

THE CORPORATION OF THE CITY OF WHYALLA



ANNUAL BUSINESS PLAN

Photography by Karen Bilney



2026-27

COMMUNITY CONSULTATION

The consultation period for the draft 2026/27 Annual Business Plan & Budget was open from Thursday 30 April 2026 to Monday 25 May 2026.

The draft document as well as additional supporting information were available on Council's website and the public were advised via media releases, social media, direct email, radio promotions, tv classifieds and a notice in the local newspaper.

Council offered a variety of methods for the community to receive information and provide feedback including:

- Holding two Community Information Sessions at the Mount Laura Homestead Museum on Tuesday 5 May 2026 at 6pm and Wednesday 20 May 2026 at 2pm
- Holding an online Community Information Sessions on Tuesday 12 May 2026 at 7pm
- Making a verbal submission at the General Council meeting on Monday 18 May 2026
- Submitting a written submission on via Council's website, email, mail or front counter.

Council welcomed all feedback received from our community on the proposed activities and funding arrangements contained within the draft 2026/27 Annual Business Plan and Budget.

A report containing all submissions was presented to the Council for consideration at a Special Council Meeting on Monday 1 June 2026 and included recommendations for how community feedback could be integrated into Council's plans.

ACKNOWLEDGEMENT OF COUNTRY

We acknowledge the lands in our region belonging to the Barngarla people, and acknowledge them as the traditional custodians from the past, for the present and into the future.

The Barngarla people are strong, and are continuously connecting to their culture and their country. Whyalla City Council and the Barngarla people can work together to build a stronger future.



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MAYOR & CEO MESSAGE

On behalf of the Council Members and City of Whyalla staff, we are pleased to present the Annual Business Plan and Budget for financial year 2026-27 (FY27). This plan outlines Council's proposed services, programs and projects for FY27, aligned with our vision 'We Embrace Opportunity, We Thrive Together, We Lead the Way'. While we remain committed to maintaining our existing services and assets, we are equally focused on preparing for future opportunities that will shape and strengthen our city, its economy and our community over time.

FY26 SNAPSHOT

Council has continued working closely with all levels of government to advance major initiatives for the city, ensuring we are well positioned to maximise emerging opportunities. This includes significant investment from the State Government, with major projects now underway in Whyalla such as a new multi-user sport facility and a new Ambulance Station.

Other key highlights of council projects delivered or commenced included:

- **Completing the \$32m joint Federal and State Government funded airport runway upgrade, which is critical to enable one of the city's and region's most strategically important assets to cater for larger aircraft and other commercial opportunities**

- **The new Civic Park playground has officially opened, delivering a refreshed and modern play space designed for children of all ages and abilities. The upgrade includes new equipment, improved accessibility and enhanced surroundings, creating a vibrant and welcoming destination for families in the heart of the city.**

- **Finalising detailed design and tendering for the foreshore Splash and Play Plaza, aimed at revitalising our foreshore area and creating a contemporary space that caters for locals, while helping attract new people to our city, with construction expected to commence within coming months.**

- **Progressing a \$2.4 million renewal of the Whyalla Boat Ramp, with 75% funded through grants, along with dredging works at both the Whyalla and Point Lowly Marinas at a cost of \$950,000**

- **Completing the upgrade of the Mitchell Quinn (McGee Street) Playground, delivered in collaboration with the Quinn family to create a meaningful and modern play space informed by community feedback**

OUR FY27 PLAN

We've used feedback from the 2025 Annual Community Survey to directly shape Council's priorities, with a strong focus on areas identified by the community as needing improvement. This includes targeted action on illegal dumping through increased promotion of free disposal options, service reviews and community engagement initiatives, alongside the introduction of Enjoy Whyalla to highlight and support efforts to improve the city's appearance, as well as ongoing work across city maintenance, roads, footpaths and project delivery. Additional focus is being placed on city amenity, with a plan to increase resourcing over the next 12 months, with median and verge maintenance being a high priority for improvements.

Our ongoing focus on resolving the numerous legacy issues across the city - particularly relating to ageing infrastructure - will continue in FY27, ultimately allowing us to shift our focus from the past to the future.

Some of the key projects slated for delivery by Council in FY27 include:

- **Commencing construction of the \$7m foreshore Splash and Play Plaza, with the final designs incorporating community feedback**

- **Progressing the design of the new \$8 million Whyalla Foreshore Centre, which will incorporate the Surf Life Saving Club, café and kiosk, with opportunities for additional tenancies**

- **Council will also continue to seek key stakeholder commitment and co-ordinated intervention to evolve Whyalla into a contemporary exemplar South Australian Regional Capital City - one that is not only economically productive, but also socially vibrant and environmentally resilient**

- **Council remains committed to maintaining strong service delivery standards, ensuring our day-to-day services continue to meet community expectations**

COMMUNITY FEEDBACK

Council undertook extensive community consultation on this year's budget, including holding multiple public information sessions (including online opportunities); accepting formal and informal submissions; and the opportunity to make representations at the May Ordinary Council Meeting. Community participation levels were higher than in recent years, which was appreciated by Council Members.

YOUR RATES

Council consulted with the community on two rate increase options, being 5.3% and 6.3%. Both models proposed additional resources for city amenity, but under the 5.3% model, these resources would only be deployed once short-term fuel prices returned to where they were in February 2026. When the draft was developed, CPI was projected to be 3.5%. However, March CPI was released at the beginning of the consultation period and was higher than projected, at 4.9%.

Feedback on the proposed rate increase was mixed, but a key theme was that the figure should be as close to CPI as possible. Work has been undertaken on adjusting the budget, with the final position being an increase of 5.3%. While this is in line with the lower of the consultation options, it is actually 1.4% closer to the final CPI figure (when comparing the lower option to projected CPI). Additionally, it still allows for one additional employee to be deployed to focus on city amenity immediately, something that was originally only included with a 6.3% rate increase. The final result is considered to best reflect the variety of feedback received.

Feedback was also received on other areas of Council's service delivery and wherever possible these suggestions will be incorporated into operations.

We are confident this plan will support our city and community to adequately plan and prepare to seize the opportunities over coming years, predominantly courtesy of the faith, support and planned investment of the State and Federal governments into our city and its green steel future.

While this plan positions Whyalla to embrace future opportunities, we must also acknowledge that there are challenging times ahead. Council will need to carefully balance the many expectations of our community, while remaining mindful of current and forecast economic conditions. Navigating this environment will require considered decision-making to ensure we continue delivering essential services and sustainable outcomes for our city.

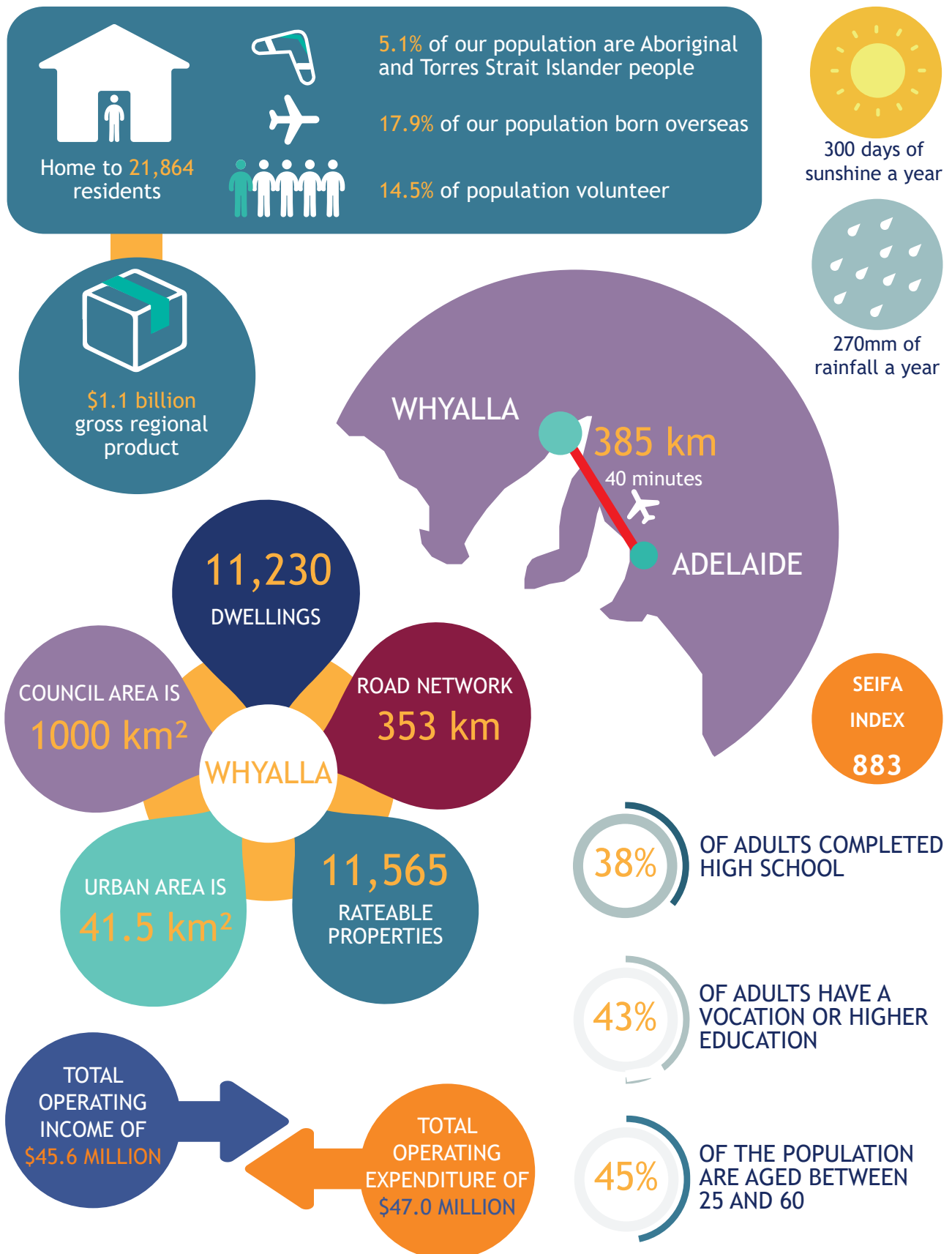


Mayor
Phill Stone



CEO
Justin Commons

CITY AT A GLANCE



COUNCIL AT A GLANCE

ELECTED MEMBERS

Collectively Elected Members are responsible for policy making and decisions that impact on future plans for the city and the lives and livelihoods of individuals, organisations and businesses within it. The City of Whyalla is represented by ten elected members which includes a Mayor (Chairperson) and nine Councillors



Phill Stone
Mayor



Tamy Pond
Deputy Mayor



Peter Borda
Councillor



Kathryn Campbell
Councillor



Mark Inglis
Councillor



Peter Klobucar
Councillor



David Knox
Councillor



Bill Simpson
Councillor



Zia Westerman
Councillor

The role of an Elected Member is to:

- participate in the deliberations and civic activities of the Council
- formulate the Council's objectives and policies
- keep the Council's objectives and policies under review to ensure they are appropriate and effective
- keep Council's resource allocation, expenditure and activities and the efficiency and effectiveness of its service delivery under review
- represent the interests of residents and ratepayers, to provide community leadership and guidance and to facilitate communication between the community and the Council.

