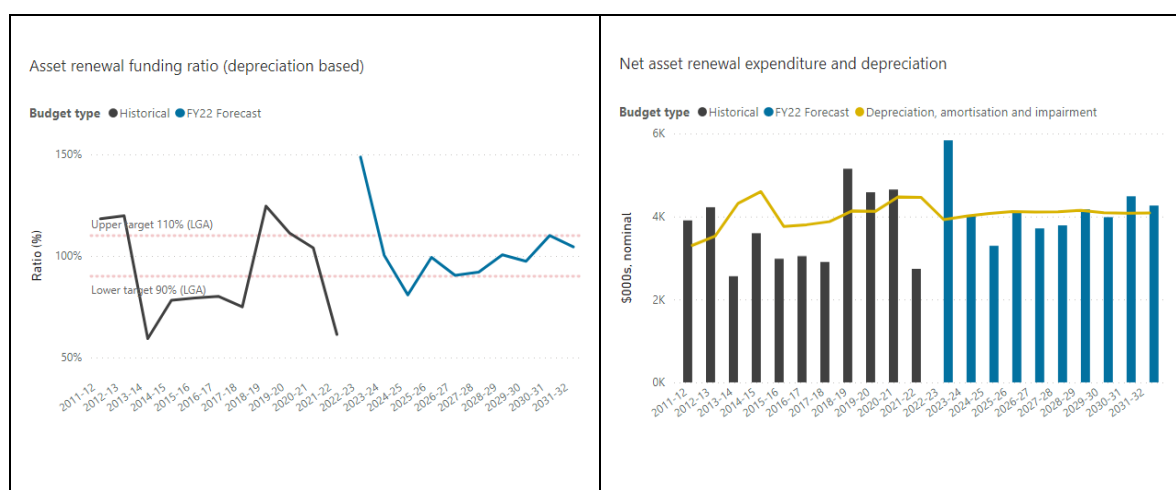


²⁹ The IAMP-based method is the current industry standard whereby asset renewal/replacement expenditure is divided by the recommended expenditure in the IAMP (or AMP). Ideally, this will show the extent to which a council's renewal or replacement expenditure matches the need for this expenditure, as recommended by the plan. The suggested LGA target range for the ratio is 90 to 110 percent (LGA SA Financial Indicators Paper, p. 9).

³⁰ Between 90 and 110 percent.



From 2022-23, the depreciation-based asset renewal funding ratio,³¹ will average 102 percent per annum to 2031-32. This is similar to historical trends when the ratio averaged 95 percent from 2011-12 to 2020-21. These trends indicate that the depreciation expense, which should reflect the rate of asset consumption for the Council, is generally aligned to the required expenditure on capital renewals under the Council's SMP (including its AMPs).



In its 2022-32 annual business plan and budget, the Council stated that the Infrastructure Asset Management Plans for CWMS, buildings and transport infrastructure were under development and preliminary projects and costing had been incorporated into the Annual Business Plan and Budget and LTFP.³² The Commission notes that the IAMPs for transport and buildings have since been adopted.

Furthermore, in the current 2022-32 LTFP the Council has stated that capital expenditure will be \$46.0 million between 2022-23 and 2030-31.³³ This is an increase of \$1.4 million from the previous Annual Business Plan and Budget over the same period. While the capital expenditure numbers in the

³¹ The Council's asset renewal funding ratio by the depreciation-based method (where asset renewal/replacement expenditure is divided by depreciation expenses). This ratio shows the extent to which capital expenditure on the renewal and replacement of assets matches the estimated rate at which these assets are used or consumed.

³² Regional Council of Goyder, *Annual Business Plan and Budget Summary 2022/23 and Long Term Financial Plan 2022-32*, June 2022, p. 6.

³³ Regional Council of Goyder, *Annual Business Plan and Budget Summary 2022/23 and Long Term Financial Plan 2022-32*, June 2022, Appendix C, p. 27.

Council's long-term financial plan are not aligned to individual IAMPs, they are aligned to the Goyder Master Plan 2022-2037.

The Commission otherwise observes that IAMPs include relevant consideration of community service levels and demand forecasts for its assets.

