District Council of Franklin Harbour

Annual Business Plan and Budget

2026-27

Adopted: 8th July 2026

Resolution #: 42/07/26

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1. Introduction

This Annual Business Plan (the Plan) outlines the District Council of Franklin Harbours' (Council) planned services, projects and major expenditures for the 2026-27 financial year.

The Plan aims to maintain efficient and desired services and facilities for the community, without imposing an unrealistic rate burden on ratepayers. The provision of services by Council reflects both meeting Council's obligations under legislation and making policy choices on behalf of the community to achieve Council's longer-term goals. Council also has taken account of the current economic and seasonal conditions.

2. District Profile

Located on the eastern side of the Eyre Peninsula and bordering the Spencer Gulf, the District Council of Franklin Harbour is home to an estimated population of 1,350 people and covers an area of 2,767 square kilometres with 749 kilometres of roads. Cowell is the major centre in the district, which also comprises the holiday areas of Lucky Bay and Port Gibbon and the localities of Elbow Hill and Mitchellville.

3. Strategic Direction

The strategic management plan considered regional, state and national objectives and strategies relevant to the social, physical, environmental development and management of Council's area of responsibility. The plan identifies the strategic objectives and principal activities that have informed the goals, objectives, activities and services included in this Annual Business Plan.

Councils existing Strategic Management Plan 2024-2028 adopted the following vision and mission statements, believing it reflects Council's aspirations for the community.

VISION

A proud, growing and unified community benefiting from a diverse and environmentally sustainable economic base.

COMMUNITY ASPIRATIONS

- We are a strong, vibrant and resilient community that adapts to economic, environmental and social changes
- We live in a special place that we are very proud of
- We welcome visitors and value the different perspectives and vibrancy they bring
- We appreciate and look after our natural environment

STRATEGIC OBJECTIVES

Councils' Strategic Management Plan is based on five Strategic Focus Areas.

1. Pause, Prioritise, Plan, Implement
2. Grow for a more sustainable future
3. Think outside the square
4. Act with independent advice on climate change actions
5. Refine the organisations focus

4. Significant Influences and Priorities

The 2026-27 financial year will be another busy period for Council on the back of a busy 12 months, during which a number of projects were delivered for the community. A comprehensive list of Council's achievements for the 2025-26 financial year can be found in Section 9.

A number of other significant factors have influenced the preparation of the Council's 2026-27 Annual Business Plan and Budget.

These include:

- Consumer Price Index/Local Government Prices Index increases on existing goods and services of 4.9% for the March 2026 quarter.
- Council's current financial position and Long-Term financial management strategy.
- Requirements to maintain and improve infrastructure assets to sustainable standards.
- Service delivery needs for the community.
- State/Commonwealth grant funding not keeping pace with the increased costs.
- Facilitating the future financial sustainability of Council by ensuring the financial operations remain within policy targets adopted for such purpose.
- Provision of sufficiently qualified experienced and trained staff.
- The need to establish sound strategic plans and policies to achieve long term sustainability.

5. Continuing Services

All councils have basic responsibilities under the Local Government Act 1999 and other relevant legislation.

These include:

- Regulatory activities, e.g. maintaining the voters roll and supporting the elected council
- Setting rates, preparing an annual budget and determining longer-term strategic management plans for the area
- Management of basic infrastructure including roads, footpaths, parks, public open space, community wastewater
- Street lighting and storm-water drainage
- Street cleaning, rubbish collection, recycling and waste management
- Development planning and control, including building safety assessment
- Various environmental health services.

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

- Libraries
- Community venues such as public halls and sporting grounds
- Economic development
- Tourist and historical venues, museum and sites
- Parks and gardens.

The Council also operates a number of facilities on a fee for service basis. These provide important community benefits while also generating revenue for services and projects of benefit to the district.

6. ESCOSA Advice

The Strategic Management Plan Advice Scheme requires the Essential Services Commission of South Australia (ESCOSA) to undertaken a review of each council's Long Term Financial Plan and Asset Management Strategy once every four years and provide advice on various matters as set out within section 122 of the Local Government Act 1999. Councils are required to include a copy of ESCOSA's advice, this is included in Appendix C.

7. Capital Expenditure

Existing Asset Renewal & Replacement:	**$,000**	**Comment**
Replacement Assets		
Buildings:		
Replaster Walls after salt damp treatment	35	
Painting	15	
Structures & Other Community Assets:		
Upgrade Sound System components	40	
Painting Western side wall (external)	10	
Reseals - Lucky Bay Road	253	Section - (6500-11900)
Resheet - Cowell-Mangalo Road	172	(Cowell-Kimba to Double Creek)
Resheet - Scenic Highway	217	Section - (26200 - 32400)
Roller Wiswell	20	per 5 year replacement plan
Hilux Utility	42	per 5 year replacement plan
Hilux Utility	49	per 5 year replacement plan
Total Renewal & Replacement of Existing Assets	**853**	
New & Upgraded Assets:		
Cowell-Kimba Sealed Road Upgrade	1,991	Subject to SLRP funding
Marina Building Upgrade	80	Deferred from 2025-26
Farr St Subdivision	842	
Entry Statements	80	
Total New & Upgraded Assets	**2,993**	
Total Capital Expenditure	**3,846**	

Capital Expenditure – Farr St Project

The Farr Street subdivision is a premium 37 block land release overlooking Franklin Harbour in Cowell.

Many years of research, planning and effort see this project now shovel ready, fully costed and backed with $779k of grant funding from the Office of Regional Housing (Renewal SA).

This project has many benefits including, alleviating our very limited supply of building blocks (during a period of unprecedented demand), it will contribute to increased population and economic prosperity, and given the premium nature of these blocks, it is likely to raise not just housing stock quantity but also quality and therefore liveability and amenity. We will require some short term debt to construct the infrastructure for this subdivision but by the end of year two the project will be cash flow positive/profitable.

This project will ultimately result in a welcome injection of funds to Council due to a large proportion of the construction work undertaken directly by Council which greatly enhances this result. The much larger and ongoing financial benefit will be the generation of significant additional rate income into perpetuity. Once completed, this project will contribute greatly to the ongoing sustainability of this small regional council, and the economic prosperity of the area.

8. Financial Sustainability / Financial Performance Measures

All Councils pursuant to the Local Government Act 1999 are required to develop and maintain Long Term Financial Management Plans and Asset Management Plans to ensure sound strategic planning principles to assist with decision making are in place.

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 the Infrastructure and Asset Management Plan to minimise whole-of-life-cycle costs of assets.

8.1 Operating Surplus Ratio (OSR)

"Is Council covering its operating expenditure and depreciation charge from its operating revenue?"

The operating surplus ratio expresses the operating surplus / (deficit) as a percentage of total operating revenue.

	Forecast 2025-26 $,000	**Budget 2026-27 $,000**
Operating Surplus *divide by*	19	200
Operating Revenue	5,833	5,760
Operating Surplus Ratio	0.3%	3.5%

The operating surplus ratio from the proposed budgeted activity for the year is 3.5%, meaning that operating revenue is sufficient to cover operating expenses and depreciation. This is within the target range set by Council of between 0% to 10%.

8.2 Asset Renewal Funding Ratio (ARFR)

"Is Council replacing its assets at the same rate the assets are wearing out?"

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 Council's Asset Management Plan.

	Forecast 2025-26 $,000	**Budget 2026-27 $,000**
Net Asset Renewals *divided by*	874	853
Asset Renewals as per the Infrastructure & Asset Management Plan	1,059	853
Asset Sustainability Ratio	83%	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.

8.3 Net Financial Liabilities (NFL) and Net Financial Liabilities Ratio (NFLR)

"Does Council have a manageable level of debt and other liabilities when considering its available revenue and other cash reserves?"

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 the Council's available cash and investments. Specifically, net financial liabilities equal total liabilities minus financial assets, where financial assets for this purpose includes 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 the budget estimates as of 30 June 2027:

Calculation of Net Financial Liabilities Ratio	**$,000**
Trade & Other Payables	142
Borrowings	2,958
Provisions	2,718
Total Liabilities	**5,818**
Less Financial Assets:	
Trade & Other Receivables	329
Total Financial Assets	**329**
Equals: Net financial liabilities (NFL)	**5,488**
Operating Income (Opinc)	5,760
Net Financial Liabilities Ratio (NFL divide Opinc)	**95%**

Net financial liabilities are forecast to be $5.5M as of 30 June 2027. There are some significant identifiable components included in this forecast, CWMS borrowings of approximately $1.9M as well as lease liabilities of $2.3M in relation to the Cowell cottages. The CWMS loan has an income stream that steadily repays this component of borrowings over several years whilst the Cowell cottage provisions have identifiable assets that offset these liabilities but are not recognised in the calculation of the NFLR.