FUTURE PLANNING



STRATEGIC DIRECTION

Whyalla City Council's Strategic Management Plans have a strong focus on creating a proud and thriving city with a diverse economy and a strong sense of community spirit.

- the Whyalla City Council Strategic Plan 2025-2034
- the Whyalla City Council Long Term Financial Plan 2025-2034
- the Whyalla City Council Asset Management Strategy 2025-2034

The plans have been developed to closely align with the City's inaugural Community Plan - Whyalla 2030 and Beyond: a plan developed by the Community for the Community. These plans also align with relevant regional and national initiatives and priorities included in the South Australian Strategic Plan.

PLANNING FRAMEWORK

The diagram below demonstrates how our Plans connect to deliver on our Vision. Consistent with our commitment on delivering our plans, we consciously keep track of our progress and report back to you, our community, through the plans and reports outlined below.



OUR VISION

WHYALLA: 2030 and Beyond!

We Embrace Opportunity,
We Thrive Together, We
Lead the Way.

In our amazing transformation, Whyalla has emerged as a thriving, clean city where every resident experiences a profound sense of belonging, showcasing a remarkable resilience, innovative spirit, and a strong community bond that has fuelled our journey towards prosperity. Whyalla is a city where progress is measured not only by economic indicators but by the sense of pride and opportunity that every resident enjoys in this thriving, progressive community.

VALUES

- We Belong
- We Collaborate
- We Deliver
- We Serve

STRATEGIC PLAN 2025-2034



OUR PEOPLE AND COMMUNITY

Empowered people embrace their community to achieve a sense of belonging.



OUR LIVEABILITY

A quality life in a safe and connected community.



OUR INDUSTRIES AND BUSINESS

A diverse and prosperous economy.



OUR LEADERSHIP

Leadership that creates and shares a prosperous future for the community of Whyalla.

CITY SCORECARD

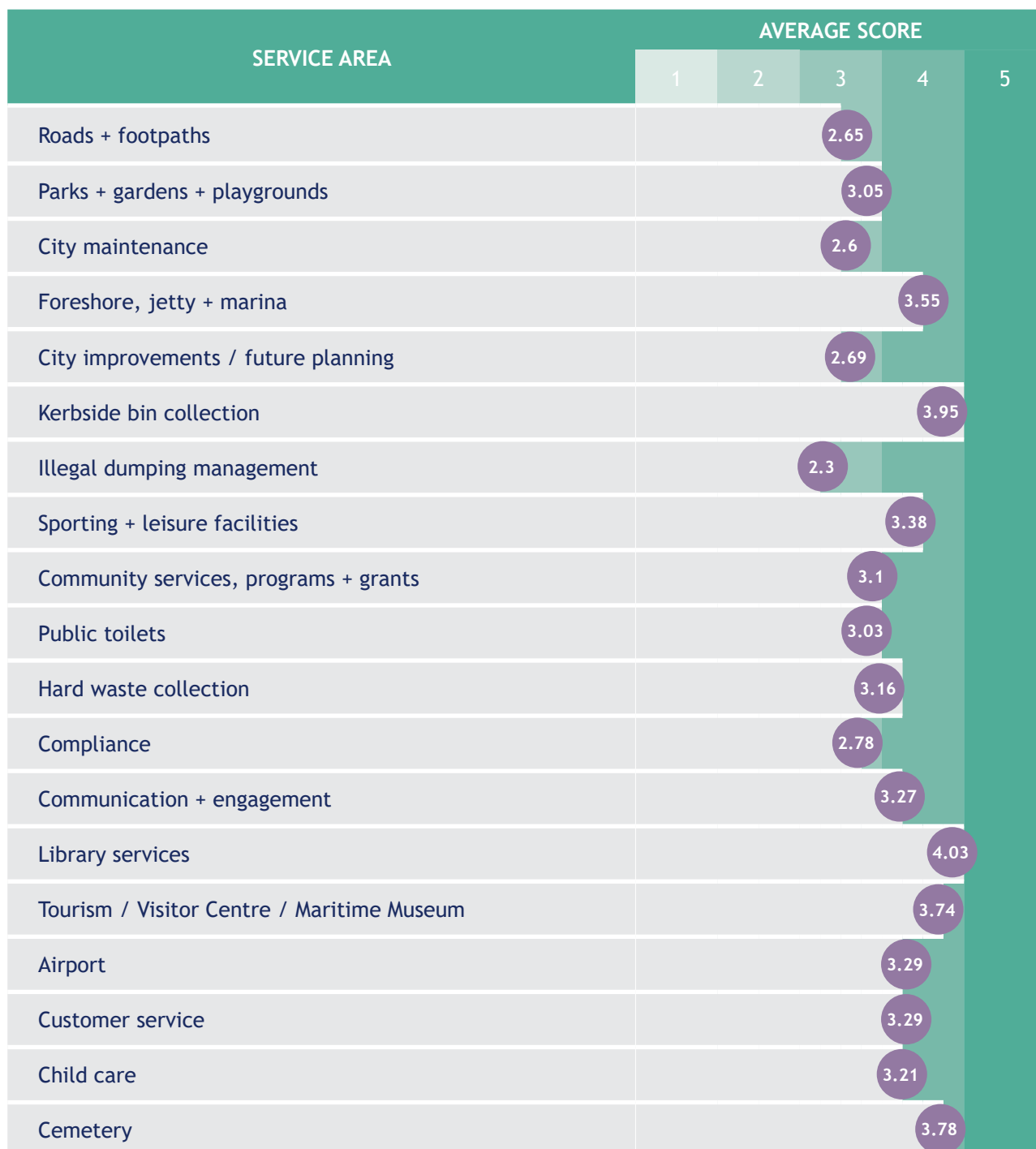


2025-26

COMMUNITY PERCEPTIONS

COMMUNITY SURVEY

During October 2025, Council undertook its fifth annual survey. The format of the survey changed for this year, with a focus on the relative importance of services delivered by Council and the perception of how well they are delivered. The graph below shows the services ordered from most to least important, with a score for service delivery out of 5. Council will use this information to prioritise service improvements over coming years.



PROJECT DELIVERY



AIRPORT RUNWAY UPGRADE

Urgent works required to the main runway to allow for Q400 flights to service the airport on an ongoing basis. The project is over 90% grant funded jointly by the State and Federal Governments. This is the largest project that Council has ever delivered and lots of hard work went into ensuring it was completed successfully. While the main runway itself was completed in 2024-25, works on the lighting and grooving of the asphalt continued into August 2025. The project was completed on time and under budget.

AIRPORT UPGRADES

Due to the Airport Runway Upgrade being completed under budget, the State and Federal Governments agreed to allow the remaining funds to be allocated to a number of other high priority airport projects that closely aligned with the purpose of the original funding agreement. Works to be completed are a new airside fence, upgrade of the water main and replacement of the terminal switchboard. These all need to be completed prior to 30 June 2026 and are all progressing well.



TRANSPORT RENEWAL PROGRAM

This is the first year of a three-year program, that includes renewal of road (sealed and unsealed), kerb, footpath and traffic signal assets. The development of the program was based on detailed network condition data, in conjunction with visual assessments and usage information. The sealing program for this year focused on Fitzgerald Bay Road and was completed in March 2026. The unsealed road program has focused on the False Bay Road, the alternative access to the cuttlefish dive site, with these works expected to be completed prior to winter. The footpath program is underway and will continue into the new financial year, while there was a delay in the commencement of the kerbing contract. A number of traffic crossings near local schools were replaced.



WHYALLA MARINA RENEWAL

Council was successful in achieving 75% funding for the replacement of the boat ramp and pontoons at the Whyalla Marina. Construction is well underway and will be completed prior to 30 June 2026.



DREDGING

Both the Whyalla and Pt Lowly Marinas were due for dredging works, a large undertaking that only occurs very infrequently. These works occurred in late 2025 to early 2026 and have resulted in the marinas being much more navigable at low tide, particularly at Pt Lowly.



CIVIC PARK UPGRADES

This project saw the Civic Park playground space upgraded to become one of Whyalla main play spaces. This included the installation of significant equipment, a basketball court, a new toilet, renovation of the existing toilet, as well as path and retaining works.



HMAS WHYALLA

Painting of the ship, to complete the last major piece of waterproofing the vessel.



FORESHORE PLAZA

This project will see the development of an iconic community space, complete with custom designed play space and splash play features. Council has been successful in obtaining \$3.14 million of funding towards this project from the Federal Government's Growing Regions Program. Works have been tendered with a contract soon to be awarded, and construction to kick off in early 2026-27.



FORESHORE CENTRE BUILDING

This project will see the demolition of the existing Surf Life Saving Club building, and replaced with a much more contemporary space, that will incorporate a café and function area. Council was successful in obtaining \$5 million of funding from the State Government towards the project. The works will be tendered in the coming months, with construction to kick off later in 2026.

Detailed updates on the delivery of the entire capital program can be found in Council Agendas on a quarterly basis.

2025-26 ACHIEVEMENTS

Photography by Leonie Hall



OUR PEOPLE AND COMMUNITY

Empowered people embrace their community to achieve a sense of belonging

BUILDING RATIONALISATION

ON TRACK

PLANNED ACTIVITIES

Continue the review of Council's buildings and plan for their future use. A change of mindset is required to ensure that the community has access to modern multi-use facilities that are highly utilised and deliver community value.

PROGRESS TO DATE

The remaining actions from the 2022 resolution will be completed prior to 30 June 2026. The old Civic Building will soon be marketed for sale, with the expectation that there are some interested parties.

MOUNT LAURA MUSEUM

ON TRACK

PLANNED ACTIVITIES

Now that a Memorandum of Understanding is in place, look to develop the facility to improve the community offering.