It is important for the Regional Council of Goyder to continue to develop and adopt all its AMPs to ensure that its assets are maintained and renewed for the benefit of the community over time. The Commission considers that it would be appropriate for the Council to:

6. **Finalise** and adopt its asset management plans across different asset categories and make them accessible from its website.

D Current and projected rate levels

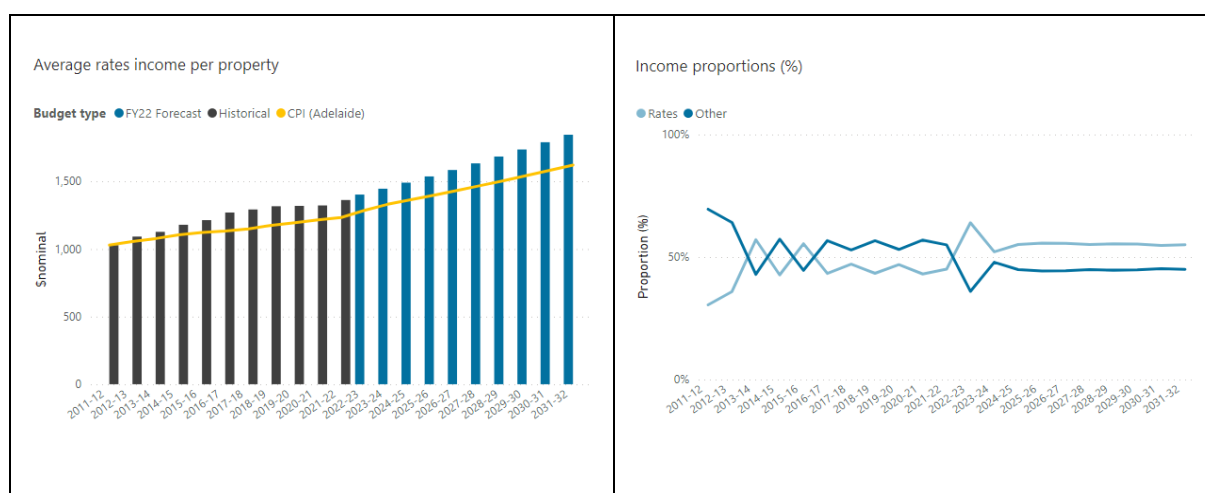
D.1 Historical rates growth

The Regional Council of Goyder's rate revenue growth has averaged 3.1 percent over the past 10 years,³⁴ to reach an estimated \$1,321 per property in 2020-21 (see the left chart below). This has exceeded CPI growth of an average of 1.7 percent per annum over this period and is accompanied by relatively low property growth (with just 0.3 percent average annual growth in rateable property numbers).³⁵

The Council is not heavily reliant on its rate base for its operating sustainability. Rates revenue is forecast to account for 64 percent of budgeted operating income in 2022-23 (see right chart below).

The Commission notes that the Regional Council of Goyder has relatively low average general rates, reflecting its relatively low general rate levels for residential and rural rates.³⁶ The general rates consist of two components one being the value of the rateable land and the other being a fixed charge. It does, however, levy two discretionary rates (or rate in the dollar) which are a rate in the dollar for primary production and a rate in the dollar for all other land use.³⁷ The Council also applies a fixed rate charge (without a minimum rate), which it considers:

- ▶ ensures that all rateable properties make a contribution to the cost of administering the Council's services and maintaining the infrastructure that supports each property, and
- ▶ has a lower proportionate impact on lower income earners than a minimum rate system.³⁸



³⁴ From 2011-12 to 2020-21.

³⁵ CPI (All groups). Average annual growth in the LGPI published by the South Australian Centre for Economic Studies was similar (at 2.0 percent) as the Commission's estimated average annual CPI growth over this period. Available at <https://www.adelaide.edu.au/saces/economic-and-social-indicators/local-government-price-index>.

³⁶ Refer to Councils in Focus comparative rates data for 2019-20 available at https://councilsinfocus.sa.gov.au/councils/the_regional_council_of_goyder. 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.