The adjusted NFLR after removing the $2.3M Cowel Cottages provision is 62%.

It is anticipated that the Farr St Project will create a net cash surplus of approx $2M. This will significantly reduce the forecast level of borrowings. The project is expected to be completed by 2027, with all blocks having been sold by the end of 2028-29 financial year.

8.4 Overall Assessment of Council's Financial Sustainability

The Operating Surplus Ratio is within the target range of 0% to 10% of operating income.

The result of 100% in the Asset Renewal Funding Ratio indicates that sufficient funds have been allocated in this plan to renew Councils existing assets as identified in Council's asset data base.

The Net Financial Ratio face value of 95% as well as the adjusted ratio of 62% are within the target range set by Council.

Accordingly, this Annual Business Plan & Budget is financially sustainable.

9. Non-Financial Performance Measures – 2026-27

In addition to the legislative performance measures, Council is required to develop non-financial performance measures.

The strategy reference refers to the strategic objectives identified in Council's Strategic Management Plan.

Strategic Direction 1 – Pause, Prioritise, Plan, Implement

- Review and build on the 2010 Masterplan for an updated plan with priorities and proposed scheduling developed in consultation with the community. (Strategy 1.2)

Strategic Direction 2 – Grow for a more sustainable future

- Identify the roles the Council can and will play in relation to economic development (including tourism and the visitor economy), then develop and implement a fit for purpose economic development plan, as recommended in the URPS 'Franklin Harbour Growth Strategy' of May 2023, that reflects the Council's roles (Strategy 2.2)
- Continue to identify opportunities to improve livability. Develop, maintain and prioritise a livability 'wish list', and continue striving to make this a region of choice, to live work and relax. (Strategy 2.3) – Farr Street development, and Cowell Entry Statements and Landscaping

Strategic Direction 3 – Think outside the square

- Engage specialist advisors to engage with Elected Members and staff to review costs recovery and pricing for utility functions (CWMS, waste management, potable water, road maintenance when affected by freight, Cowell Cottages) and also identify opportunities to broaden the Council's revenue base. (Strategy 3.2)

Strategic Direction 4 – Act with Independent Advice on Climate Change Actions

- Develop and implement coastal hazard adaptation plans. (Strategy 4.1)

10. 2025-26 Annual Business Plan Achievements

Strategic Direction 1 – Pause, Prioritise, Plan, Implement

- Review and build on the 2010 Masterplan for an updated plan with priorities and proposed scheduling developed in consultation with the community. (Strategy 1.2) – ongoing

Strategic Direction 2 – Grow for a more sustainable future

- Identify the roles the Council can and will play in relation to economic development (including tourism and the visitor economy), then develop and implement a fit for purpose economic development plan, as recommended in the URPS 'Franklin Harbour Growth Strategy' of May 2023, that reflects the Council's roles (Strategy 2.2) - ongoing
- Continue to identify opportunities to improve livability. Develop, maintain and prioritise a livability 'wish list', and continue striving to make this a region of choice, to live work and relax. (Strategy 2.3) –
    - Farr Street redevelopment – Civil works are underway with development expected to be complete December 2026. This will provide an additional 37 housing blocks for development in Cowell.
    - Cowell Entry Statements – this has been included in the 2026/27 budget
    - Landscaping – will be undertaken as part of beautifying the Farr Street Development and the Cowell Entry Statements.

Strategic Direction 3 – Think outside the square

- Engage specialist advisors to engage with Elected Members and staff to review costs recovery and pricing for utility functions (CWMS, waste management, potable water, road maintenance when affected by freight, Cowell Cottages) and also identify opportunities to broaden the Council's revenue base. (Strategy 3.2) -
    - Work has commenced on collating the base information for costs and recovery for Council's utility functions - ongoing

Strategic Direction 4 – Act with Independent Advice on Climate Change Actions

- Develop and implement coastal hazard adaptation plans. (Strategy 4.1) –
    - Stage 1 – 3 is complete. Stages 4 & 5 to be completed subject to Government Funding becoming available.

Strategic Direction 5 – Refine the Organisations Focus

- Develop and implement an online customer action request system. (Strategy 5.1) – Council has subscribed to Snap, Send, Solve for customer action requests.
    - The use of snap, send, solve has been positive with Council receiving, on average, approximately 20 requests/month. – complete.

11. Grant Funding

Council will receive the following grant funding in 2026-27:

- **Financial Assistance Grants**, both General Purpose and Identified Local Roads Grants (sourced from Federal Government) - Council has complete discretion as to expenditure of funds received.
- **Specific Purpose Grants** (State and Federal Governments) - Which are to be spent on specific projects or programs.
- **Special Local Roads Program** (Federal Government).
- **Roads to Recovery Grants** (Federal Government) - While funds received are to be spent on road projects, Council has complete discretion on whether funding is applied towards maintaining, renewing or upgrading roads.

Operating Grants	**Amount $,000**
Financial Assistance Grants - General Purpose	1,333
Financial Assistance Grants - Identified Local Roads	329
Financial Assistance Grants - Supplementary Local Roads	113
Roads to Recovery	352
Libraries	2
Total Operating Grant Funding	**2,129**
Amounts Received Specifically for New Assets	
Special Local Roads Program – Cowell Kimba Road	1,314
Safer Local Roads & Infrastructure (HV bypass)	541
Renewal SA - Farr St Grant	468
Sale of Farr St Blocks	765
Total Capital Grant Funding	**3,088**

12. 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.

Summary of General & Other Rates	**25/26 $,000**	**26/27 $,000**	**% increase**
General Rates	1,755	1,825	4.0%
Regional Landscape Levy **(Set by State Gov't)**	123	132	6.9%
Community Wastewater Management Scheme	599	629	4.9%
Total General & Other Rates	**2,477**	**2,601**	**4.4%**

Other sources of proposed revenue for the Council are:

- User charges and commercial revenue
- Statutory charges set by State Government
- Grants
- Other revenue

13. Uniform Presentation of 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.

Readers are strongly encouraged to take the time to comprehend how this report is structured and what the implications of the various lines of this report are for the Key Financial Indicator calculations. 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 result of zero on the net lending/ (borrowing) measure in any one year essentially means that the Council has met all of its expenditure (both operating and capital) from the current year's income (with income including amounts received specifically for new/upgraded assets).

UNIFORM PRESENTATION OF FINANCES	Forecast 2025-26 $000	Budget 2026-27 $000
Operating Revenue	5,833	5,760
less Operating Expense	(5,813)	(5,560)
Operating Surplus / (Deficit) before Capital Amounts	**19**	**200**
less Net Outlays on Existing Assets		
Capital Expenditure on Renewal and Replacement of Existing Assets	874	853
less Depreciation, Amortisation & Impairment	(1,598)	(1,598)
less Proceeds from Sale of Replaced Assets	(55)	(47)
Net Outlays on Existing Assets	**(779)**	**(792)**
less Net Outlays on New & Upgraded Assets		
Capital Expenditure on New & Upgraded Assets	3,159	2,993
less Amounts Specifically for New or Upgraded Assets	(1,717)	(3,088)
less Proceeds from Sale of Surplus Assets	0	0
Net Outlays on New & Upgraded Assets	**1,442**	**(95)**
Net Lending / (Borrowing) for Financial Year	**(644)**	**1,088**

The result of $1.088M indicates that Council is receiving more income than it is spending when considering Council budget in aggregate. Hence the reduction in Borrowings reported in the Statement of Financial Position.

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

14. Rating Arrangements 2026-27

Method used to value land

The District Council of Franklin Harbour uses capital value as the basis for valuing land within its 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 provides a fair indicator of overall property value.
- The distribution of property values throughout the Council area is such that some ratepayers will pay more and some less depending on fluctuations of property value.

Rating information for 2026-27

In setting its rates for the 2026-27 financial year the Council considered the following:

- The current economic climate and relevant factors such as inflation and interest rates.
- The specific issues faced by our community, e.g. the effects of seasonal variations for the farming community.
- The need to continue to replace and upgrade infrastructure assets that include both plant and machinery and our road network.
- The objective of attracting and continuing to attract and support business activity to generate economic development.
- Council's Strategic Plan and the meeting of those objectives.
- The budget for the 2026-27 financial year and the Long Term Financial Plan.
- Householders, businesses and primary producers.
- The broad principle of achieving equity in the distribution of rates.
- Minimising the level of general rates required by levying fees and charges for goods and services where that is possible.
- Setting fees and charges to recover the full cost of operating or providing the services of goods, with provision for concessions to those members of the community unable to meet the full cost.
- Considering changes to Council valuations by the Valuer-General.
- Submissions made during the Public Consultation process.