PROGRESS TO DATE

Planning for improvements to the museum are well underway.

OUR LIVEABILITY

A quality life in a safe and connected community

CITY AMENITY

ON TRACK

PLANNED ACTIVITIES

Council is conscious of the need to ensure that service levels in the city continue to meet community expectations and not to be distracted by the development coming on line in the city. Areas of particular focus include the management of trees, weeds and illegal littering. Novel approaches may be required to make improvements in these areas while operating within current budget constraints.

Currently almost half of the waste put in general waste bins across the city could be diverted to green waste. If this occurred, it would save almost \$300,000 a year in disposal costs. Continued investment is required in this area to change behaviours and realise these benefits. Education programs will be undertaken with industry partners to empower the community to begin making this change.

PROGRESS TO DATE

Significant work is being undertaken to review Council's hard waste and roadside cleaning contracts, to ensure that they are being undertaken in the most efficient manner and making an overall contribution to the amenity of the city. Work has been undertaken to identify the best funding model to increase the resourcing of median and verge maintenance over the next 12 months.

FORESHORE PRECINCT

ON TRACK

PLANNED ACTIVITIES

Progress the Foreshore Plaza project in line with approved funding.

Deliver the boat ramp and dredging projects in the Whyalla marina.

The Foreshore Splash and Play project has been tendered and works are expected to commence in the coming months.

PROGRESS TO DATE

The Whyalla Foreshore Centre Building will be tendered in coming months and built over 2027.

The boat ramp, dredging and Pt Lowly wharf demolition will all be completed by 30 June 2026. The marina carpark will be undertaken in 2026/27.

OUR INDUSTRIES AND BUSINESS

A diverse and prosperous economy

ECONOMIC DEVELOPMENT PLAN

ON TRACK

PLANNED ACTIVITIES

Delivery of the Economic Development Plan with the Eyre Peninsula RDA.

PROGRESS TO DATE

The RDA is undertaking significant work in the area of workforce development and transition, to ensure that the city is ready for the changes occurring at the steelwork and mining operations.

NORTHERN COASTLINE MASTER PLAN

ON TRACK

PLANNED ACTIVITIES

- Continue to plan for the future of the Cuttlefish Dive Site, to deal with the risks created by increased visitation, to improve the visitor experience and to look for ways for the community to benefit from this unique tourism asset.
- Continue with the negotiation of an Indigenous Land Use Agreement for the Northern Coastline, to allow for improvements to the tourist experience to proceed.

PROGRESS TO DATE

- Recent work with the State Government is likely to result in funding of dive site infrastructure for future years, although the site will need to be used in the current configuration for this season.
- This item is now sitting with BDAC and is outside of Council's ability to progress further at this time.

AIRPORT MASTERPLAN

OFF TRACK

PLANNED ACTIVITIES

Develop a comprehensive plan for the future use of the airport, to unlock commercial opportunities that will ensure the ongoing financial sustainability of the facility.

PROGRESS TO DATE

Sufficient budget was not available to progress this item and so it will need to be deferred to 2026/27.

OUR LEADERSHIP

Leadership that creates and shares a prosperous future for the community of Whyalla

COMMUNITY PARTICIPATION

ON TRACK

PLANNED ACTIVITIES

Increase levels of community participation through engagement.

PROGRESS TO DATE

The majority of questions in the annual customer survey had more positive scores. Council have used the outcomes of the survey to help guide priority areas for the upcoming budget.

CUSTOMER EXPERIENCE

ON TRACK

PLANNED ACTIVITIES

Continued improvement of overall Customer Experience.

PROGRESS TO DATE

Regular reporting has been implemented on customer request action times, putting a lot more focus on this important area. Work is underway to implement changes to Council's website, that should greatly improve the resolution of information requests and result in less items needing employee intervention.

ORGANISATIONAL DEVELOPMENT

ON TRACK

PLANNED ACTIVITIES

Increase maturity of the performance management framework and implementation of the training and development plan.

PROGRESS TO DATE

Metrics developed and now regularly reported on in relation to organisational development activities.

Significant work being undertaken on cultural development, with future work on leadership development to occur.

INFORMATION SYSTEMS

ON TRACK

PLANNED ACTIVITIES

Continue to plan for the future modernisation of Council's information systems, while recognising that significant investment is not viable at the current moment.

PROGRESS TO DATE

Funds have been included within the 2026/27 budget to allow the implementation of a new Enterprise Resource Planning solution, to replace the current end of life system

REVIEW IRRIGATION ASSETS

ON TRACK

PLANNED ACTIVITIES

Undertake a condition rating and valuation of Council's irrigation assets as part of the 5 year cycle. Irrigation assets are vital to allow for greening of the city without the need for water trucks which are labour intensive to operate.

PROGRESS TO DATE

This work is currently out for tender and will be completed prior to 30 June 2026.

SERVICE REVIEWS

OFF TRACK

PLANNED ACTIVITIES

Council is committed to ensuring public value to the Whyalla community for all Council activities.

This will be achieved by our Service Review Framework focused on identifying community need, achieving efficiency and effectiveness with the aim to achieve on-going savings that can be passed onto the rate payer, or redirected to areas identified as requiring higher need.

PROGRESS TO DATE

Council resolved to put the current system of Service Reviews on hold, as they were not meeting the organisations needs.

Work is currently underway to develop a service catalogue, by 30 June 2026. After this time, work will be undertaken to develop internal skills in undertaking service reviews.

FUTURE CIVIC CENTRE

ON HOLD

PLANNED ACTIVITIES

Planning for the future home of Council is an exciting opportunity to ensure the delivery of a multi-use facility that delivers the best possible outcome for the community.

PROGRESS TO DATE

The Audit & Risk Committee provided advice that Council are not in a position to own their own building at this time, and should continue to lease for the foreseeable future. Negotiations will soon be undertaken to extend the lease at the former Eyre High School site.

ADVOCACY

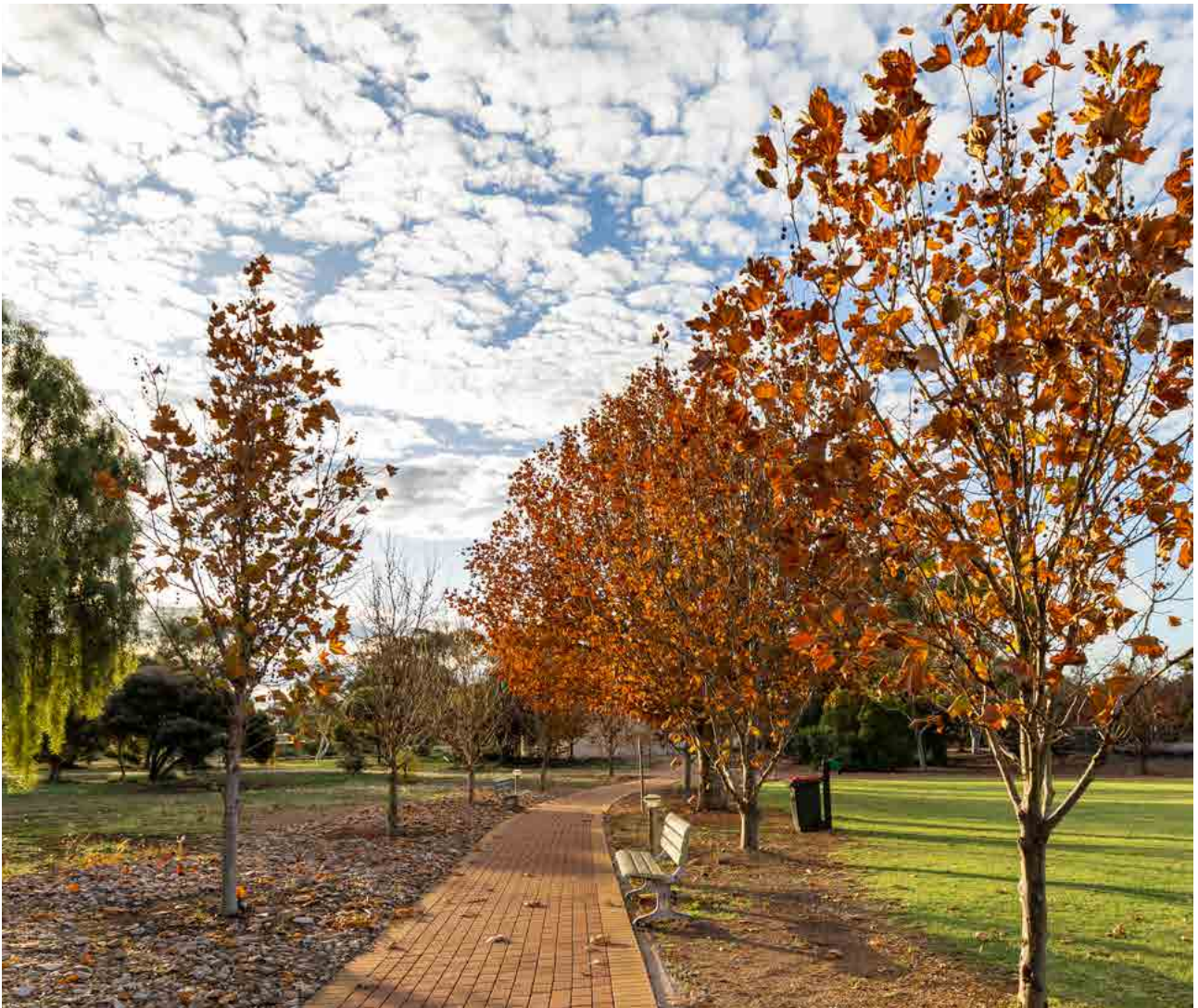
ON TRACK

OBJECTIVE

Water Security
Housing
Liveability
Precinct Partnerships
Alternate Funding Sources
Airport Sustainability

PROGRESS TO DATE

An advocacy plan was developed and adopted by Council in October 2025. Letters were sent to key stakeholders in January 2026 requesting meetings, including the Premier and Opposition Leader.



