Advice

Local Government Advice

Rural City of Murray Bridge

February 2023

Enquiries concerning this advice should be addressed to:

Essential Services Commission
GPO Box 2605
Adelaide SA 5001

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

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

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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 *Essential Services Commission Act 2002*
CPI	Consumer Price Index (Adelaide, All Groups)
Council	Rural City of Murray Bridge
CWMS	Community Wastewater Management System
ESC Act	*Essential Services Commission Act 2002*
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	*Local Government Act 1999*
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	*Local Government (Financial Management) Regulations 2011*
RBA	Reserve Bank of Australia
SACES	The South Australian Centre for Economic Studies
SEIFA	Socio-Economic Indexes for Areas
SMP	Strategic management plan
SG	Superannuation Guarantee
The scheme or advice	Local Government Advice Scheme

1 The Commission's key advice findings for the Rural City of Murray Bridge

The Essential Services Commission (**Commission**) finds the Rural City of Murray Bridge's (**Council's**) current and projected financial performance sustainable as it gears up for high levels of projected population growth. After a period of significant infrastructure and service expansion, leveraged by substantial grant funding, the Council appears to demonstrate sound operating performance, reasonable use of borrowings and a measured focus on the renewal of its assets.

Noting the Council's projections are somewhat reliant on its high growth assumptions and the Commission's broader observations regarding its planning and current rate levels, it is important for the Council to undertake the following steps to ensure that it budgets transparently and prudently, manages its cost base efficiently, plans its asset management needs appropriately, sets rate levels more transparently and reduces affordability risk for higher rate levels among its ratepayers.

Budgeting considerations

1. **Continue** to review its inflation forecasts in its budget and forward projections each year.
2. **Review** its employee expense projections and better explain the need for a projected peak in costs in 2026-27 in its long-term financial plan.
3. **Consider** coordination of annual updates to long-term financial plan projections with annual business plan and budget preparation to provide more transparency to the community about changes to forward projections, including rate projections, and the longer-term impacts of its short-term decisions.

Providing evidence of ongoing cost efficiencies

4. **Continue** to report its cost savings and efficiencies in its future budgets, to demonstrate its commitment to achieving cost constraint and efficiency across its operations and service delivery.

Improvements to asset management planning

5. **Review** its asset management plans (in particular, for plant and fleet assets) to ensure they cover a period of 10 years.
6. **Update** its asset condition assessments, valuations and useful life estimates where necessary in its asset management plans (noting its carpark and bridge condition assessments and recreation facility valuations are dated 2019 and 2015).
7. **Include** more detail in updates to long-term financial plan projections about the renewal and new or upgraded capital expenditure by infrastructure category (including for key projects), to provide better alignment and transparency between its asset management plans and long-term financial plan projections.
8. **Continue** to update existing asset management plans and to complete new asset management plans as indicated in the forward program (and in accordance with **Finding 5**), with a focus on consideration of the community's desired service levels, the resultant capital expenditure requirements, and alignment with long-term financial plan projections.

Reporting and containing rate levels

9. **Report** in its annual business plan the estimated average annual change for all categories of rates and other charges, together with the quantum of annual revenue it expects to collect the different categories of rates and charges, providing greater clarity and transparency to its ratepayers.
10. **Review** the rateable property growth forecasts in its budget projections each year to ensure that they remain current and do not create a need for additional rate increases to generate the same level of projected revenue.
11. **Review** and **consider** limiting further average and minimum rate increases where possible, to reduce the affordability risk of higher rate from levels 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 Government 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 15 councils for advice in the first scheme year (2022-23), including the Rural City of Murray Bridge (**Council**).

This report provides the Local Government Advice for the Rural City of Murray Bridge in 2022-23. While the advice is based on the Council's 2022-23 projections, the Commission notes the impact of recent flooding on the Murray Bridge area and the potential need for the Council to reprioritise some of its spending plans to respond to the high river event.