Adoption of valuations

The Council has considered the valuations made by the Valuer-General effective as at 01/07/26. If a ratepayer is dissatisfied with the valuation made by the Valuer-General then the ratepayer may object to the Valuer-General in writing, within 60 days of receiving notification of the valuation, explaining the basis for the objection to State Valuation Office, GPO Box 1354, ADELAIDE SA 5001 or email lsgobjections@sa.gov.au.

Business impact statement

The Council has considered the impact of rates on all businesses in the Council area, and in particular primary production. Council has also considered the equity of the distribution of the rate burden between ratepayers; Council's policy on facilitating local economic development; current local, state and national economic conditions; changes in the valuation of business and primary production properties; and specific Council projects for the coming year and specific infrastructure maintenance issues.

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 Section 147 of the Act), is rateable. The Local Government Act provides for a Council to raise revenue for the broad purpose of the Council through a general rate, which applies to all rateable properties, or through differential general rates, which apply to classes of properties. In addition, Council can raise separate rates, for specific areas of the Council or services rates or charges for specific services. Council also raises revenue through fees and charges, which are set giving consideration to the cost of the service provided and any equity issues. The list of applicable fees and charges is available at the Council Office, 6 Main Street Cowell.

Differential rates

In accordance with the provisions of Section 153 of the Local Government Act 1999 Council has decided to impose differential general rates on the following properties, based on land use and zoning.

	ABP 2025-26 $,000	**ABP 2026-27 $,000**	**$,000 increase**	**% increase**
Residential	716	744	29	4%
Commercial – Shop	14	15	0	4%
Commercial – Other	36	37	1	4%
Industry – Light	11	12	0	4%
Industry – Other	42	45	1	4%
Commercial (Bulk Handling) Zone	68	70	2	4%
Primary Production	714	742	21	4%
Vacant Land & Other	148	154	4	4%
Total expected rate revenue from General Rates (excluding rebates and remissions that are not discretionary rebates or remissions)	**1749**	**1819**	**59**	

The use or zoning of the land is used as the factor to levy differential rates. If a ratepayer believes that a particular property has been wrongly identified by the Council as to its use or zoning, then they may object to the Council within 21 days of being notified.

It is important to note that the lodgement of an objection does not change the due date for payment of rates.

Fixed charge

Council over the past few years has adopted a fixed charge as a part of its rating policy. The fixed charge for 2026-27 will be $530, an increase of 4.9% from the 2025-26 fixed charge.

Service Charges

Community Wastewater Management Scheme

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 services as follows:

- CWMS Port Gibbon Maintenance Fee $578
- CWMS Cowell Maintenance Fee $551
- CWMS Cowell Capital Fee $460

Port Gibbon Water Supply 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 water supply, on all land to which the Council provides or makes available the Port Gibbon Water Supply as follows:

- Port Gibbon Water Supply $362

Lucky Bay Water Supply 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 water supply, on all land to which the Council provides or makes available the Lucky Bay Water Supply as follows:

- Lucky Bay Water Supply $362

Kerbside Bin Collection

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 one (1) Kerbside bin collection, on all land to which the Council provides or makes available the service as follows:

- Kerbside Bin Collection (140L Bin) $352
- Kerbside Bin Collection (240L Bin) $433

Additional Bin Collections

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 additional Kerbside bin collections, on all those that utilise the service as follows:

- Additional Bin Collections $271/bin

Rebates

Section 159 to 166 of the Local Government Act, 1999 pertains to the Rebate of Rates.

Council is required to provide statutory rebates to schools, churches, hospitals, and Commonwealth / State Government land under Section 159 to 165 of the Local Government Act, 1999.

Late payment of rates

The Local Government Act provides that Councils impose a fine of 2% on any instalment unpaid after the due date. At the expiration of each full month from the due date, interest is charged at the prescribed percentage of the total in arrears and unpaid rates. This does not include interest from previous months.

Council issues a final notice for payment of rates when rates are overdue, i.e. unpaid by the due date. Should rates remain unpaid more than 21 days after the issue of the final notice, then the Council may refer the debt to a debt collection agency for collection. The debt collection agency charges collection fees that are recoverable from the ratepayer.

When Council receives a payment in respect of overdue rates 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.

Fourth – in payment of rates, in chronological order (starting with the oldest account first).

Regional Landscape Levy

The Regional 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 Franklin Harbour region.

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

For 2026-27, the Council's annual contribution to the Eyre Peninsula Landscape Board is $131,665.

Postponement of rates for seniors

Section 182A of the Local Government Act 1999, that allows eligible Senior Ratepayers to postpone a proportion of their council rates each financial year commencing 2007-08, provides for a threshold amount of rates that cannot be postponed. The threshold is set at $500 annually. The outstanding rates will attract interest (i.e. the scheme is non-concessional) and will remain a charge on the property until the property is sold or that person no longer lives on the property or becomes ineligible to continue the postponement.

Payment of rates

Payment of rates will be in four instalments due September 2026, December 2026, March 2027, and June 2027.

Payment can be made at the Council Office, 6 Main Street, Cowell during normal office hours from 9:00am to 5:00pm Monday to Friday, by cash, cheque or most credit cards, or can be made by post to PO Box 71, Cowell SA 5602 by cheque or money order payable to the District Council of Franklin Harbour. Payments may also be made by direct Bank Transfer.

Sale of land for non-payment of rates

The Local Government Act 1999 provides that Council may sell any property where the Rates have been in arrears for three years or more.

The council is required to notify the owner of the land of its intention to sell the land. Provide the owner with details of the outstanding amounts and advise the owner of its intention to sell the land if payment is not received within one month.

Except in extraordinary circumstances or approval has been granted for postponement of Rates, the Council enforces the sale of land for non-payment of Rates.

Difficulty in paying rates

Rates are payable in full or in four separate quarterly instalments. However, Section 182 of the Local Government Act 1999 permits the Council on the application of a Ratepayer to partially or wholly remit Rates or to postpone Rates on the basis of hardship.

If any ratepayer is experiencing financial difficulties and would like to discuss an alternative agreeable payment plan this flexibility is also available.

Contact the District Council of Franklin Harbour on 8629 2019 for a confidential discussion.

15. Public Consultation

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.

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

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

The Chief Executive Officer
District Council of Franklin Harbour
PO Box 71
COWELL SA 5602

16. 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.

Nil changes to be made

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.

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 B-double 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	2,477	2,586
Statutory Charges	37	39
User Charges	869	950
Grants, Subsidies & Contributions - Operating	0	0
Grants, Subsidies & Contributions - Capital	2,363	2,129
Investment Income	16	10
Reimbursements	10	10
Other Revenues	61	37
Total Operating Income	**5,833**	**5,760**
EXPENDITURE		
Employee Costs	1,613	1,538
Materials, Contracts & Other Expenses	2,449	2,218
Depreciation	1,598	1,598
Finance Charges	153	206
Total Operating Expenditure	**5,813**	**5,560**
OPERATING SURPLUS/(DEFICIT)	**19**	**200**
Amounts Received Specifically for New Assets	1,717	3,088
NET SURPLUS / (DEFICIT) transferred to Equity Statement	**1,736**	**3,289**

STATEMENT OF FINANCIAL POSITION	Forecast 2025-26 $,000	Budget 2026-27 $,000
ASSETS		
CURRENT ASSETS		
Cash & Cash Equivalents	0	0
Trade & Other Receivables	303	303
Inventories	26	26
Total Current Assets	**329**	**329**
NON-CURRENT ASSETS		
Infrastructure, Property, Plant & Equipment	64,830	67,031
Total Non-Current Assets	**64,830**	**67,031**
TOTAL ASSETS	**65,159**	**67,360**
LIABILITIES		
CURRENT LIABILITIES		
Trade & Other Payables	142	142
Borrowings	383	398
Short Term Provisions	662	662
Total Current Liabilities	**1,187**	**1,203**
NON-CURRENT LIABILITIES		
Long Term Borrowings	3,663	2,560
Long Term Provisions	2,055	2,055
Total Non-Current Liabilities	**5,719**	**4,619**
TOTAL LIABILITIES	**6,906**	**5,818**
NET ASSETS	**58,253**	**61,542**
EQUITY		
Accumulated Surplus	38,561	41,850
Asset Revaluation Reserve	19,657	19,657
Other Reserves	35	35
TOTAL EQUITY	**58,253**	**61,542**