2025-26

MEASURING OUR PERFORMANCE

FOCUS AREA		PROGRESS
DELIVERY OF STRATEGIC INITIATIVES		Approximately 85% of initiatives are currently on track, excluding one that has been put on hold.
MEASURE	On track against plans	ON TRACK
DELIVERY OF CAPITAL PROGRAM		A project control group was formed, that meets regularly to discuss the capital program and major operating projects and deal with any decisions that are required to ensure that these progress smoothly. Additional resources have also been reallocated to project deliver. While there will always be delays due to unexpected circumstances, these two initiatives have resulted in better progress on projects than in previous years, with 80% of the capital program expected to be delivered this year.
MEASURE	On track against plans	ON TRACK
PERFORMANCE AGAINST COUNCIL'S ADOPTED BUDGET INCLUSIVE OF SAVINGS		Council's current budget deficit is currently around \$160,000 higher than the adopted budget. It is likely that the end of year position can achieve the current projection, but unlikely that sufficient savings can be identified to move this back to the original position.
MEASURE	Financial results show improvement compared to adopted budget	OFF TRACK
IMPLEMENT STRATEGIES TO RESTORE A SURPLUS FINANCIAL POSITION BY 2026/2027		Council excluding Airport will have a small surplus for 2026/27 based on current projections. This measure has been split into two separate areas for next year, to reflect the two goals that Council have set for Council excluding Airport and Council including Airport.
MEASURE	LTFP projections	ON TRACK

2026-27 PLAN



EARTH
WHITALLA BEACH

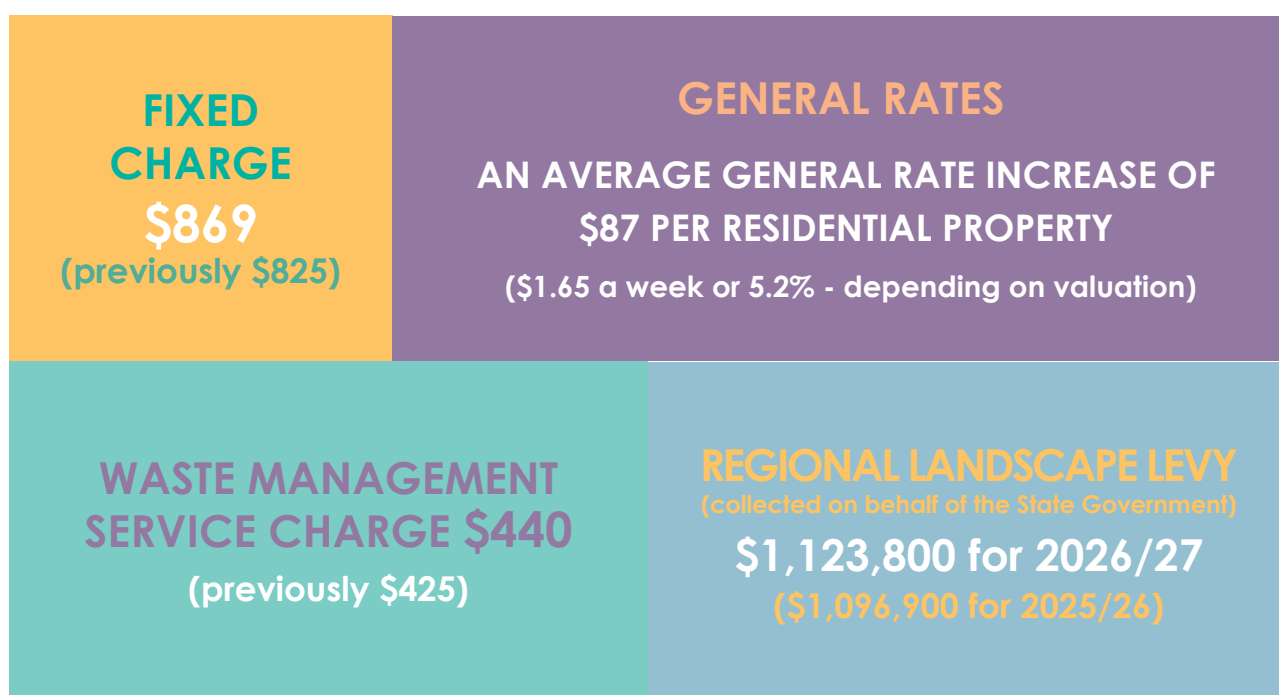
2026-27

AT A GLANCE

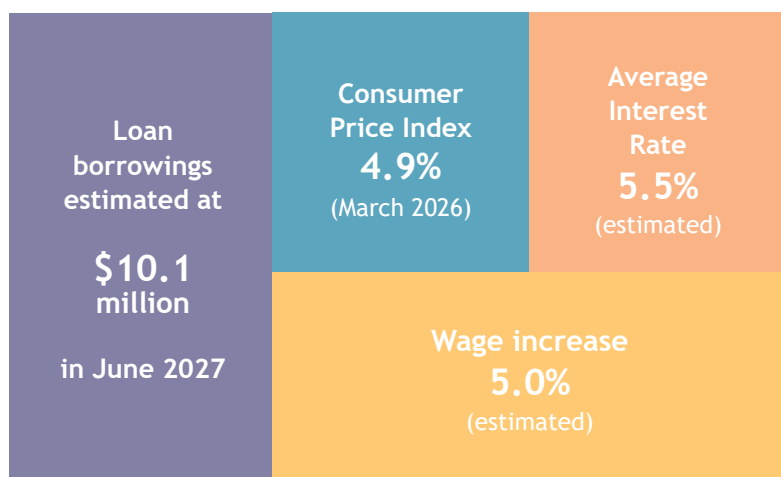
The Annual Business Plan sets out Council's proposed services, programs and projects for 2026-27. It aims to maintain efficient legislated and discretionary services for the community and continue progress towards the longer-term objectives for the City of Whyalla as set out in the Strategic Plan.

The Annual Business Plan is Council's key management document reflecting the work that Council needs to undertake to meet its Strategic Plan goals and objectives within the constraints of the revised Long Term Financial Plan.

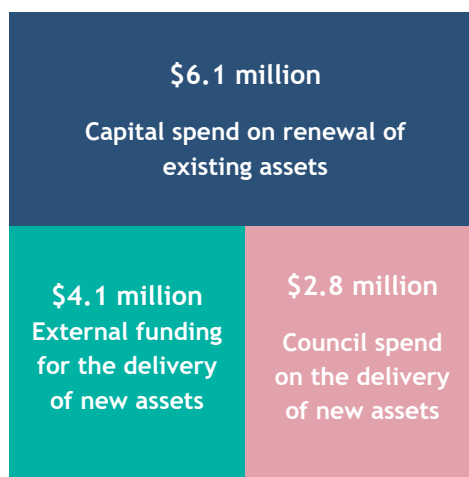
RATE REVENUE MADE UP OF



SIGNIFICANT INFLUENCES



CAPITAL SPEND



BUDGET PARAMETERS

A suite of parameters were adopted at the beginning of the budget process, which have formed the framework within which the Annual Business Plan and Budget has been developed. This ensures that the budget is developed in a logical manner that is clear to all stakeholders. These parameters state that the Annual Business Plan and Budget will:

1. Support the achievement of the City of Whyalla's Strategic Direction.
2. Address issues arising, and opportunities identified, from organisational effectiveness assessments/reviews.
3. Maintain a break-even operating position or better in the Long-Term Financial Plan, for Council excluding Airport.
4. Reach an operating deficit position for the Council including the Airport equal to less than 50% of airport depreciation by 2028/29 or earlier.
5. Continue to improve the whole of life focus on assets in accordance with Council's Asset Management Strategy, with a priority on:
 - maintenance to ensure assets reach end of life; and
 - 100% funding of renewal at end of life except where a service level change has been specified, or where renewal would be inconsistent with an adopted Council plan or resolution.
6. Review existing services and assets to ensure they meet prioritised community needs.
7. Council only approve New/Upgrade Capital Projects where it has identified:
 - borrowing capacity to fund upfront cost; and
 - operating capacity to fund ongoing costs.
8. Maintain predictability and stability in rating increases, in line with the LTFP.

ESCOSA ADVICE

The Strategic Management Plan Advice Scheme requires the Essential Services Commission of South Australia (ESCOSA) to undertake 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 (contained in Appendix D) and also included are Whyalla City Council's comments in response to various assertions made by ESCOSA within the Advice.

CEO REPORT ON FINANCIAL SUSTAINABILITY

Council financial sustainability has been discussed at length both internally and externally over the last four years, in the context of the challenging position that Whyalla finds itself in. Council received advice during 2023/24 from an independent review undertaken by the Essential Services Commission of South Australia, which can be found in Appendix D to this document. The advice was consistent with the messaging that was already being received from Council's Audit & Risk Committee and focused on four key areas:

- Concern with Council's actual and projected operating deficits and the need to reduce costs and increase revenue other than rates from existing ratepayers.
- A need to focus on existing assets and services rather than building new infrastructure.
- An over reliance on projected rate increases in excess of CPI.
- The negative impact that the Airport is having on Council's financial position.

COUNCIL OPERATIONS EXCLUDING AIRPORT

Council took the feedback on board and reengineered the Long Term Financial Plan (LTFP) by adopting a two stage Strategic Plan, significantly reducing the investment in new assets, as well as making the decision to not fill a number of vacant positions. This allowed Council to reduce the level of projected rate increases by a cumulative 8.6% over the 10 years. Despite this reduction in rate revenue, **Council (excluding the Airport) is budgeted to return to an operating surplus in 2026-27**, which is in line with Council's target. Achieving this target is a significant achievement, given the projected operating result reported for 2026-27 as at October 2022 was a deficit of \$1.1 million. This is despite the accumulated rate increases over the last three years being 2.3% lower than what was included in the October 2022 model.

This is not to say that Council's financial sustainability is now guaranteed, even though it is certainly stronger than where it was just 12 months ago. Through a combination of factors (increased Financial Assistance Grants, Improved projections, proactive and disciplined financial management, sale of surplus land, sale or demolition of a number of council owned buildings etc), Council's operating budget has more capacity to absorb unexpected budget pressures and an improved ability to deliver actual results in line with budget projections. Council have recognised that ongoing strong budget discipline and careful prioritisation is required given Council's limited financial capacity at this stage, which in term limits what can be delivered. Council needs to continue to build capacity into its budget and undertake service reviews over the next few budget cycles to ensure it can deliver current service levels as expected.

AIRPORT OPERATIONS

The Airport is a longer-term financial challenge that is difficult to address in the short term. Airport passenger numbers were slowly recovering to pre-Covid levels but were halted and partially reversed by the reduction to only one airline servicing Whyalla combined with the impact on the local economy from the deteriorating challenges being experienced by GFG Alliance.