The Council is obliged under the *Local Government Act 1999* (**LG Act**) to publish this advice and its response, if applicable, in its 2023-24 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 website[9]), nor is it compelled under the LG Act to follow the advice. The Commission thanks the Rural City of Murray Bridge for providing relevant information to assist the Commission in preparing this report.

2.1 Summary of advice

In general, the Commission finds the Rural City of Murray Bridge's current and projected financial position sustainable as it gears up for high levels of projected population growth. After a period of significant infrastructure and service expansion, leveraged by substantial grant funding, the Council

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1 Amendments to the *Local Government Act 1999* (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).

continues to demonstrate a sound operating performance, prudent use of borrowings and a measured focus on the renewal of its assets.

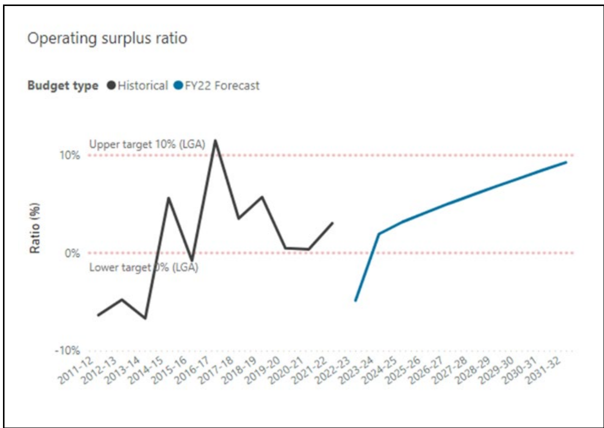
The Commission encourages the Council to continue to identify and report efficiencies and recurrent savings in its annual business plan, as it has been doing, to ensure that it continues to perform sustainably.

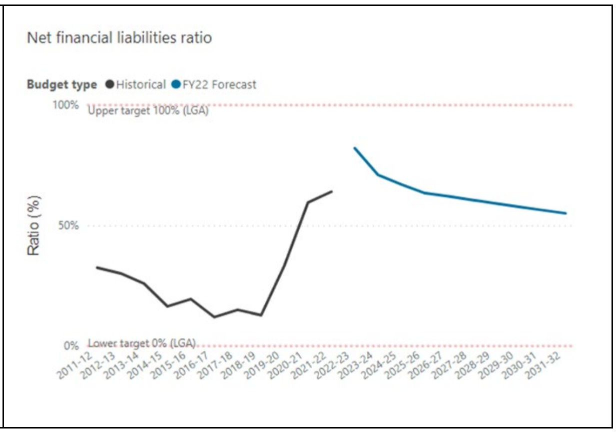
Large increases to rate levels in the past have resulted in comparatively higher rate levels for the Rural City of Murray Bridge[10] and affordability risk for the community at these levels is apparent. The Council has planned for rate increases more aligned with inflation (with accompanying high property growth) from 2022-23, which should help to reduce this risk over time. Higher projected operating surpluses might provide the Council with the opportunity to reduce rate levels further than those it has estimated in future years (noting it is still forecasting inflation-based rate increases).

Its projections for lower capital spending on new and upgraded assets will help to reduce the chances of higher than projected rate increases for its community and support its ongoing asset and service sustainability.

The Commission has also observed several opportunities for governance improvements by the Rural City of Murray Bridge regarding the timing of its asset management plans, the transparency and integration of the annual updates to its LTFP and the rates information in its annual business plan and budget.

The charts below of the Rural City of Murray Bridge's past and projected operating surplus ratio, net financial liabilities ratio, asset renewal funding ratio[11] and average rate revenue per property, together support several the findings. The 'heat map' diagram over the page summarises the Commission's findings with reference to whether the Council has met the suggested LGA target ranges for the three main financial sustainability indicators[12] and the level of cost control and affordability risk identified for the Council over time.