STATEMENT OF CASH FLOW	Forecast 2025-26 $,000	Budget 2026-27 $,000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		
Operating Receipts	6,073	5,750
Investment Receipts	16	10
Payments		
Operating Payments to Suppliers & Employees	4,378	3,755
Finance Payments	153	206
Net Cash Provided by (or used in) Operating Activities	**1,557**	**1,799**
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts		
Grants Specifically for New or Upgraded Assets	1,717	3,088
Sale of Replaced Assets	55	47
Payments		
Expenditure on Renewal/Replaced Assets	874	853
Expenditure on New/Upgraded Assets	3,159	2,993
Net Cash Provided by (or used in) Investing Activities	**(2,261)**	**(711)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts		
Proceeds from Borrowings	132	0
Payments		
Repayment of Borrowings	0	1,088
Net Cash Provided by (or used in) Financing Activities	**132**	**(1,088)**
Net Increase / Decrease in Cash	**(572)**	**0**
Cash and Cash Equivalents at start of reporting period	572	0
CASH & CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD	**0**	**0**

STATEMENT OF EQUITY	Forecast 2025-26 $,000	Budget 2026-27 $,000
ACCUMULATED SURPLUS		
Balance at end of previous reporting period	36,825	38,561
Net Result for Year	1,736	3,289
Transfer from Reserves	0	0
Transfer to Other Reserves	0	0
Balance at end of period	**38,561**	**41,850**
ASSET REVALUATION RESERVE		
Balance at end of previous reporting period	19,657	19,657
Gain on Revaluation of Property Plant & Equipment	0	0
Balance at end of period	**19,657**	**19,657**
OTHER RESERVES		
Balance at end of previous reporting period	35	35
Transfers from Accumulated Surplus	0	0
Transfers to Accumulated Surplus	0	0
Balance at end of period	**35**	**35**
TOTAL EQUITY AT END OF REPORTING PERIOD	**58,253**	**61,542**

APPENDIX C – ESCOSA ADVICE

OFFICIAL

ESSENTIAL SERVICES COMMISSION OF SOUTH AUSTRALIA

Advice

Local Government Advice

District Council of Franklin Harbour

February 2026

Enquiries concerning this advice should be addressed to:

Essential Services Commission
GPO Box 2605
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District Council of Franklin Harbour
AT A GLANCE

OVERVIEW

The Essential Services Commission finds The District Council of Franklin Harbour's historical and current financial performance **sustainable** due to its past and current historical operating surplus ratios. Despite a forecast of lower operating surplus ratios, its projected financial performance is likely to be **sustainable** due to its history of achieving cost constraints, long term commitments to asset renewal and adaptive responses to unforeseen challenges.

FINANCIAL PERFORMANCE

Past 10 years
Sustainable

Current
Sustainable

Projected
Sustainable

RISKS IMPACTING SUSTAINABILITY

- Asset condition assessments do not include all asset classes, impeding effective asset management planning.
- Asset values are not indexed annually potentially understating depreciation and renewal forecasts.
- Rates affordability risks may be present.
- High liabilities associated with the resident bonds for Cowell Cottages, compared to income.

KEY FACTS

- Population in 2024 was **1359** residents
- The Council covers **2,756** square kilometres
- **1,240** rateable properties in 2024-25
- **$6.6 million** of income in 2024-25
- Value of infrastructure assets held in 2024-25 equals **$62.3 million**

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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1 Executive summary

1.1 Summary of observations

The District Council of Franklin Harbour has demonstrated strong historical operating performance, with an average Operating Surplus Ratio of 9.6 percent, primarily due to effective cost management and grant income. Despite volatility in grant funding, the Council has managed to maintain surpluses in most years, with significant growth in rate income and user charges, while reducing expenses in materials and contracts by undertaking more road works in-house. The Council's approach to in-house infrastructure maintenance has helped control contract costs while community consultation has guided service priorities.

Looking ahead, the Council faces challenges in maintaining cost constraints, especially given its remote location with potential for higher contractor costs. Forecasts indicate a much lower Operating Surplus Ratio of 1.2 percent on average, with both income and expenses expected to grow moderately but below inflation. If the Council cannot contain its growth in expenses to below forecast CPI as it plans, then it would need to increase rates or risk its sustainability.

The Net Financial Liabilities Ratio is currently above the recommended range, primarily due to contingent liabilities from resident bonds at Cowell Cottages and loans for the Community Wastewater Management System. These liabilities, however, are unlikely to negatively affect council operations. The Council demonstrates a good understanding of its Net Financial Liabilities Ratio and manages associated risks effectively. Future income from the Farr St subdivision is expected to improve its financial position in the coming years.

The Council has maintained a strong gross Asset Renewal Funding Ratio, averaging 93.4 percent in the Historical Period. Events like Cyclone Tiffany and a major 2023 storm temporarily disrupted spending patterns, however, disaster recovery funding and diversion of renewal capacity to the required works restored damaged roads.

The Council's Infrastructure and Asset Management Plan, updated in 2022, outlines $13.3 million in asset renewals to 2032 but lacks detailed data on asset conditions and operational costs. The plan sets service levels and methods for assessing asset conditions, but comprehensive risk, monitoring, and detailed condition assessments are missing. The most recent asset revaluation was in June 2020, and the Council does not index asset values annually, which may affect forecast depreciation and capital expenditure requirements.

The District Council of Franklin Harbour has historically increased rates above inflation, but for the Forecast Period, proposed rate increases are below forecast inflation and are likely to be more affordable for ratepayers. However, affordability risks may be present, based on minimal growth in rateable properties combined with a declining SEIFA index.

1.2 Summary of recommendations

The Council has a range of sound practices in its strategic planning and asset management, including:

- reviewing its Long-Term Financial Plan annually and aligning its Infrastructure and Asset Management Plan with the Long-Term Financial Plan
- proactive approach to managing the risks associated with its high contingent liabilities related to the Cowell Cottages and the Community Wastewater Management System.
- effective management of variable grant income, and
- managing the risks of its high Net Financial Liabilities Ratio in the context of its specific asset borrowings.

To further strengthen the Council's sustainability, the Commission recommends that the Council:

1. **Publish** a comprehensive version of the Long-Term Financial Plan annually, to improve transparency for stakeholders.
2. **Upgrade** its Infrastructure and Asset Management Plan to include asset condition data and assessments of how well assets meet established service standards.
3. **Report** its actual and projected cost savings in its annual budget, to provide evidence of constraining cost growth and achieving efficiency across its operations and service delivery.
4. **Ensure** that asset values are updated and reflect assessed conditions to enable accurate assessment of required asset expenditure and depreciation expenses.
5. **Consider** future rate rises in the context of affordability for all ratepayers and the declining SEIFA index ranking.

2 About the advice

2.1 Background

The State Parliament has tasked the Commission, South Australia's independent economic regulator and advisory body, to provide advice on material changes proposed by local councils in relation to elements of their Strategic Management Plans **(SMP)**, and on the proposed revenue sources, including rates, which underpin those plans.[1]

A primary purpose of the Local Government Advice Scheme **(Advice** or **the Scheme)** is to support councils to make financially sustainable strategic decisions in their annual business plans and budgets, in the context of their Long-Term Financial Plans **(LTFP)** and Infrastructure and Asset Management Plans **(IAMP)**.[2] IAMPs are commonly referred to as Asset Management Plans **(AMP)**. The LTFP and the IAMP are both required as part of a council's SMP.[3] Financial sustainability encompasses intergenerational equity,[4] 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 all revenue sources, as 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. The Commission has selected 19 councils for advice in the fourth year (2025-26) of the Scheme, including the District Council of Franklin Harbour. This Council was originally scheduled for review in 2022-23 however was reallocated to year four of the scheme, to allow the Council to focus on unavoidable repairs to its road infrastructure in 2022-23 and 2023-24 resulting from Cyclone Tiffany.

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

The Council is obliged under the *Local Government Act 1999* **(LG Act)** to publish this advice and its response, if applicable, in its 2026-27 Annual Business Plan (including any draft Annual Business Plan) and in subsequent plans until the next cycle of the Scheme.[8] Decision-making remains in the control of the Council.

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

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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 **(AMP)**.

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

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).