In 2023/24 a \$32.4 million upgrade of the runway was required to allow larger airline fleet (QF400) to be able to land on the runway. While Council was thankfully able to achieve external funding of over 90% of the project cost from both the Federal and State Governments, the upgraded runway still adds to the value of Council's asset stock and results in a significant increase in depreciation, which worsens the operating result further.

A long-term fee structure has been agreed with QANTAS, and this along with a plan to pay down airport loans, and a slow increase in passenger numbers over time will move the airport to a more sustainable position over time. However, in the short term the operating position continues to be a financial burden for Council and local ratepayers. Council continues to advocate for a national airport security screening levy to be applied to all passengers on all air routes to reduce the inequitable impost and cost burden placed on rural and regional communities air travellers.

Council has determined that the airport can run at a deficit over a period of time, due to the fact that major asset renewals are likely to be able to attract significant grant funding, meaning that depreciation does not need to fully fund renewal allocations. This was formally recognised by the Federal Government in its 2024 [Aviation White Paper](#). However, the airport needs to be able to cover at least half of its depreciation for this to be viable and this is the financial target that Council adopted for the airport as part of the 2025/26 budget process. At this stage, this target is only approached in Year 9 of the LTFP and so more work is required to improve this operating situation. Additional lease revenue through commercial opportunities is the only viable option for this to occur and the development of an Airport Masterplan first needs to occur to provide direction.

COUNCIL AND AIRPORT COMBINED OPERATIONS

Council has a goal to reach a modified breakeven position, adjusted for the 50% of airport depreciation discussed above, by 2028/29, and is **currently on track to meet this target**. This will be the primary basis of Council's financial decision making over the coming two years and will ensure that Council is operating in a financially sustainable manner. A table is included within Appendix B that shows the projected modified operating result over the term of the LTFP.

The level of borrowings being carried by Council are reasonable, with the Net Financial Liabilities Ratio only projected to peak at 29%. Council have set a conservative ceiling for this ratio of 80%, below the 100% recommended by the LGA. This shows that there is considerable capacity to undertake additional investment based on Council's Balance Sheet, however Council doesn't currently have the capacity to service additional debt given its current operating deficit position. Council has reduced its projected total loan requirement from a maximum of \$34.9 million in 2032/33 in the October 2022 projections to \$10.5 million in 2027/28 in the updated model, due to a combination of financial budget repair initiatives and the \$12.4 million land sale that Council made to the State Government in 2024/25.

While Council continues to focus on financial sustainability, key initiatives have still been delivered over the past few years in line with Council's strategic direction, including:

- **Significant advocacy for external funding to ensure that the Whyalla airport runway could continue to service larger airline fleet**
- **Upgrade of the childcare centre, to ensure that the facility meets modern standards**
- **The first stage of rationalising council's building stock, resulting in 8 buildings either being sold, transferred or demolished.**
- **Renewal at the library to ensure that it can operate as a modern flexible space to increase community activation**
- **Development of Salty 'Sea'Esta as the headline event of Cuttlefest**
- **Final planning undertaking for the key Foreshore revitalisation projects, being the Foreshore Plaza Splash & Play and Whyalla Foreshore Centre Building - part funded by the Federal and State Governments respectively, with construction of both to commence during 2026.**

While the plans for the city over the next few years have changed considerably over the last 12 months following GFG Alliance being placed into Administration by the State Government in February 2025, there is still a very positive outlook for coming years. The \$2.4B Sovereign Steel Capability investment package announced by the State and Federal Governments in February 2025 will contribute to the required investment to modernise the Steelworks and Mining Operations, and the impending sale of these operations will remove some of the uncertainty that has plagued Whyalla for a long time. This sale process, together with other major projects such as the Northern Water Project, should finally unlock the anticipated investment and development within the city over the medium to long term. As this development occurs, rate income should increase thereby enabling Council to invest more in the liveability and amenity of the city, whilst also taking some of the pressure off existing rates payers to fund rate increases.

The current uncertainty caused by the geo-political events overseas has the potential to impact on Council's cost structure and overall financial projections. Making predictions about the course that these geo-political events may take is almost impossible, and so at this time Council will continue to monitor and model the impacts on 2026-27 and beyond. This may necessitate an update to the 2026/27 budget prior to adoption, including the rate increase required to ensure Council's ongoing sustainability, or alternatively may need to be brought to account via budget reviews throughout 2026/27 as actual impacts can be quantified.

STRATEGIC INITIATIVES

A key objective of the Annual Business Plan & Budget is to outline how Council will deliver on the Strategic Plan 2025-2034 objectives during the year. While much of Council’s business involves ongoing service delivery, the list below outlines the specific initiatives that have been identified to be undertaken in 2026/27 to ensure that Council can deliver on these strategic objectives.

OUR PEOPLE AND COMMUNITY

Empowered people embrace their community to achieve a sense of belonging.

INITIATIVE	PLANNED ACTIVITIES
COUNCIL ELECTIONS	Provide appropriate support to the Electoral Commission of South Australia to provide a high quality election. Ensure that the new elected body receives high quality training to set them up for a successful term.
BUDGET	 \$215,000
ANIMAL MANAGEMENT	Review the operation of the Whyalla animal management facility, which is reaching end of life. Work with the RSPCA and the Dog and Cat Management Board to find a viable option to keep services operating in Whyalla and potentially engage other councils on the Eyre Peninsula re Whyalla hosting a regional facility.
BUDGET	 \$400,000



OUR LIVEABILITY

A quality life in a safe and connected community.

INITIATIVE	PLANNED ACTIVITIES
CITY AMENITY BUDGET	Council have identified verge and median maintenance as a key priority for the city, in line with feedback received from the Community Survey. Additional resources will be deployed to this area, starting with one additional employee (funded from a 0.5% rate rise), followed by another two over the next 12 months (funded by adjustments and efficiencies in other areas). This will enhance service levels, with steady, incremental improvements as the program progresses. \$135,000
FORESHORE PRECINCT BUDGET	Progress the Foreshore Plaza Splash & Play and Whyalla Foreshore Centre (comprising SLS and SWFC) Building project in line with approved funding. \$15,260,000

OUR INDUSTRIES AND BUSINESS

A diverse and prosperous economy.

INITIATIVE	PLANNED ACTIVITIES
ECONOMIC DEVELOPMENT PLAN BUDGET	Delivery of the Economic Development Plan through and with the Eyre Peninsula RDA. \$180,000
AIRPORT MASTERPLAN BUDGET	Develop a comprehensive plan for the future use of the airport, to unlock commercial opportunities that will ensure the ongoing financial sustainability of the facility. \$50,000

OUR LEADERSHIP

Leadership that creates and shares a prosperous future for the community of Whyalla.

INITIATIVE	PLANNED ACTIVITIES
CUSTOMER EXPERIENCE BUDGET	Continued improvement of overall Customer Experience. This includes the implementation of new technology on Council's website, to help customers find the information they are after in a more efficient manner. \$10,000
ORGANISATIONAL DEVELOPMENT BUDGET	Increase maturity of the performance management framework and implementation of the training and development plan. Continued rollout of Council's Cultural Development Plan and leadership Development activities. \$60,000
INFORMATION SYSTEMS BUDGET	Commence implementation of a cloud based Enterprise Resource Planning software, to replace the ageing system currently in use that will be obsolete within the next few years. \$240,000
SERVICE REVIEWS BUDGET	Council is seeking to bring the majority of Service Review work in house over the next few years, with the current focus being on the efficiency of hard waste collection and related activities. An external provider will be engaged to review the overall operations of the outside workforce, to identify efficiencies to allow resources to be reallocated to areas based on priority of need. \$40,000
ADVOCACY	• Water Security • Housing • Liveability • Precinct Partnerships • Alternate Funding Sources • Airport Sustainability • Public Safety

INITIATIVE

PLANNED ACTIVITIES

WATER SECURITY

Development of the Northern Water Supply Project will ensure water security in Whyalla for future generations.

It also provides an opportunity to advocate for the concurrent upgrade of Whyalla's water supply network, which currently doesn't meet industry standards.

HOUSING

Whyalla is in need of significant urban renewal, with the current housing stock not ready to meet the needs of a growing population. This renewal requires both private and public sector investment and Council have an important role to play in ensuring the correct parties are brought to the table on this issue. There have been some recent progress in this area, but the announcements to date are not enough for current and future demand, so further advocacy is required.

LIVEABILITY

Whyalla needs significant investment in a large number of public infrastructure projects, to ensure that the city is able to take advantage of the opportunities that now face it. Current ratepayers cannot bear this cost, meaning that Council are required to advocate strongly for external funding sources to make this happen. The focus of all investment should be the liveability of the city, which will benefit both current and potential ratepayers long into the future.

Detailed design for a number of high priority projects will be progressed, to ensure Council is shovel ready when funding is available.

PRECINCT PARTNERSHIPS

The Precinct Partnership Program represents a significant funding source that can deliver on some of the critical public infrastructure that the city needs for the future. With support from the State Government, Council will identify the highest priority projects that will be included in a funding bid to the Federal Government.

ALTERNATE FUNDING SOURCES

With the huge opportunity facing the city, Council will actively seek out alternate funding opportunities that would not be available in normal circumstances, including private partnerships and Government funding outside of normal grant funding streams.

MEASURING OUR PERFORMANCE

To ensure Council's accountability in delivering on the objectives in the Strategic Plan 2025-2034, the following measures have been put in place to track progress. These measures align with the Key Performance Indicators adopted by Council for the Chief Executive Officer.

FOCUS AREA	PERFORMANCE MEASURE
ANNUAL BUSINESS PLAN DELIVERY	
Delivery of strategic initiatives	Delivery of greater than 80%
Delivery of capital program	Delivery of greater than 80%
Performance against Council's adopted budget	Financial results show improvement compared to adopted budget
Maintain a breakeven position or better for Council excluding Airport	LTFP projections
Implement strategies to restore a modified breakeven financial position by 2028/2029	LTFP projections



SAVINGS TARGETS

Council has incorporated saving targets into its Budget and Long Term Financial Plan projections, to put downward pressure on costs and in turn, required rate increases.

Below is a summary of saving targets that are included in the plan and how Council is performing against them.

It is important to note that cost pressures exist within many areas of Council's business, for example over the past three years significant increases have been experienced for electricity and animal rehoming. These savings targets are not a suggestion that Council's overall cost base hasn't risen, however, without them the overall impact to ratepayers would have been higher.