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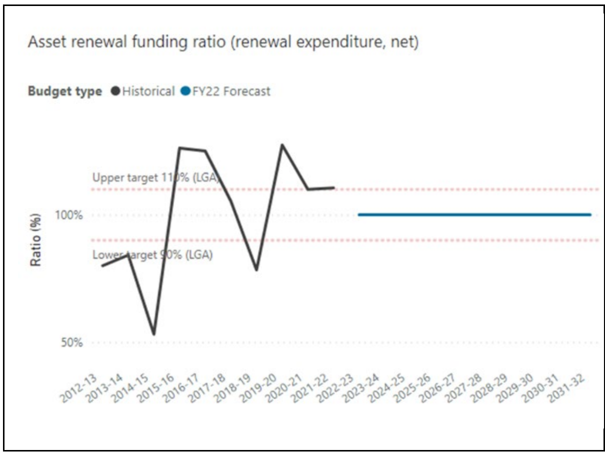
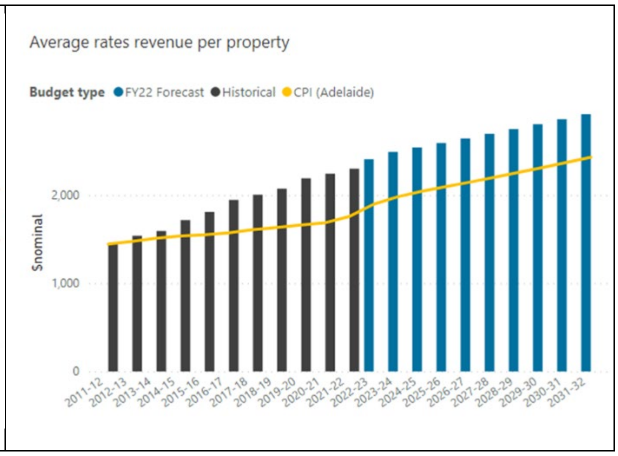
10 Refer to Councils in Focus rates data for 2019-20 available at https://councilsinfocus.sa.gov.au/councils/the_rural_city_of_murray_bridge.

11 Calculated net of asset sales.

12 The suggested LGA target range for the ratios are discussed in more detail in the attachment.





Summary of the Rural City of Murray Bridge's financial sustainability performance and the Commission's risk assessment

Financial sustainability indicators:	Last 10 years from 2011-12 (Actual performance)	2021-22 estimate	Next 10 years from 2022-23 (Council forecasts)
Operating surplus ratio (target 0-10%)	Generally operating surpluses ——>		Ratio forecast within target range ——>
Net financial liabilities ratio (target 0-100%)	Ratio met historically and in forecast period ——>		
Asset renewal funding ratio (target 90-110%)	Annual ratio volatility but target range met on average ——>	Asset renewal spending performance and projections within target range for ratio ——>	
Identified Risks:			
Cost control risk	Low risk with cost control (average opex growth per property 0.4% p.a. 11-12 to 16-17)	Increasing operating costs with infrastructure projects (average opex growth per property 2.8% p.a. 17-18 to 25-26) ——>	Lower cost growth projected (average opex per property growth 0.6% p.a. 26-27 to 31-32) ——>
Affordability risk	Increasing average rate levels (average per property growth 5.0% p.a. from 11-12 to 20-21) (CPI 1.7%) ——>	Moderately high rates (but lower average rate increases) ——>	Lower average rate increases per property projected (average 2.2% p.a. growth from 22-23 to 31-32) (CPI 2.8%) ——>

- Red: Ratio outside suggested LGA target range or higher risk
- Yellow: Ratio close to suggested LGA target range or medium risk
- Green: Ratio within suggested LGA target range or lower risk

2.2 Detailed advice findings

The next sections summarise the Commission's more detailed advice findings regarding the Rural City of Murray Bridge's material changes to its 2022-23 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* (August 2022) (F&A). The attachment explores these matters further.[13]

2.2.1 Advice on material plan amendments in 2022-23

The Council updated its inflation assumptions in its LTFP to account for higher inflation, which results in an aggregate increase of around 6 percent to its 2021-22 LTFP forecasts for these revisions.[14] The Commission notes that the Council's stated assumptions for indexation in its 2022-23 LTFP are reasonable, albeit low in the current inflationary environment,[15] but that there is associated uncertainty around the forecasts. Notwithstanding the need for the Council to endeavour to find savings in real terms to reduce any inflationary impact on its community, it would be appropriate for it to:

1. Continue to review its inflation forecasts in its budget and forward projections each year.

The Council increased its forecast operating income (in nominal terms) by a total by $33.0 million or 7.5 percent, and its operating expense estimates by $35.9 million or 8.6 percent in its 2022-23 LTFP estimates.[16] These updates reflect inflation revisions and other adjustments.