2.2 The Commission's approach

In providing its Advice for the Council, the Commission has followed the approach set out in the Framework and Approach – Final Report **(F&A)**.[9]

The Commission has considered the Council's SMP documents and other documents (set out in the box below), with a particular focus on its performance and outlook against three financial indicators: the Operating Surplus Ratio **(OSR)**, the Net Financial Liabilities Ratio **(NFLR)** and the Asset Renewal Funding Ratio **(ARFR)**.[10] Analysis of these three indicators captures financial and service sustainability, cost control and affordability risk.[11]

The Commission reviews 10 years of historical data, being the years 2014-15 to 2023-24 (**Historical Period**) the "current year" 2024-25 and 10 forecast years, being 2025-26 to 2034-35 (**Forecast Period**)

Table 1: Strategic management documents referred to

- 2025-26 Annual Business Plan and Budget, adopted 16 July 2025
- 2024-25 Annual Business Plan and Budget, adopted 10 July 2024
- 2025-34 Long Term Financial Plan, adopted 14 August 2024
- Strategic Management Plan, adopted 10 August 2022
- Infrastructure & Asset Management Plan 2023-32, adopted 10 August 2022
- Minutes of the Audit & Risk Committee, 2 July 2024
- Minutes of the Special Council Meeting, 16 July 2025

Given that the Commission must, in providing its advice, have regard to the objective of councils maintaining and implementing their IAMPs and LTFPs,[12] it has also considered the Council's performance in that context. Findings regarding the content of the Council's AMPs, and the alignment between its LTFP and AMPs,[13] are discussed in Section 5.

The Commission has also reviewed the financial template provided by the Council, including its 2025- 26 LTFP, forecasts for 2025-26 to 2034-35, historical financial data, the number of rateable properties and the Council staff (Full Time Equivalent or **FTE**) numbers from 2014-15 onwards.[14] The charts and tables in the Advice are primarily sourced from these datasets. In addition, the Commission has reviewed the Council's audit committee reports, and other public information, as appropriate.

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

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

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

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

[12] LG Act s122(1g)(a)(i).

[13] As required under s122(1b) of the LG Act.

[14] The Council's estimates for the 2024-25 financial year were unaudited at the time of preparing this advice.

2.9 percent.[15] Each financial year is the average of the four quarterly results. The CPI for the Forecast Period is calculated as the compound annual growth rate in the CPI (Australia) series from 2025-26 based on the Reserve Bank of Australia (RBA) (Australia-wide) inflation forecasts to the December 2027 quarter, and the midpoint of the RBA target range (2.5 percent) thereafter, yielding an average inflation rate for the Forecast Period of 2.5 percent. Similarly, for the current year 2024-25, we have observed a CPI (Adelaide) of 2.4 percent.

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

- its location as a Rural Agricultural: Small and Medium council
- its income level ($6.6 million in 2024-25[16]), and
- the size of its rates base (around 1,240 ratepayers in 2024-25[17]).

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

Legend: Low-risk Moderate-risk High-risk

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

[16] Based on the Council's financial reporting template provided to the Commission.

[17] Based on the Council's financial reporting template provided to the Commission.

3 Council profile

The Council is classified by the Commission as a 'Rural Agricultural: Small and Medium' council and is one of 19 in this category in South Australia.[18] It covers an area of 2756 square kilometres, has an estimated resident population of 1,359 (on 30 June 2024),[19] and approximately 1,240 rateable properties (on 1 January 2025).[20]

The Council is in the far west region of South Australia on the Eyre Peninsula bordering the Spencer Gulf and was proclaimed in 1887. The Council seat is in Cowell.

Figure 1: Council Area

The Council region has the following attributes:

- Historical rateable property growth of approximately 0.8 percent per annum.[21]
- Population density of 0.5 persons per square kilometre.[22]
- 788 kilometres of sealed and unsealed roads, of which 87.2 percent are unsealed roads.[23]
- Employment sectors mainly in agriculture, forestry and fishing (26.6 percent), healthcare and social assistance (13.0 percent), construction (12.7 percent) and education and training (9.0 percent).[24]
- A median population age of 52.6 years.[25]

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

19 Refer to Australian Bureau of Statistics, *Data by region*, available at https://dbr.abs.gov.au/region.html?lyr=lga&rgn=41960.

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

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

22 Refer to Australian Bureau of Statistics, *Data by region*, available at https://dbr.abs.gov.au/region.html?lyr=lga&rgn=41960.

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

24 Refer to Australian Bureau of Statistics, *Data by region*, available at https://dbr.abs.gov.au/region.html?lyr=lga&rgn=41960.

25 Refer to Australian Bureau of Statistics, *Data by region*, available at https://dbr.abs.gov.au/region.html?lyr=lga&rgn=41960.

4 Material plan amendments in 2025-26

The material amendments to some of its main financial forecasts are listed in the table below (in nominal terms).[26] To ensure a comparable analysis of estimates between the 2024-25 and 2025-26 LTFPs, the Commission has reviewed the nine overlapping years' statistics: 2025-26 to 2033-34 and identified material amendments accordingly.

4.1 Key points

- ✓ The Council made minimal changes in its LTFP relative to the previous year, indicating a consistent approach to forecasting.
- ✓ The Council's strategic financial documents include clear information about the underpinning assumptions.
- ⚠ The Council publishes a subset of its LTFP forecasts and presents the document in real terms. It could improve transparency by publishing a more comprehensive LTFP.

Table 2: Historical and forecast financial items

Selected Financial Item	Sum of 2025-26 to 2033-34 estimates in 2024-25 LTFP ($ million)	Sum of 2025-26 to 2033-34 estimates in 2025-26 LTFP ($ million)	Change in 2025-26 estimates ($ million)	Change in 2025-26 estimates (percent)
User charges	$8.0	$9.6	$1.6	19.5
Depreciation, amortisation and impairment	$14.7	$16.9	$2.2	14.7
Capital expenditure on new and upgraded assets[27]	$0.6	$4.1	$3.5	589.6

4.2 Changes to operating performance

The Council has made minimal changes to operating outcomes in its new LTFP, with an overall increase in income by 4.1 percent and expenses by 5.9 percent. User charges have increased by 19.5 percent, due to tourism income. Depreciation expenses have increased by 14.7 percent, reflecting the impact of asset revaluations.

The Council's historical and projected operating performance are discussed further in Section 5.1.

[26] Table 2 shows only selected financial items to demonstrate the material amendments made by the Council in its 2025-26 estimates. It excludes various financial items, and individual items do not sum to totals.

[27] The capital expenditure estimates are based on the 2024-25 and 2025-26 LTFP estimates provided by the Council to the Commission (in an Excel template).

4.3 Indexation adjustments

The LTFP and 2025-26 Annual Business Plan (ABP) include details of assumptions built into the forecasts. The Council prepares and presents its financial documents in real terms and includes information about its forecast inflation assumptions.

4.4 Capital expenditure estimates

The Council has amended its LTFP to include new capital expenditure primarily on a new subdivision and a road upgrade (supported by grant funding). Assets, the AMPs, and the Council's capital expenditure outlook are discussed further in Section 5.3.

4.5 General observations on the ABP, IAMP and LTFP

The Council has adopted its 2025-26 ABP, outlining estimated financial outcomes for 2024-25 and forecasts for 2025-26. Influences on the forecast are mentioned generally, with extra details on proposed short-term capital works included.

The Council reviewed its IAMP in 2022 and it is comprehensively updated every four years. However, it remains a plan that is largely theoretical, lacking supporting data for intended service levels or asset conditions. The plan does not contain any assessment of achievements against goals nor risk or contingency planning strategies. While the Council sets its capital expenditure annually, the IAMP would be enhanced by incorporating summary asset condition data and assessments of how well assets meet established service standards.

The Commission notes the Council's good practice of reviewing its LTFP annually and aligning its IAMP with the LTFP. However, published information does not provide sufficient data to enable the Commission to calculate sustainability ratios (ARFR or NFLR). While forecast assumptions are clear, presenting the LTFP in real terms may be confusing for some stakeholders.

Limited forecast data lacks the detail needed for ratepayers and stakeholders to understand revenue sources or funding and expenditure relationships, restricting information flow between the Council and the community. Including more information in the LTFP would help stakeholders better grasp the risks, benefits, and value of capital projects and services.[28]

The Commission recommends that the Council:

1. **Publish** a comprehensive version of the LTFP annually, to improve transparency for stakeholders.
2. **Upgrade** its IAMP to include asset condition data and assessments of how well assets meet established service standards.

[28] Australian Local Government Association, ALGA 2024 National State of the Assets report, p. 64.