³⁷ Regional Council of Goyder, *Annual Business Plan and Budget Summary 2022/23 and Long Term Financial Plan 2022-32*, June 2022, p. 13.

³⁸ Regional Council of Goyder, *Annual Business Plan and Budget Summary 2022/23 and Long Term Financial Plan 2022-32*, June 2022, p. 4.

D.2 Proposed 2022-23 rate increases

The Regional Council of Goyder has budgeted for an average rate increase of 3.0 percent for its existing ratepayers in 2022-23,³⁹ which aligns to what it had anticipated charging for this year in its 2020-21 and 2021-22 LTFP projections (3.0 percent for existing assessments in the 2021-22 LTFP). The rates increase reflects higher short-term inflation (anticipated by the Council via its cost index to be 3.5 percent in 2022-23). Its projected total 'general rates' revenue growth is higher (3.1 percent) although it does still incorporate the assumption of zero property (number) growth.⁴⁰

Other than general rates revenue (which represents around 83 percent of total rates revenue in 2021-22),⁴¹ the Council also collects income from waste management charges, the CWMS charge and the regional landscape levy⁴² (around 6, 7 and 4 percent of total rates revenue respectively).^{43 44}

The CWMS charge has increased by 2.5 percent in 2022-23 and is applicable to ratepayers in Burra and Eudunda. Ratepayers in Burra will pay \$410 per property unit on occupied rateable and non-rateable land. Eudunda ratepayers will pay \$595 per property unit on occupied rateable and non-rateable land. The Council does not provide a breakdown of the number of properties impacted. However, the CWMS charge contributed \$0.37 million⁴⁵ or 6.1 percent in other rates in 2021-22 (total rates revenue was \$6.07 million).

The waste collection service charge is estimated to increase by 3.5 percent to \$238 in 2022-23 and is a service charge on all land in the townships of Terowie, Whyte Yarcowie, Hallett, Mt. Bryan, Burra, Robertstown, Point Pass, Eudunda, Farrell Flat and Booborowie to which the Council provides a waste collection service.⁴⁶ The waste collection charge contributed \$0.4 million⁴⁷ or 7.4 percent in other rates in 2021-22 (total rates revenue was \$6.07 million).

Additionally, the landscape levy raises funds to assist in the funding of the local Regional Landscape Board. The Council does not retain these funds, nor determine the amount to be collected. The Council does not provide a breakdown of the number of properties impacted. However, the landscape levy charge contributed \$0.28 million⁴⁸ or 4.7 percent in other rates in 2021-22 (total rates revenue was \$6.07 million).

D.3 Projected further rate increases

Between 2022-23 and 2031-32 the Regional Council of Goyder is projecting average annual rate revenue to increase by 3.1% percent each year. This is above RBA-based forecast average inflation of 2.8 percent per annum,⁴⁹ but below its own forecasts of 3.5 percent per annum. In total, the LTFP effectively projects a cumulative increase of \$442 per existing ratepayer (to \$1,844) by 2031-32, an

³⁹ Individual rate level changes may be higher or lower depending on the rates category and property value.

⁴⁰ Regional Council of Goyder has not factored any growth into the number of rateable properties over the 10-year period. There are no planned subdivisions over the 10 year period that are likely to materialise.

⁴¹ Regional Council of Goyder, *Financial Statements 2021-22*, September 2022, p. 14, available at https://www.goyder.sa.gov.au/_data/assets/pdf_file/0015/1224303/RCG-Financial-statements-2022-audited.pdf.

⁴² Income is not retained by the Council.

⁴³ Regional Council of Goyder, *Annual Business Plan and Budget Summary 2022/23 and Long Term Financial Plan 2022-32*, June 2022, p. 12.

⁴⁴ There are also other minor rates and service charges.

⁴⁵ Regional Council of Goyder, *Financial Statements 2021-22*, September 2022, p. 14.

⁴⁶ The Commission notes the increase in the solid waste levy over the last 10 years, which has impacted waste management costs in the local government sector.

⁴⁷ Regional Council of Goyder, *Financial Statements 2021-22*, September 2022, p. 14.