Much of the increase to operating expense forecasts is due to the additional $21.3 million or 11.5 percent in 'employee expenses' projected over this period (including an 11 percent year-on-year increase in 2026-27). The Council identified that it has experienced service cost increases due to the growth of open space facilities over the previous two years, as well as additional waste collection and disposal costs.[17] It has also needed to take on extra staff to meet the workload associated with the significant infrastructure works program. The higher operating expense estimates also incorporate revisions to finance costs associated with borrowings for the timing of infrastructure projects and higher interest costs.

The adjustments appear generally reasonable but the extent of the increase in 'employee expenses' projections do warrant further review and explanation, and therefore, the Commission considers that it would be appropriate for the Rural City of Murray Bridge to:

2. Review its employee expense projections in its long-term financial plan and better explain the need for higher costs, including a projected peak in costs in 2026-27 in its long-term financial plan.

For the past two years, the Council has updated its LTFP in September after its adoption of its annual business plan and budget in July for the coming financial year. The updates to the LTFP form a Council agenda item (in an ordinary public meeting) and the Council then provides a link to the agenda item on its website after its consideration and endorsement.[18]

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[13] The attachment will be available on the Commission's website with the main body of the advice.
[14] Based on the overlapping forecast period in both LTFPs (2022-23 to 2030-31).
[15] The Council is estimating an average annual increase in the Consumer Price Index (CPI) of 2.1 percent to 2031-32, compared with 2.8 percent based on Reserve Bank of Australia (RBA) forecasts to 2024-25 (see the RBA, Forecast Table - February 2023, available at https://www.rba.gov.au/publications/smp/2023/feb/forecasts.html) and a return to long run averages from 2025-26 (2.5 percent).
[16] As per footnote 14.
[17] Rural City of Murray Bridge, *Annual Business Plan 2022-23,* June 2022, p. 14, available at https://www.murraybridge.sa.gov.au/__data/assets/pdf_file/0023/1161518/2022-23-ABP.pdf.
[18] Noting, at the time of preparing this advice, this had not occurred for the September 2022 LTFP update.

The projections over forward years include assumptions about future rate contributions, and the Commission notes that these are not consulted on by the Council (in LTFP updates), given their exclusion from its annual business plan.[19] Although it is not a legislative requirement for the Council to include its long-term financial projections with its annual business plan, nor consult annually on the projections, the Commission notes that some councils still approach their budgeting in this manner. Such steps could allow the Rural City of Murray Bridge Council to consult with its community more effectively about the long-term impacts of its annual financial decisions. For this reason, the Commission considers that it would be appropriate for the Council to:

3. Consider coordination of annual updates to long-term financial plan projections with annual business plan and budget preparation to provide more transparency to the community about changes to forward projections, including rate projections, and the longer-term impacts of its short-term decisions.

2.2.2 Advice on financial sustainability

Operating performance

The Rural City of Murray Bridge has been in a financially sustainable position with operating surpluses since 2014-15. Accordingly, the operating surplus ratio[20] has generally been within the suggested LGA target range (of between zero and 10 percent) to 2021-22.