	INITIATIVE	DETAILS	TARGET	PROGRESS
CURRENT INITIATIVES	VACANT POSITION ALLOWANCE	Underbudgeting the payroll budget, to recognise that some positions in the business will always be vacant, while recruitment processes are undertaken.	AN AVERAGE OF 1.5 POSITIONS VACANT AT ANY TIME, A VALUE OF \$165,000 FOR THE YEAR	This has saved Council \$1.1 million over the past four years, with the assumption previously being 3.5 vacant positions.
	GENERAL EFFICIENCIES	Accumulation of small savings from process change.	\$25,000 OF ONGOING SAVINGS.	This will be worked through in 2026/27.
PREVIOUS INITIATIVES	BUILDING RATIONALISATION	A reduction in ongoing costs from the removal of underutilised and poor quality buildings from Council's portfolio, through a mix of demolition, sale or transfer.		\$200,000 of savings were achieved through a combination of reduced depreciation and interest expense from the sale of the WEDB and Patterson Street buildings.
	SEALED ROAD DEPRECIATION	A review of the useful life of sealed road pavement base, to ensure they are reflective of reality and industry standards.		This process has been completed, with ongoing savings of \$120,000 achieved.

CAPITAL RENEWAL PROGRAM

The table below shows Council's expected spend on Capital Renewal during 2026-27, totaling \$6.1 million. Renewal expenditure is required to maintain Council's infrastructure networks at their current standards and service levels, as assets reach the end of their useful life.

Council's required spend on renewal is set out in the Asset Management Strategy and is based on extensive data relating to the condition and value of Council's assets. This data is extensively reviewed every 5 years, on a rolling schedule for each asset class. When developing the annual budget, the asset data receives a "ground truth", to ensure that the identified assets are the most appropriate for renewal. Other minor adjustments are also undertaken to ensure that the renewal program is undertaken in an efficient manner.

ASSET CATEGORY	TOTAL COST
Transport	\$2,670,000
Plant	\$1,071,000
Furniture & Equipment	\$202,000
Stormwater	\$114,000
Irrigation	\$248,000
Buildings	\$1,282,000
Rec and Open Space	\$469,000
Total	\$6,056,000

TRANSPORT RENEWAL

This is the second year of a three year program, that includes renewal of road (both sealed and unsealed), kerb, footpath and traffic signal assets. The development of the program is based on detailed network condition data, in conjunction with visual assessments and usage information. Sealed Roads will focus on asphalt for this year, including the Whyalla Marina carpark, after a spray seal program was undertaken in 2025/26.

PLANT RENEWAL

Plant is used across Council to assist with service delivery. Replacement is scheduled to ensure that cost is optimised over the life cycle. The following items require replacement:

MAJOR PLANT	\$769,000
2 tipplers - Woodchipper	- Drum roller 6 mowers
MINOR PLANT	\$302,000
5 fleet vehicles	2 minor plant items

FURNITURE & EQUIPMENT RENEWAL

It is important that critical IT equipment is replaced as it comes to end of life, to ensure that all systems continue to operate as required to support service delivery. The budget includes a number of smaller projects.

STORMWATER RENEWAL

Minor renewals to a small number of identified stormwater assets.

IRRIGATION RENEWAL

The upgrade of irrigation systems across key medians and sports grounds, made up of:

- Nicolson medians
- Lincoln Highway medians
- Jenkins medians
- Jubilee Park outer edge

BUILDING RENEWAL

RECREATION CENTRE \$485,000

Renewal of the entry and kiosk areas as well as works on the electrical switchboard and fire panels. Additional funds have also been allocated to the roof renewal works, as they are more substantial than first thought.

DOG & CAT MANAGEMENT CENTRE \$403,000

This facility is reaching end of life and Council is currently planning for its future. This will involve liaising with the Dog and Cat Management Board and potentially identifying other Eyre Peninsula Councils that may need access to a facility of this type.

HMAS WHYALLA \$124,000

Works to install an alternate balustrade to improve the safety of ship tours, as well as some minor water proofing of areas missed in previous rounds of work.

AIRPORT HANGER \$105,000

Replacement of the door to deal with issues that have been occurring for a number of years.

PUBLIC TOILETS \$51,000

Minor renewals of a number of toilet facilities across the city focusing on painting and lighting, including Bradford Park, Wilson Park and Jubilee Park.

OTHER BUILDING WORKS \$114,000

Required works have also been identified for the following sites, with these being renewal of minor building components:

- Childcare Centre
- Cemetery Staff Room
- Depot
- Field Street Hall

OPEN SPACE RENEWAL

FISH CLEANING STATION \$202,000

Relocation of the Whyalla Marina fish cleaning station to a new location. Council has been successful in securing \$152,000 of grant funding from the Algal Bloom stimulus to assist with this project.

HUMMOCK HILL STRUCTURES \$107,000

Work is required to replace the gazebo on Hummock Hill, which had reached end of life.

OTHER OPEN SPACE WORKS \$160,000

Required works have also been identified for the following sites, with these being renewal of minor building components:

- Airport Fuel Facility
- Cuttlefish Drive Shelter
- Jetty Pile Protection
- Museum Garden Boardwalk and Shade Sails
- Visitor Information Bay
- VIC Fencing

NEW CAPITAL PROJECTS

This table shows Council's expected spend on New Capital Projects during 2026-27, being a net figures of \$2.7 million. Council's capacity to invest in new assets has been reduced in line with recommendations from ESCOSA and the Audit & Risk Committee.

FORESHORE CENTRE BUILDING

Council has secured funding of \$5 million from the State Government for this project. It involves the construction of a new Surf Life Saving Club facility as well as a contemporary café and function space. This will complement the Foreshore Splash and Play facility being built adjacent.

PROJECT	2026-27		
	TOTAL COST	FUNDING	COUNCIL COST
Foreshore Centre Building	\$5,500,000	\$4,000,000	\$1,500,000
Foreshore Plaza Splash & Play	\$680,000	\$-	\$680,000
Relocation of Foreshore Café Pod	\$300,000	\$-	\$300,000
Mount Laura Bike Trail	\$50,000	\$-	\$50,000
Additional Plant	\$60,000	\$-	\$60,000
Library Path	\$15,000	\$-	\$15,000
Contingency	\$210,000	\$-	\$210,000
Total	\$6,815,000	\$4,000,000	\$2,815,000

FORESHORE PLAZA SPLASH & PLAY

Council has been approved for funding of \$3.14 million from the Growing Regions Program for this project. Council's contribution has been increased from the amount already approved in earlier years based on final tendered costs, with this project to commence shortly.

RELOCATION OF FORESHORE CAFÉ POD

The design footprint of the building above requires the relocation of the Foreshore Café Pod to proceed. It will be relocated down to the Marina area, to allow for a number of dining options in this precinct once the Foreshore Centre is ready to go.

MOUNT LAURA BIKE TRAIL

Development of the existing trail network to include signage, QR codes with maps and post style markers.

ADDITIONAL PLANT

The purchase of an additional ute and trailer will allow for greater mowing coverage in the city to complement the additional resources being deployed in this space.

LIBRARY PATH

This minor project will help deal with vandalism in this area by removing rocks that have been used to damage the building.

CONTINUING PROJECTS

The table below represents projects that have been approved as part of a previous budget process, where some of the approved expenditure is now expected to occur during 2026-27.

Projects can be retimed for a number of reasons, including increased complexity experienced after detailed design is completed. Some of the projects listed below were originally described as multi-year projects.

Further information on these projects is available in previous Annual Business Plans.

	2026-27			
PROJECT	NEW/UPGRADE	RENEWAL	FUNDING	COUNCIL COST
Foreshore Plaza Splash & Play	\$6,827,000	\$-	\$3,000,000	\$3,827,000
Transport Renewal Program	\$-	\$1,000,000	\$-	\$1,000,000
Recreation Centre Building Renewal	\$-	\$650,000	\$-	\$650,000
Civic Park Irrigation	\$-	\$395,000	\$-	\$395,000
Public Toilet Renewal	\$-	\$252,000	\$-	\$252,000
Tanderra Building Renewal	\$-	\$222,000	\$-	\$222,000
Hummock Hill Open Space Renewal	\$-	\$169,000	\$-	\$169,000
Maritime Building Renewal	\$-	\$159,000	\$-	\$159,000
Minor Building Renewals	\$-	\$69,000	\$-	\$69,000
Total	\$6,827,000	\$2,916,000	\$3,000,000	\$6,743,000

CHANGES SINCE CONSULTATION

Changes have been made to the Annual Business Plan and Budget document since consultation, summarised as follows:

- Council adopted the Third Quarter Budget Review, which primarily resulted in capital expenditure being retimed from 2025/26 to 2026/27, but also saw a couple of minor capital projects retimed from 2026/27 to 2025/26.
- The document was updated to reflect CPI being at 4.9% rather than the estimate of 3.5%. The rate increase remained at 5.3%, with offsetting savings identified including the removal of one additional proposed employee for city amenity.

- Council received notice that we will receive Supplementary Road Funding for 2026/27, estimated at \$220,000. This was used to fund the Airport Master Plan, as well as temporary increased fuel costs.
- Council resolved in May to adjust the capital program, to defer a small number of projects to allow the Foreshore Plaza Splash & Play project to proceed.
- Funds have been added for the Mount Laura Bike Trail project, to support a previous resolution of Council.

Other minor changes to formatting and grammar have been made, which do not change the intent of the document in any way.

COUNCIL IS PART OF YOUR EVERY DAY

Most people are surprised when they learn about all of the things Council provides for the community.

Have you thought about how your daily life is improved by the services provided by the City of Whyalla?

This is a list of some of the services, programs and facilities Council delivers to make Whyalla a great place to live, work and play.