⁴⁸ Regional Council of Goyder, *Financial Statements 2021-22*, September 2022, p. 14.

⁴⁹ See footnote 21.

increase of approximately \$46 above the RBA-based assumed inflation growth over this period (see previous chart on the left side).⁵⁰

Rate revenues are a key driver for the Council's projected financial performance; however, it also relies on additional sources of funding such as 'grants, subsidies and contributions', statutory charges and user charges. Over the long-term (in 2031-32), grant income and user charges are projected to account for a lower percentage of total operating income, at 30 percent (down from 41 percent in 2021-22) and 2 percent (down from 10 percent in 2021-22), respectively. The Council also projects higher contributions from rate revenue, at 55 percent (up from 45 percent in 2021-22).

D.4 Affordability risk

The Regional Council of Goyder's consultation on its annual business plan, which incorporated the proposed rate increases for 2022-23, received only two written representations and no verbal submissions.^{51 52}

Currently, affordability risk among the community appears relatively low based on the Socio-Economic Indexes for Areas (SEIFA) economic resources ranking.⁵³ The Council is not forecasting any significant new spending initiatives which would place additional risk on its ratepayers; on the contrary it is forecasting period of service consolidation corresponding with zero property growth and constrained cost growth. The Commission further notes that the Council has implemented the results of its rating structure review and is not increasing its fixed charge component of its rates for the life of the LTFP.⁵⁴

However, affordability risk among the community for further projected rate increases could emerge, when considering:

- ▶ the extent of rate arrears in the community⁵⁵
- ▶ continued rate increases forecast, and
- ▶ the cumulative impact of the general rates, when the CWMS charge, waste service charges and landscape levy charges are also considered.

⁵⁰ The CPI forecasts in the chart are based on RBA forecasts and then a return to long term averages (2.5 percent per annum), which are different to the Council's inflation forecasts (as was discussed in section B.4).

⁵¹ Regional Council of Goyder, *Ordinary meeting of Council - 21 June 2022 Report item 9.2.2.1 Annual Business Plan 2022-2023*, p. 110. Available at: https://www.goyder.sa.gov.au/_data/assets/pdf_file/0027/1161891/Agenda-21.06.2022.pdf

⁵² Available at https://councilsinfocus.sa.gov.au/councils/the_regional_council_of_goyder. The Commission is not relying on this rates comparison for its advice; it is just one indicator, among many, which has informed its advice on the appropriateness of the rate levels.

⁵³ The Regional Council of Goyder LGA is ranked 31 among 71 South Australian 'local government areas' (including Anangu Pitjantjatjara and Maralinga Tjarutja Aboriginal community areas and 'unincorporated SA') on the Australian Bureau of Statistics SEIFA Index of Economic Resources (2016), where a lower ranking (eg, 1) denotes relatively lower access to economic resources in general, compared with other areas, available at <https://www.abs.gov.au/ausstats/subscriber.nsf/log?openagent&2033055001%20-%20lga%20indexes.xls&2033.0.55.001&Data%20Cubes&5604C75C214CD3D0CA25825D000F91AE&0&2016&27.03.2018&Latest>.

⁵⁴ Regional Council of Goyder, *Annual Business Plan and Budget Summary 2022/23 and Long Term Financial Plan 2022-32*, June 2022, p. 4.

⁵⁵ The Council indicated that overdue rates and charges (CWMS, Waste Service and NRM levy) as at 30 June 2021 amounted to 10.2 percent of the total amount of rates and charges levied in 2020-21. (Regional Council of Goyder, *Annual Business Plan and Budget Summary 2022/23 and Long Term Financial Plan 2022-32*, June 2022, p. 4.).

Further, current economic conditions affecting many communities' capacity to pay for higher rate levels, including the Regional Council of Goyder's.

The strong cash position forecast over the longer term, as was discussed in section C.2, might also provide the Council with more financial leverage to limit further rate increases.

For these reasons, it would be appropriate for the Regional Council of Goyder to:

7. **Review** and **consider** limiting future increases above inflation in its average rates to help reduce any emerging affordability risk in the community.



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