The financially sustainable position for the Council has been the result of average operating income growth of 4.4 percent per annum[21] exceeding average operating expense growth of 3.6 percent over 2011-12 to 2020-21. Rate contributions have led the income growth, increasing by an average of 5.7 percent per annum over this period, compared with 1.7 percent in the CPI[22] and 0.6 percent growth in property numbers. The associated affordability risks for the community are discussed in section 2.2.3 below. 'Grants, subsidies and contributions' income, which forms another important source of income for the Rural City of Murray Bridge, was relatively flat over this period (declining by 0.3 percent).[23]

On the other side of the equation, operating expense growth in the 10 years to 2020-21 was largely concentrated in 'employee' and 'materials, contracts and other' expense growth of an average of 4.6 and 4.1 percent per annum, more than double the pace of average CPI growth (1.7 percent).[24]

The Council has forecast increasing operating surpluses in its LTFP with the operating surplus ratio projected to reach 9.3 percent at 2031-32. The increasing surpluses are the result of operating income again exceeding operating expense growth over the forward estimates (that is, average annual growth of 4.7 percent compared with 3.0 percent from 2022-23 to 2031-32). Expenses per property are forecast to increase by 1.0 percent per annum as the Council appears to be projecting scale efficiencies

[19] The draft annual business plan must be consulted on in accordance with LG Act s123 (3)(b) and (4).

[20] The operating surplus ratio is defined as: Operating Surplus (Deficit) ÷ Total Operating Income. The suggested LGA target for councils 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] Average annual growth in the local government price index published by the South Australian Centre for Economic Studies was similar (at 1.9 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.

[23] Noting grants income can be volatile from year to year.

[24] The Commission notes the impact of the increase in the solid waste levy on councils' waste management costs, and in particular the 'materials, contracts and other' expenses over this period.

in its operations. By comparison, CPI growth is forecast (based on RBA estimates) to average 2.8 percent over this period.[25] The extent of the revenue growth is predicated on strong growth in property numbers forecast by the Council of an average of 2.0 percent per annum (or an average of 267 new properties each year) and the continued co-funding of infrastructure projects by grants and contributions.

The Council also indicated that it has incorporated $0.2 million in savings into its recurrent budget from forward planning and continuous improvements.[26] In addition, the Adelaide Hills Region Waste Management Authority, for which the Rural City of Murray Bridge is a constituent council, will also continue to explore further opportunities for council savings through the implementation of approved shared services.[27] Continued operating sustainability for the Rural City of Murray Bridge relies on fiscal constraint and greater cost efficiency than the Council has achieved in the past, and the Commission encourages the it to:

4. Continue to report its cost savings and efficiencies in its future budgets, to demonstrate its commitment to achieving cost constraint and efficiency across its operations and service delivery.

Net financial liabilities

The Council's net financial liabilities ratio[28] has comfortably met the sector benchmark (between zero and 100 percent) [29] over the past 10 years, demonstrating that the Council has been incurring borrowings and other liabilities that its operating income can reasonably service.

The ratio trended between 12 and 34 percent between 2011-12 and 2019-20, and is estimated to increase to 82 percent in 2022-23, with much higher borrowing levels for major infrastructure projects from 2020-21. However, the Council has already expanded its operating capacity quite considerably (to fund higher borrowing levels) through relatively significant rate increases in the past.

The Rural City of Murray Bridge has forecast relatively stable borrowings of $19.2 million over the forecast period. Over the next 10 years, the Council has forecast its net financial liabilities ratio to average 64 percent, with a slight downward trend, reflective of stable net liabilities and higher operating income growth.

Asset renewals expenditure

The Rural City of Murray Bridge has been meeting its asset renewal needs in line with its AMPs over the past 10 years with its asset renewal funding ratio[30] averaging 103 percent; and 110 percent in the

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25 Based on the RBA forecasts for the CPI (Australia-wide) to the June quarter 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 (and not the Council's CPI forecasts which produce an average of 2.1 percent). See footnote 15.

26 Rural City of Murray Bridge, *Annual Business Plan 2022-23*, June 2022, pp. 14 and 20.

27 Rural City of Murray Bridge, *Annual Report 2021-22*, p. 25 , available at https://www.murraybridge.sa.gov.au/__data/assets/pdf_file/0025/1244347/Annual-Report-Final-including-Attachment.pdf.