5 Financial sustainability

5.1 Operating performance

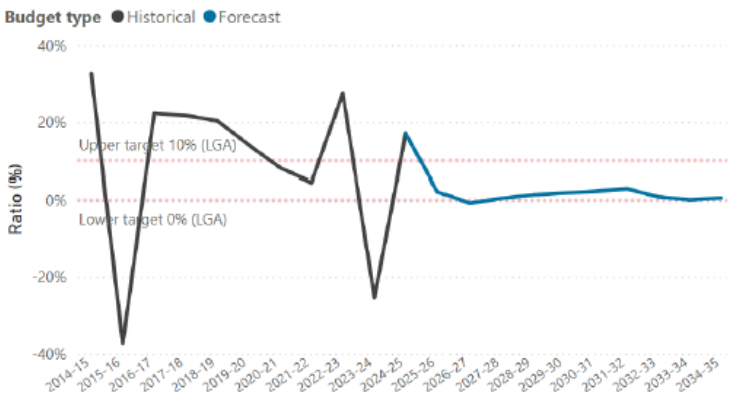
5.1.1 Key points

- ⚠ The Council has an historical OSR above, and a forecast OSR at the lower end of the LGA recommended range (1.2 percent).
- ✓ The Council has high levels of grant income but has mitigated the inherent variability historically.
- ✓ The Council is moving towards full cost recovery for specific assets.
- ✓ The Council has demonstrated effective contract cost control historically by undertaking road works in-house.

The Council has maintained strong operating performance, with an average annual OSR of 12.8 percent in the Historical Period, mainly due to grant income and effective cost management. While income, especially from grants, has been volatile, the Council has managed these fluctuations well, achieving surpluses in most years. Rate income and user charges have grown above the level of inflation, while the Council's largest expense category of 'materials, contracts and other' has declined. Forecasts suggest moderate growth in both total income and total expenses, slightly below inflation.

5.1.2 Operating Surplus Ratio

Figure 2: Operating surplus ratio – historical and forecast

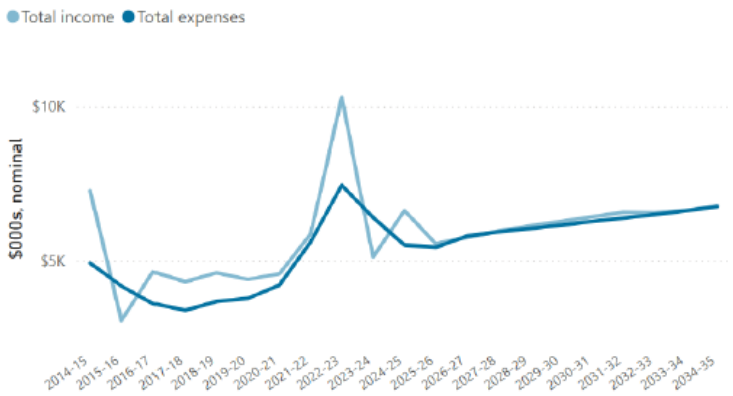


The Council has achieved average annual OSR of 9.6 percent in the Historical Period, with volatility in the yearly result that can primarily be attributed to disaster funding and timing in the payment of Financial Assistance Grants. The average OSR outcome is above the LGA recommended target range for this ratio of zero to ten percent.[29] The Council is forecasting a significantly lower OSR in the

[29] The LGA has suggested a target range for Operating Surplus Ratio of an average of between 0-10 percent, LGA 'Financial Sustainability' Information Paper No, 9: *Financial Indicators* - Revised May 2019, available at: https://dit.sa.gov.au/local-government/documents/office-of-local-government/financial_sustainability_information_paper_9.pdf, P.6.

Forecast Period with an average outcome of 1.2 percent because of modest rate increases (below inflation) combined with increased depreciation expenses.

Figure 3: Total income and expenses – historical and forecast



5.1.3 Income

5.1.3.1 In the Historical Period:

- Historical rateable property growth was approximately 0.8 percent per annum.[30]
- The Council sourced an average of 27.7 percent of its income from rates with the remainder primarily sourced from grants, investment income and user charges.
- Rate income grew by an average of 8.2 percent annually, outpacing the 2.9 percent average CPI, which the Council attributes to community-supported infrastructure projects and efforts to raise rates that were previously raised below inflation.[31]
- Total income declined (CAGR) by 3.9 percent per annum on average, primarily due to unusually high grant revenue in 2014-15.
- The Council's grant income over the Historical Period was distorted by the receipt of significant grants in 2014-15, disaster recovery funding in 2022-23 (see Figure 3) and the timing of grants in 2023-24. The Council has benefitted from a high proportion of grants income in some years, however, grant income tends to be less certain in quantum and timing, which can result in volatility in operating results. Despite the variable income, the Council has predominantly maintained operating surpluses.
- user charges grew (CAGR) on average at 12.6 percent per annum as the Council moved towards a full cost recovery model for some assets such as its Community Wastewater Management Scheme (CWMS) and water supply.

5.1.3.2 In the Forecast Period:

- The Council forecasts average annual (CAGR) growth in total income of 2.3 percent per annum, below the RBA forecast inflation.

[30] Based on the Council's Financial Reporting template provided to the Commission.
[31] Meeting with the Council, 26 May 2025.

- rates are forecast to grow (CAGR) on average at 1.7 percent per annum (below inflation), grants at 2.5 percent and user charges at 3.2 percent. In the latter three years of the Forecast Period, rates income declines due to removal of the fixed charge component of CWMS charges.[32]

5.1.4 Expenditure

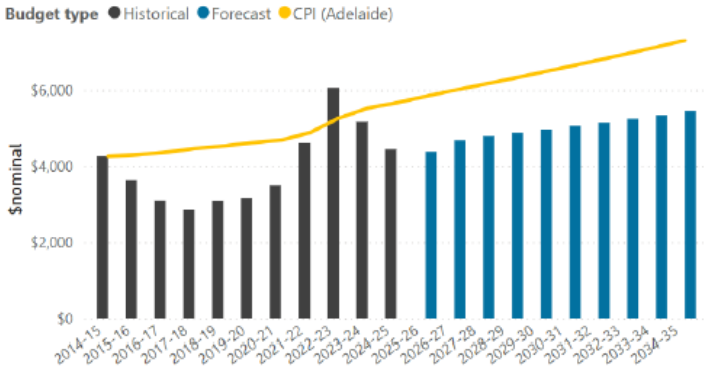
5.1.4.1 In the Historical Period:

- Total expense growth (CAGR) averaged 3.0 percent (marginally above inflation of 2.9 percent), while annual average (CAGR) growth in operating expenses per rateable property was 2.2 percent.
- The Council had 5.0 percent growth (CAGR) per annum on average in employee costs, and a 0.2 percent average decline in 'material, contracts and other' expenses due to the Council undertaking more road repairs in-house.[33]
- A 7.8 percent growth (CAGR) in depreciation costs reflected growth in the value of infrastructure assets combined with the expense impact of new and upgraded assets.

5.1.4.2 In the Forecast Period:

- The Council forecasts growth (CAGR) in total expenses of 2.5 percent, in line with forecast long-term inflation. The forecast cost constraint may be challenging to achieve, noting the historical performance (total expense growth of 3.0 percent) and considering the Council's remote location, which can result in contractor mobilisation costs.[34]

Figure 4: Expense by rated property - historical and forecast



The expenditure spikes in Figure 4 represent years in which contract expenses were high due to natural disaster responses. The Council handles road maintenance and certain capital improvements internally to reduce contracting expenses.[35]

5.1.5 Commission's recommendations on operating performance

The Commission notes the effective management of variable grant income and recommends that the Council:

[32] Correspondence with the Council, 19.11.2025.
[33] See note 31.
[34] Where contractors require additional expenses to provide labour, equipment and materials to the worksite based on its location.
[35] See note 31

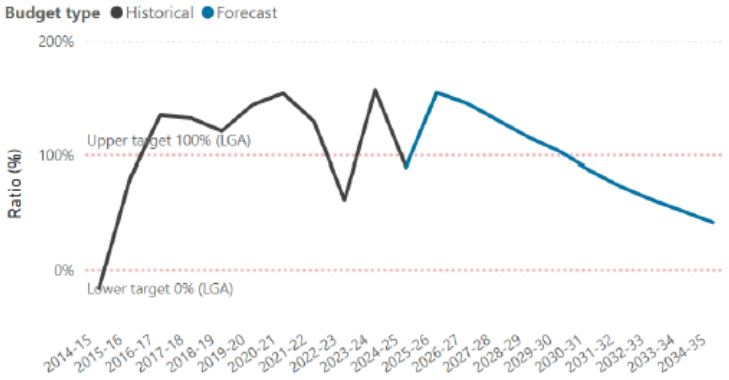
3. **Report** its actual and projected cost savings in its annual budget, to provide evidence of constraining cost growth and achieving efficiency across its operations and service delivery.