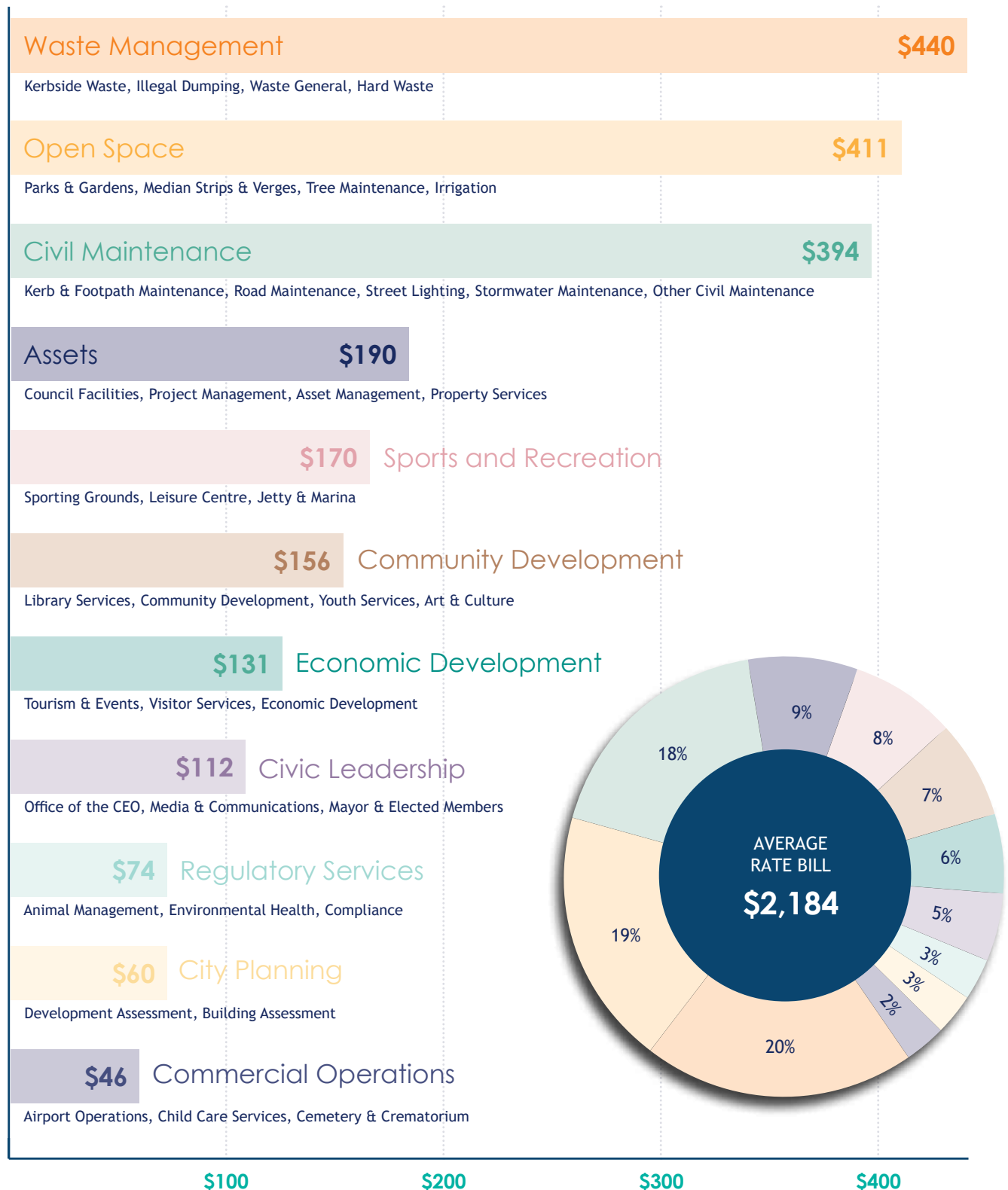


FUNDING THE PLAN



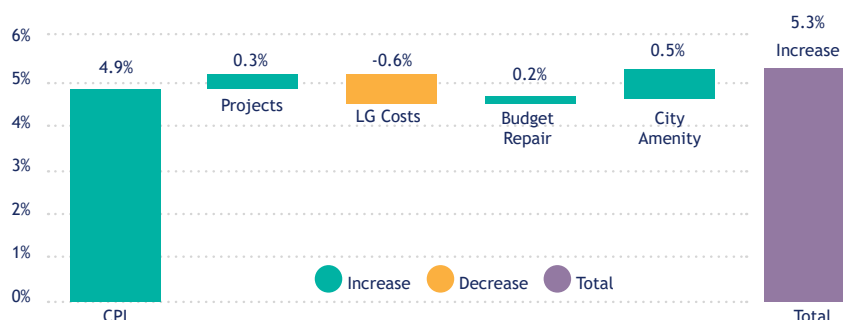
RATES AT A GLANCE

It is proposed in 2026-27, that the average residential rates bill of \$2,184 will be used to fund the following services:



COMPONENTS OF PROPOSED RATE INCREASE

A number of significant factors have influenced the preparation of Council's 2026-27 Annual Business Plan and Budget and are reflected within the proposed rates increase of 5.8%.



These include the following:

CONSUMER PRICE INDEX (CPI)

Increases in the Consumer Price Index influence almost all costs incurred in the course of conducting Council operations, including wage increases, contracts with suppliers, and the cost to purchase materials. For this reason, CPI is a suitable base for rate increases, adjusted for other items below. When using annual CPI, it is important to use the same period in each year. For this reason, Council uses March CPI for Adelaide each year in setting the budget, which is 4.9% for 2026

PROJECT DELIVERY

To be able to deliver new assets to the community, an additional rate increase of 0.3% is required each year, to ensure that the costs of operations and maintenance can be accommodated.

LOCAL GOVERNMENT COSTS

Council incurs costs that are not completely reflected within the CPI index, such as paying wages and maintenance of complex infrastructure, that tend to increase more quickly than CPI. However, for this year, Council has been able to identify internal efficiencies that have offset these impacts and resulted in a net 0.7% reduction in the required rate increase.

BUDGET REPAIR

Council is currently in a deficit position. Allocation has been made for the identification of internal efficiencies to reduce cost pressures, but an additional rate increase is required to assist in moving back to a break-even position within the next two years. For this year this has been set at 0.2%.

CITY AMENITY

Council have identified improvements in city amenity, in particular improvements to median and verge maintenance, as a high priority for action over the coming 12 months. To allow for additional resources to be allocated to this important area, an additional 0.5% has been added to the rate increase. This will allow for 1 additional employee in the team immediately, with an additional 2 to be added over the coming 12 months, due to internal reallocation of resources.

FUNDING THE ANNUAL BUSINESS PLAN

FINANCIAL INDICATORS

Key financial sustainability performance targets ensure the long term financial sustainability of the Council covering the maintenance and development of the community's assets as well as providing appropriate services.

Council has planned for an operating deficit before capital revenues for 2026-27 of (\$1,314,000) and an adjusted operating deficit ratio of (3%).

This ratio is below Council's target range. This can be primarily attributed to the operation of the Whyalla Airport, which continues to be a financial challenge for Council. A long term fee structure has been agreed with QANTAS, and this along with a plan to pay down airport loans, and a slow increase in passenger numbers over time will move the airport to a more sustainable position over time. It is not envisioned that the airport will operate at a breakeven position in the future, but must operate at a level where its revenue covers greater than 50% of annual depreciation. More info on this can be found in the Airport section of this plan.

Council has a goal to reach a modified breakeven position, adjusted for the 50% of airport depreciation discussed above, by 2028/29, and is currently on track to meet this target. This will be the primary basis of Council's financial decision making over the coming two years and will ensure that Council is operating in a financially sustainable manner. A table is included within Appendix B that shows the projected modified operating result over the term of the LTFP.

Council's Net Financial Liabilities Ratio is projected to be 24% for 2026-27 and is well within the target range. Total borrowings are projected to be \$10.1m at 30 June 2027. Borrowing levels are not a concern for Council, being relatively low compared to overall income, however Council can't manage increased borrowings at this time, as the additional interest would increase the deficit.

The Asset Renewal Funding Ratio is projected to be 160% in 2026-27. Based on Council's Asset Management Strategy, this ratio indicates how close the alignment is between the predicted expenditure on the renewal of assets and what Council proposes to spend on these assets. The ratio is above the target range due to the impact of projects rolled over from earlier years.

Council will monitor the implementation of the 2026-27 budget via regular budget updates and reviews in accordance with the Local Government Act 1999 and Local Government (Financial Management) Regulations 2011.

BUDGET AT A GLANCE

Net Rate Revenue
\$29.5 million

Other Operating
Revenue
\$16.6 million

Operating
Expenditure
\$47.4 million

Capital Expenditure
\$12.9 million

KEY FINANCIAL INDICATORS	Target Short Term	2025 Year End Actual	2026 Adopted Budget	2026 Projected Actual	2027 Adopted Budget
Adjusted Operating Surplus/ (Deficit) - \$'000		(3,000)	(2,074)	(2,226)	(1,314)
Adjusted Operating Surplus/ (Deficit) Ratio	(2) - 1%	(7)%	(5)%	(5)%	(3)%
Net Financial Liabilities Ratio	< 80%	18%	34%	21%	24%
Asset Renewal Funding Ratio	90 - 110%	79%	218%	185%	160%

SUMMARY STATEMENT & FINANCING TRANSACTIONS

Summary Statement

	2025 Year End Actual	2026 Adopted Budget	2026 Projected Actual	2027 Adopted Budget
	\$'000	\$'000	\$'000	\$'000
OPERATING ACTIVITIES				
OPERATING REVENUES				
Rates	27,247	27,968	28,103	29,454
Statutory Charges	461	476	454	476
User Charges	5,105	5,794	5,889	6,434
Grants, subsidies and contributions - capital	595	617	912	732
Grants, subsidies and contributions - operating	10,249	7,069	7,813	7,661
Investment Income	68	12	62	12
Reimbursements	75	9	9	10
Other Income	1,615	1,143	1,307	1,280
OPERATING EXPENSES				
Employee Costs	(14,712)	(15,917)	(15,677)	(16,851)
Materials, contracts & other expenses	(20,218)	(19,116)	(20,872)	(19,758)
Depreciation, amortisation & impairments	(9,323)	(9,588)	(9,940)	(10,323)
Finance Costs	(816)	(541)	(286)	(441)
Operating Surplus/(Deficit) before Capital Amounts	346	(2,074)	(2,226)	(1,314)
CAPITAL ACTIVITIES				
Capital Expenditure on Renewal/ Replacement	(9,233)	(10,537)	(8,942)	(8,972)
add back: Depreciation, Amortisation and Impairment	9,323	9,588	9,940	10,323
add back: Sale of Replaced Assets	166	85	176	184
Net Outlays on Existing Assets	256	(864)	1,174	1,535
Capital Expenditure on New and Upgraded Assets	(22,331)	(10,492)	(8,138)	(13,642)
add back: Amounts Specifically for New and Upgraded Assets	23,946	7,985	8,159	7,152
add back: Sale of Surplus Assets	13,439	0	0	0
Net Outlays on New and Upgraded Assets	15,054	(2,507)	21	(6,490)
Net Lending/(Borrowing) for Financial Year	15,656	(5,445)	(1,031)	(6,269)

In any one year the below financing transactions are associated with either applying surplus funds stemming from a net lending result or accommodating the funding requirement stemming from a net borrowing result.