28 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 Council's target range for the ratio of below 90 percent is not too dissimilar from the suggested LGA target range for the sector (between zero and 100 percent).

29 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).

30 The IAMP-based method is the current industry standard whereby net 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

five-years to 2021-22. The Council is forecast to continue to meet the ratio consistently in its projections to 2031-32 (noting that its AMPs do not actually extend over 10 years).

The Council's spending on the renewal of assets averaged $6.4 million between 2011-12 and 2020-21 and peaked at $9.8 million in 2019-20. Average annual spending is projected to increase to an average of $9.8 million per annum (in nominal terms) from 2022-23 to 2031-32, following significant growth in the value of the Council's asset stock per property in recent years (and higher renewal requirements identified in its AMPs).

Under the depreciation-based asset renewal funding ratio,[31] the Council's performance has been relatively volatile but has demonstrated average renewal spending in line with asset consumption (with the ratio averaging 93 percent from 2011-12 to 2019-20). It is also forecast to be 100 percent over the forecast period.

Its spending on new or upgraded assets averaged $5.0 million in the 10 years to 2019-20 but spiked at $22.8 million in 2020-21 with various significant infrastructure projects (including those co-funded with grants), either completed or underway. Expenditure on new or upgraded assets is forecast to be much lower in the forward estimates, estimated to average $3.1 million per annum from 2022-23 to 2031-32 (in nominal terms).

In general, the Council's AMPs provide reasonable coverage of asset conditions and service level determination, which feed into the expenditure needs for renewal of assets. However, not all the AMPs cover the management and development of its infrastructure and major assets for a period of at least 10 years.[32] The Council's AMPs are dated over four years only (consistent with the Council's SMP time period) although they generally still provide projections for 10 years of funding requirements for asset renewals. The exception is the *Plant and Fleet Asset Management Plan 2019-2024,* which does not include 10 years of funding projections. The Commission has also identified other areas for continuous improvement, mainly to ensure robust and accurate asset management approaches and better alignment between its asset management and financial planning outputs. Specifically, it would be appropriate for the Council to:

5. **Review** its asset management plans (in particular, for plant and fleet assets) to ensure they cover a period of 10 years.
6. **Update** its asset condition assessments, valuations and useful life estimates where necessary in its asset management plans (noting its carpark and bridge condition assessments and recreation facility valuations are dated 2019 and 2015).
7. **Include** more detail in updates to long-term financial plan projections about the renewal and new or upgraded capital expenditure by infrastructure category (including for key projects), to provide better alignment and transparency between its asset management plans and long-term financial plan projections.
8. **Continue** to update existing asset management plans and to complete new asset management plans as indicated in the forward program (and in accordance with **Finding 5**), with a focus on consideration of the community's desired service levels, the resultant capital expenditure requirements, and alignment with long-term financial plan projections.

plan. The suggested LGA target range for the ratio is 90 to 110 percent (LGA SA Financial Indicators Paper, p. 9).

31 Where asset renewal or replacement expenditure is divided by depreciation expenses.

32 As required under LG Act s122(1a)(b). See Rural City of Murray Bridge, *Plant and Fleet Asset Management Plan 2019-2024*, December 2020, pp. 17-18, available at https://www.murraybridge.sa.gov.au/__data/assets/pdf_file/0021/534414/RCMB-2019-24-Plant-and-Fleet-AMP-2020-Annual-Review-v2.pdf.

2.2.3 Advice on current and projected rate levels

The Rural City of Murray Bridge has implemented an increase of 3.5 percent to its average rates per property in 2022-23, including a 3.2 percent or $55 increase in average residential rates and a 3.5 percent or $35 increase in minimum rates.

The Commission could not assess the Rural City of Murray Bridge's average rate changes by other categories in 2022-23 because the annual business plan does not show the proportion of revenue it collects from each category of ratepayers, nor the average impact of the proposed changes on all categories of rates and charges. The *Local Government (Financial Management) Regulations 2011* (**Regulations**) requires that, at a minimum, the annual business plan provides a statement on the average change in the expected rates for each land use category.[33] Therefore, it would be appropriate for it to:

9. **Report** in its annual business plan the estimated average annual change for all categories of rates and other charges, together with the quantum of annual revenue it expects to collect from the different categories of rates and charges, providing greater clarity and transparency to its ratepayers.