5.2 Net financial liabilities

5.2.1 Key points

- ✓ The Council has a good understanding of its NFLR.
- ⚠ The Council's high liabilities and fixed income require effective risk management.
- ✓ The Council has decreased its cash holdings from historical levels.
- ✓ The Council's forecast income from its Farr St subdivision is expected to reduce borrowings.

Figure 5: Net financial liabilities ratio – historical and forecast



The Council's net financial liabilities ratio (NFLR) is above the recommended range, mainly due to contingent liabilities from resident bonds at Cowell Cottages and loans related to the CWMS system, neither of which are likely to negatively affect the Council's operations (see discussion below). Excluding these, the NFLR would be much lower. Historically, the Council's liabilities have been high compared to its income, and cash holdings have decreased significantly in the Historical Period. The Farr St subdivision is expected to reduce future borrowings when the Council receives income from its development.

The NFLR[36] is a measure of a council's indebtedness and indicates whether a council can cover its net financial liabilities over a period.[37] In the Historical Period, the Council had high total liabilities with an annual average of $7.8 million and a smaller annual income, averaging $5.2 million per annum. While the NFLR averaged 100 percent over the Historical Period, for seven of the 10 years it materially exceeded the upper end of the target range, for two key reasons:

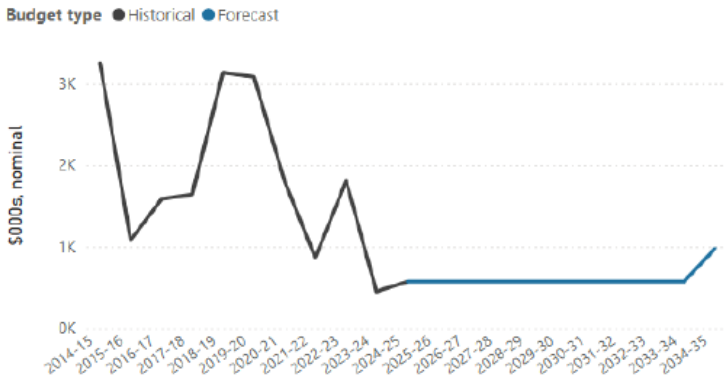
[36] The net financial liabilities ratio is defined as: Net financial liabilities ÷ Total operating income. This ratio measures the extent to which a council's total operating income covers, or otherwise, its net financial liabilities.

[37] The LGA target range is between zero and 100 percent of total operating income but could be higher in some circumstances (see LGA SA *Financial Indicators Paper*, pp 7 – 8).

- The Council owns Cowell Cottages, for which resident bonds create a contingent liability currently valued at about $2.0 million (29.1 percent of liabilities at 30.6.2024), which increases the NFLR. Although this is a real liability, a long waitlist for the accommodation reduces the likelihood that it will need to be realised. The cottages had a capital value of $2.5 million as of 30 June 2025, providing assurance that the liability is unlikely to affect Council operations. The asset value offsets the liability but is not included in the NFLR calculation.
- The borrowings also include a $2.8 million loan for CWMS (31.1 percent of liabilities at 30.6.2024). Repayments are funded by users of the service who pay a capital fee for CWMS as part of their rates (in addition to maintenance fees) that will eventually discharge the loan. The likelihood of the Council being required to meet that liability is also minimal.

The Council's current Farr St subdivision project forecasts that income generated by the project will reduce the need for borrowings within two years of its commencement.[38]

Figure 6: Cash and cash equivalents at year end – historical and forecast



Over the Historical Period, the Council reduced its cash holdings from $3.3 million to $0.5 million and it plans to hold negligible cash as at year end through the Forecast Period, while also planning to reduce borrowings from $6.0 million in 2025-26 to zero by 2034-35.

[38] Commencing in 2025-26, Annual Business Plan and Budget – 2025-26, P.6.

5.3 Asset renewals expenditure

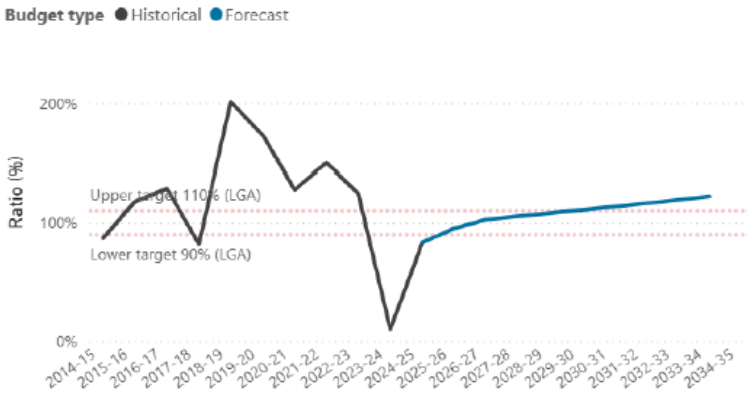
5.3.1 Key points

- ✓ The IAMP updated in 2022 includes all assets.
- ⚠ The IAMP does not include asset condition data, details about remaining useful lives of assets, or asset related operational and maintenance expenditures.
- ⚠ The Council does not annually index its asset values.
- ✓ The Council has achieved an average gross ARFR of 93.4 percent historically, which is within the LGA recommended range.

The Council's IAMP, updated in 2022, identifies renewals expenditure to 2032 but lacks detailed data on asset condition and operational costs. The plan sets out service levels and methods for assessing asset conditions but lacks comprehensive risk and monitoring details. The Council has maintained a strong ARFR averaging 93.4 percent (gross), despite events like Cyclone Tiffany (2022) and a major 2023 storm temporarily impacting spending patterns. Disaster recovery funding helped restore damaged roads. Over the past decade, the Council spent an average of $2.0 million annually on asset renewals and $2.7 million on new capital projects, including major infrastructure upgrades. Asset value per rateable property has risen by an annual average (CAGR) of 9.4 percent, influenced by capital investment and property capital growth.

Based upon the Council's most recent IAMP from 2022, the Commission has the view that further development of asset planning would benefit the Council and its community. The IAMP proposes $13.3 million in renewal costs to 2032, aligning with LTFP projections. It excludes operational and maintenance cost estimates. The IAMP defines service levels and condition assessment methods for transport assets but details about the extent to which standards are met are not incorporated into the plan. It describes a theoretical approach without specific information about risks, monitoring against standards, valuation practices, or detailed condition assessments.

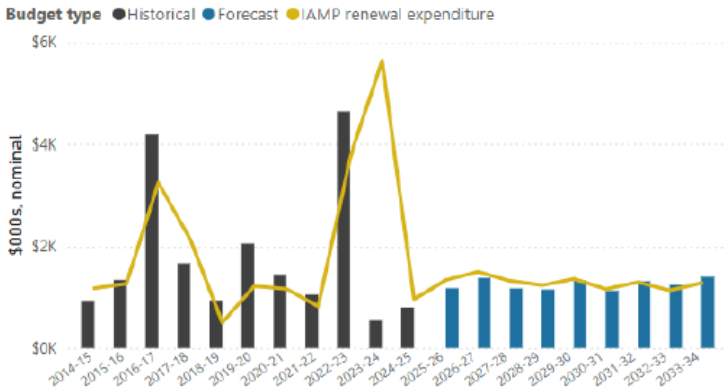
Figure 7: Asset renewal funding ratio (renewal expenditure gross) – historical and forecast



The Council has achieved an average gross ARFR of 93.4 percent over the Historical Period, indicating that it has renewed and replaced its assets in line with its IAMP and within the recommended LGA

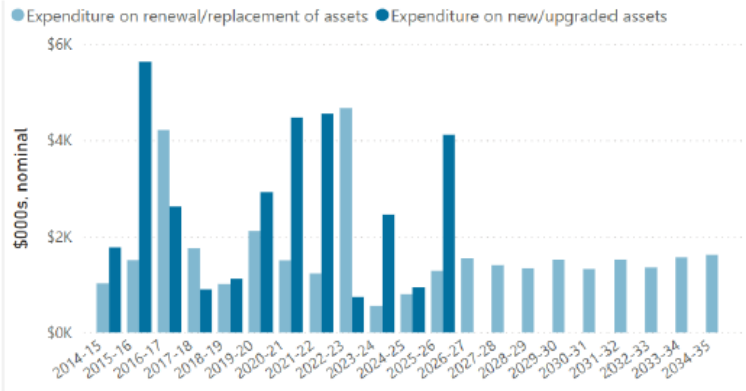
range. The Council forecasts that it will achieve an average gross ARFR of 110.1 percent in the next nine years.[39]

Figure 8: Net asset renewal and IAMP renewal expenditure – historical and forecast



In 2023-24, actual expenditure was significantly different from planned IAMP expenditure (see Figure 8) because of Cyclone Tiffany in 2022, and a further major storm in 2023. The Council experienced significant road damage on both occasions and diverted its capital expenditure and maintenance efforts towards resolving those. The Council received disaster recovery funding and grants (covering approximately 88.0 percent of required expenditure)[40] to assist in restoring its transportation network, resulting in a benefit as affected roads were restored to new condition. The Council's depreciation-based ARFR is forecast to average 67.4 percent reflecting the quantum of roads restored to new condition that will not require renewal expenditure in the short term but that are depreciated as per usual practice.