The Council's current rates are comparatively high.[34] Its rates revenue increased by an average of 5.7 percent per annum in the 10 years to 2020-21, which amounted to average growth in rates of 5.0 percent per property. This compares with CPI growth of an average of 1.7 percent per annum over this period.

Affordability risk at higher rate levels is apparent in the Rural City of Murray Bridge, particularly when considering the community's relatively low socio-economic indexes for areas (**SEIFA**) ranking regarding the community's access to economic resources.[35] The Council also received some concerns from the community about rate increase impacts when consulting on its annual business plan, including related to minimum rate increases.[36]

The Commission notes that the Council appears to have considered the impact on its community from rate rises in its annual business plan[37] and at this stage, its LTFP does not appear to have proposed any increases to existing average rate levels in real terms. To 2031-32, the Council has planned for rates per property to increase by an average of 2.2 percent per annum. This is lower than RBA-based forecast inflation growth of 2.8 percent per annum.[38] Around half of the Council's projected rates revenue growth is anticipated to be due to property growth (with the Council's assumption for average annual growth of 2.0 percent to 2031-32) and the remainder is due to projected inflation impacts.

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[33] Under s6(ec).

[34] Refer to Councils in Focus rates data by rate category and property numbers for 2019-20 available at https://councilsinfocus.sa.gov.au/councils/council.

[35] The Rural City of Murray Bridge area is ranked 12 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 of Economic Resources (2016), where a lower ranking (eg, 1) denotes relatively lower access to 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.

[36] Rural City of Murray Bridge, *Special Council Meeting Agenda - 30 May 2022, Item S95.1 - Summary of Responses to Draft 2022-23 Annual Business Plan & Budget,* Attachment 1, pp. 8-17, available at https://www.murraybridge.sa.gov.au/__data/assets/pdf_file/0025/1153582/Special-Council-Meeting-Agenda-30-May-2022.pdf.

[37] Rural City of Murray Bridge, *Annual Business Plan 2022-23*, June 2022, pp. 7 and 22.

[38] See footnote 15.

Should lower growth eventuate, this might be a catalyst for the Council to increase average rate levels by more than it has forecast. Therefore, it would be appropriate for it to:

10. Review the rateable property growth forecasts in its budget projections each year to ensure that they remain current and do not create a need for additional rate increases to generate the same level of projected revenue.

The strong projected operating performance does provide some flexibility for the Council to maintain a surplus position even if property growth and the associated additional rates revenue does not eventuate, as forecast. It might also provide the Council with the opportunity to reduce rate levels further than estimated. Given the Rural City of Murray Bridge's rate history and the likely sensitivity of the community to further rate increases, it would be appropriate for it to:

11. Review and consider limiting further average and minimum rate increases where possible, to reduce the affordability risk of higher rate levels 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 Rural City of Murray Bridge's:

- potential integration of its annual updates to its LTFP projections with its annual business plan process
- ongoing performance against its LTFP estimates and the transparency of any significant revisions it makes to its forward estimates in its LTFP, including regarding employee expenses
- achievement of cost savings and efficiencies, and its reporting of these achievements
- revisions of existing AMPs and adoption of new AMPs, to meet the 10-year requirement and its intended program, and actions to identify desired service levels and to address the need to update outdated condition assessments and valuations in certain AMPs
- presentation of proposed rates and charges increases, including estimated revenue and average rate changes by land use category, in its annual business plan, and
- ongoing management of the affordability risks identified and the quantum of further rate increases.

The Essential Services Commission
Level 1, 151 Pirie Street Adelaide SA 5000
GPO Box 2605 Adelaide SA 5001
T 08 8463 4444
E escosa@escosa.sa.gov.au | W www.escosa.sa.gov.au