Figure 9: Total capital expenditure by category – historical and forecast

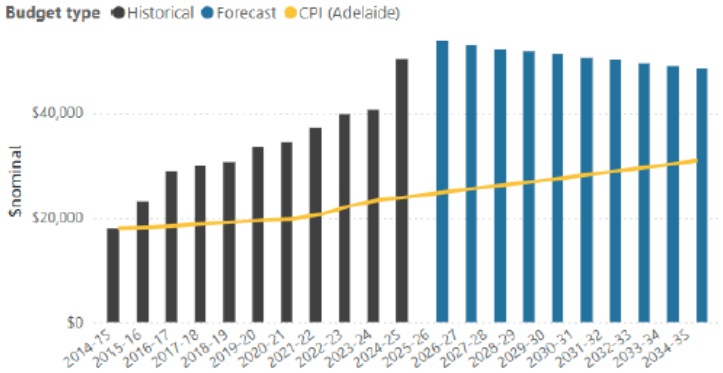


Historically the Council has spent an average of $2.0 million per annum on renewal capital expenditure and an average of $2.7 million per annum on new and upgraded asset expenditure. The Council has invested in several new infrastructure projects over the past decade including the Cowell CWMS in 2017 and the Marina upgrade in 2021.

[39] The Council has not forecast IAMP renewal expenditure for 2034-35 in their financial template.
[40] Infrastructure & Asset Management Plan 2023-32, p.11.

Over the Forecast Period, after a planned expenditure of $4.1 million on new and upgraded assets in 2025-26, the Council plans no further expenditure on new and upgraded assets. The Council's practice is to include grant funding in its forecast when it is certain, which is reflected in the zero forecast for new infrastructure from 2026-27 (see Figure 9).

Figure 10: Value of asset stock per rateable property – historical and forecast



The annual growth in infrastructure value was 10.3 percent, well above the rate of inflation at 2.9 percent in the Historical Period, primarily due to the Council's investments in capital renewal and new and upgraded infrastructure related to roads.

Assets per rateable property rose from $18,041 in 2014-15 to $40,618 in 2023-24 (see Figure 11). While the LTFP assumes zero or negative population growth, the Council template data shows small increases in rateable properties (historically) and new land releases which will impact assets per rateable property values. The Council forecasts a decline of 1.0 percent per annum (CAGR) in infrastructure asset values as depreciation values exceed renewal spending. The most recent revaluation and assessment of assets was undertaken in June 2020 and the Council does not index its asset values annually.[41] The practice of not indexing assets between revaluations impacts the asset value, forecast renewal expenditure and the basis for depreciation which may lead to material change in depreciation expenses. Refer to Recommendation 2 for the Commission's advice on asset management.

5.4 The Commission's recommendations on asset renewals expenditure

The Commission also recommends that the Council:

4. **Ensure** that asset values are updated and reflect assessed asset conditions, to enable accurate assessment of required asset expenditure and depreciation expenses.

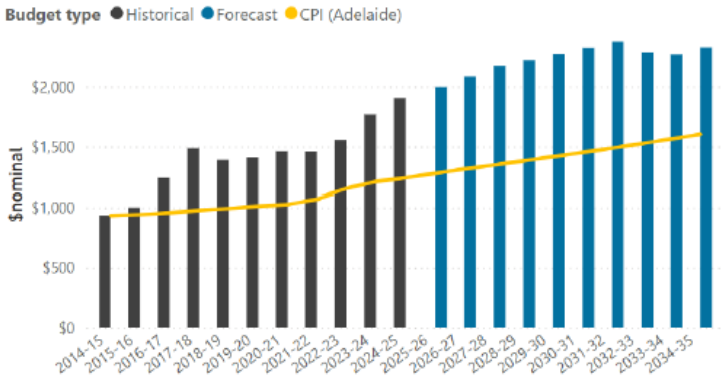
[41] Responses to initial questions, 30 April 2025.

6 Advice on current and projected rate levels

6.1 Key points

⚠	The Council's rate increases historically have been significantly above CPI inflation.
✓	Proposed rates for the Forecast Period are below inflation and likely to be more affordable.

Figure 11: Average rates revenue per property – historical and forecast



Rates per property have increased on average (CAGR) at 7.4 percent per annum, above inflation of 2.9 percent in the Historical Period. The Council increased rates by 9.9 percent in 2023-24[42] then by 6.3 percent in 2024-25.[43] The basis for increase is the March CPI (prior to financial year) plus an additional percentage to fund the Council's capital and strategic programs. The Council notes that it consults with the community about all major proposals to align capital infrastructure with community preferences.[44]

The proposed rate increases for 2025-26 is 3.0 percent[45] comprised of March 2025 CPI at 2.4 percent plus an additional 0.6 percent. Over the Forecast Period, rates per property are planned to grow at 1.5 percent per annum - below the rate of forecast CPI.

6.2 Affordability risk

The forecast rate increases encompass minimal growth in rateable properties of 0.2 percent per annum on average. The SEIFA index for the region[46] was 33 in 2021 and has shown a declining trend since 2016,[47] indicating that rates affordability may be an emerging issue for some ratepayers. It may assist

[42] Annual Business Plan and Budget – 2023-24, P.15.
[43] Annual Business Plan and Budget – 2024-25, P.14.
[44] See note 31.
[45] Annual Business Plan and Budget – 2025-26. P.13.
[46] The Franklin Harbour area is ranked 33 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 (eg, 1) denotes relatively lower access to economic resources in general, compared with other areas, available at https://www.abs.gov.au/statistics/people/people-and-communities/socio-economic-indexes-areas-seifa-australia/latest-release.
[47] SEIFA ranking was 38 in 2011 and 43 in 2016, denoting a relative decline in the access to economic resources for the population in this area.

ratepayers if forecast average rates per property increases can be constrained to growth of 1.5 percent per annum on average as planned.

6.2.1 The Commission's recommendations on affordability risk

The Commission recommends that the Council:

5. **Consider** future rate rises in the context of affordability for all ratepayers and the declining SEIFA index ranking.

7 The Commission's next advice and focus areas

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

- Achievement of its planned asset renewal and replacement program as outlined in its IAMP.
- Management of its net financial liabilities in the context of its income.
- Financial outcome of its Farr St development project.
- Achievements against its forecasts while balancing its community service expectations.

8 Appendix: Glossary of terms

Term	Explanation
ABS	Australian Bureau of Statistics
AMP	Asset management plan (also called an IAMP)
ARFR	Asset Renewal Funding Ratio: renewal expenditure based (gross): Asset Renewal Expenditure / IAMP Renewal Expenditure (where IAMP expenditure includes sale of replaced assets) Asset Renewal Funding Ratio - renewal expenditure based (net) - if IAMP excludes sale of replaced assets: Asset Renewal Expenditure / IAMP Renewal Expenditure (where IAMP expenditure excludes sale of replaced assets) Asset Renewal Funding Ratio (depreciation based): Asset Renewal Expenditure / Depreciation (IAMP Renewal Expenditure is that required according to the IAMP.)
CAGR	Compound Annual Growth Rate: CAGR = (Vfinal / Vbegin) $^{1/t}$ – 1 CAGR represents the mean annualized growth rate for compounding values over a given time period. CAGR smooths the effect of volatility of periodic values that can render arithmetic means less meaningful. (Source: Wikipedia)
Commission	Essential Services Commission, established under the *Essential Services Commission Act 2002*
CPI	Consumer Price Index (Adelaide, All Groups)
Council	District Council of Franklin Harbour
ESC Act	*Essential Services Commission Act 2002*
F&A	Local Government Advice: Framework and Approach – Final Report
Forecast Period	10 years from 2025-26 to 2034-35
FTE	Full Time Equivalent
Historical Period	10 years from 2014-15 to 2023-24
IAMP	Infrastructure and asset management plan (also called an AMP)
LG Act	*Local Government Act 1999*
LGA SA Financial Indicators Paper	Local Government Association of South Australia, Financial Sustainability Information Pa per 9 - Financial Indicators Revised May 2019

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

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