Financing Transactions	2025 Year End Actual	2026 Adopted Budget	2026 Projected Actual	2027 Adopted Budget
	\$'000	\$'000	\$'000	\$'000
New Borrowings	0	1,400	4,000	1,600
Repayment of Principal on Borrowings	(16,300)	0	0	0
(Increase)/Decrease in Cash and Cash Equivalents	(7,994)	(30)	7,806	94
Net Balance Sheet Funding	8,638	4,075	(10,775)	4,575
Financing Transactions	(15,656)	5,445	1,031	6,269

*Depending on cash flow



AIRPORT

Council maintains and manages the Whyalla Airport. It is important for the airport to be financially sustainable in the medium to long term and to help achieve this, a separate budget and Long Term Financial Plan (LTFP) is prepared.

The airport is projecting an operating deficit before capital revenues for 2026-27 of (\$1,456,000) and an operating deficit ratio of (51%).

Airport passenger numbers were slowly recovering to pre-Covid levels but were halted and partially reversed by the reduction to only one airline servicing Whyalla. Recently a \$32.4 million upgrade of the runway was required to allow upgraded airline fleet to be able to land on the runway. While Council was thankfully able to achieve external funding of over 90% of the project cost from both the Federal and State Governments, the upgraded runway still adds to Council's asset stock and results in a significant uplift in depreciation, which worsens the operating result further.

A long-term fee structure has been agreed with QANTAS, and this along with a plan to pay down airport loans, and a slow increase in passenger numbers over time will move the airport to a more sustainable position over time. However, in the short term the operating position continues to be a financial burden for Council.

The airport can afford to run at a deficit over a period of time, due to the fact that major asset renewals are likely to be able to attract matching grant funding, meaning that depreciation does not need to fully fund renewal allocations. However, the airport needs to be able to cover at least half of its depreciation for this to be viable and this is the financial target that Council have set for the airport. A table is included within Appendix B that shows the modified operating result for the airport over the term of the LTFP. At this stage, the airport only gets close to modified breakeven in year 9 of the plan, and so more work is required to improve this.

The airport's Net Financial Liabilities Ratio is projected to be 345% for 2026-27 and is outside of target range. Total borrowings are projected to be \$9.8 million at 30 June 2027.

BUDGET AT A GLANCE

Passenger Fee Revenue \$849,000	Screening Revenue \$1,493,000
Operating Expenditure \$4,293,000	Other Operating Revenue \$495,000

KEY FINANCIAL INDICATORS	Target Short Term	2025 Year End Actual	2026 Adopted Budget	2026 Projected Actual	2027 Adopted Budget
Operating Surplus/(Deficit) - \$'000		(1,459)	(1,423)	(1,461)	(1,456)
Operating Surplus/(Deficit) Ratio	1 - 6%	(71)%	(56)%	(62)%	(51)%
Net Financial Liabilities Ratio	< 250%	405%	369%	398%	345%
Asset Renewal Funding Ratio	90 - 110%	97%	N/A	N/A	N/A

AIRPORT SUMMARY STATEMENT & FINANCING TRANSACTIONS

Summary Statement

	2025 Year End Actual	2026 Adopted Budget	2026 Projected Actual	2027 Adopted Budget
	\$'000	\$'000	\$'000	\$'000
OPERATING ACTIVITIES				
Operating Revenues				
User Charges	2,038	2,540	2,351	2,837
Reimbursements	30	-	-	-
Operating Expenses				
Employee Costs	(412)	(411)	(366)	(434)
Materials, contracts & other expenses	(2,187)	(2,238)	(2,218)	(2,392)
Depreciation, amortisation & impairments	(553)	(837)	(942)	(1,026)
Finance Costs	(375)	(477)	(286)	(441)
Operating Surplus/(Deficit) before Capital Amounts	(1,459)	(1,423)	(1,461)	(1,456)
CAPITAL ACTIVITIES				
Capital Expenditure on Renewal/ Replacement	(4,868)	-	-	-
add back: Depreciation, Amortisation and Impairment	553	837	942	1,026
Net Outlays on Existing Assets	(4,315)	837	942	1,026
Capital Expenditure on New and Upgraded Assets	(21,000)	(3,400)	(6,542)	-
add back: Amounts Specifically for New and Upgraded Assets	23,919	3,145	6,081	-
add back: Sale of Surplus Assets	3,000	-	-	-
Net Outlays on New and Upgraded Assets	5,919	(255)	(461)	0
Net Lending/(Borrowing) for Financial Year	145	(841)	(980)	(430)

Financing Transactions

	2025 Year End Actual	2026 Adopted Budget	2026 Projected Actual	2027 Adopted Budget
	\$'000	\$'000	\$'000	\$'000
New Borrowings	-	800	1,000	400
Repayment of Principal on Borrowings	(200)	-	-	-
(Increase)/Decrease in Cash and Cash Equivalents	55	41	(20)	30
Financing Transactions	(145)	841	980	430

*Depending on cash flow

COUNCIL EXCLUDING AIRPORT

As Council presents the finances of the Whyalla Airport separately, it is also considered informative to present Council's financial position with the impact of the Airport removed. This is especially useful at the current time, when the financial difficulties of the Airport are having such a large negative impact on the overall result. The projections for Council excluding the Airport are pertinent for much of Council's decision-making processes, although it is important to remember that Council including the Airport still needs to be financially sustainable in the long term.

Council excluding the Airport is projecting an operating surplus before capital revenues for 2026-27 of \$142,000 and an operating surplus ratio of 0%. This is within target range.

Council has worked hard to build capacity into its budget over the last few years, and while the surplus position is very marginal, this capacity should assist Council in maintaining this position throughout the financial year.

Council excluding the Airport's Net Financial Liabilities Ratio is projected to be 3% for 2026-27 and is well within target range. Total borrowings are projected to be \$300,000 at 30 June 2027.

The Asset Renewal Funding Ratio is projected to be 160% in 2026-27. Based on Council's Asset Management Strategy, this ratio indicates how close the alignment is between the predicted expenditure on the renewal of assets and what Council proposes to spend on these assets. The ratio is above the target range due to the impact of projects rolled over from earlier years.

KEY FINANCIAL INDICATORS	Target Short Term	2025 Year End Actual	2026 Adopted Budget	2026 Projected Actual	2027 Adopted Budget
Adjusted Operating Surplus/ (Deficit) - \$'000		(1,541)	(651)	(765)	142
Adjusted Operating Surplus/ (Deficit) Ratio	(2) - 1%	(4)%	(2)%	(2)%	0%
Net Financial Liabilities Ratio	< 80%	0%	13%	0%	3%
Asset Renewal Funding Ratio	90 - 110%	66%	218%	185%	160%

COUNCIL EXCLUDING AIRPORT SUMMARY STATEMENT & FINANCING TRANSACTIONS

Summary Statement	2025 Year End Actual	2026 Adopted Budget	2026 Projected Actual	2027 Adopted Budget
	\$'000	\$'000	\$'000	\$'000
OPERATING ACTIVITIES				
Operating Revenues				
Rates	27,247	27,968	28,103	29,454
Statutory Charges	461	476	454	476
User Charges	3,067	3,254	3,538	3,597
Grants, subsidies and contributions - capital	595	617	912	732
Grants, subsidies and contributions - operating	10,249	7,069	7,813	7,661
Investment Income	68	12	62	12
Reimbursements	45	9	9	10
Other Income	1,615	1,143	1,307	1,280
Operating Expenses				
Employee Costs	(14,300)	(15,506)	(15,311)	(16,417)
Materials, contracts & other expenses	(18,031)	(16,878)	(18,654)	(17,366)
Depreciation, amortisation & impairments	(8,770)	(8,751)	(8,998)	(9,297)
Finance Costs	(441)	(64)	0	0
Operating Surplus/(Deficit) before Capital Amounts	1,805	(651)	(765)	142
CAPITAL ACTIVITIES				
Capital Expenditure on Renewal/ Replacement	(4,365)	(10,537)	(8,942)	(8,972)
add back: Depreciation, Amortisation and Impairment	8,770	8,751	8,998	9,297
add back: Sale of Replaced Assets	166	85	176	184
Net Outlays on Existing Assets	4,571	(1,701)	232	509
Capital Expenditure on New and Upgraded Assets	(1,331)	(7,092)	(1,596)	(13,642)
add back: Amounts Specifically for New and Upgraded Assets	27	4,840	2,078	7,152
add back: Sale of Surplus Assets	10,439	0	0	0
Net Outlays on New and Upgraded Assets	9,135	(2,252)	482	(6,490)
Net Lending/(Borrowing) for Financial Year	15,511	(4,604)	(51)	(5,839)

Financing Transactions

	2025 Year End Actual	2026 Adopted Budget	2026 Projected Actual	2027 Adopted Budget
	\$'000	\$'000	\$'000	\$'000
New Borrowings	0	600	3,000	1,200
Repayment of Principal on Borrowings	(16,100)	0	0	0
(Increase)/Decrease in Cash and Cash Equivalents	(8,049)	(71)	7,826	64
Net Balance Sheet Funding	8,640	4,075	(10,775)	4,575
Financing Transactions	(15,509)	4,604	51	5,839

*Depending on cash flow

RATES REVENUE

COUNCIL'S REVENUE FOR 2026-27 INCLUDES \$23.6 MILLION FROM GENERAL RATES.

Council has set a rate which requires an increase in general rates to the average ratepayer of 5.3%. However, the actual increase payable by any individual ratepayer may be more or less than this depending on the movement in the valuation of each property, as set by the State Valuer General, as well as the impact of the change in the basis of rating from Site Value to Capital Value. Residential properties will see an average rate increase of 5.2%, below the overall average after experiencing a slightly above average increase two years ago.

The State Valuation Office has completed their overall assessment and advised of a general property valuation increase of 9.9% over the previous year. Residential properties experienced an overall increase of 10.0%, with increases of 6.4% for Whyalla and Whyalla Playford, 10.0% for Whyalla Jenkins and 12.9% for Whyalla Norrie and Whyalla Stuart. Rural and shack sites experienced an increase of 13.9%, commercial and industrial properties experienced an average increase in value of 5.7%, while vacant land experienced an increase of 10.6%.

In setting rates for the 2026-27 financial year Council has considered the following plans and considerations:

- the Strategic Plan that outlines the overall direction of Council and was developed following community consultation.
- the Long Term Financial Plan that projects the overall income receipts and expenditure outlays that are expected into the future and in particular the recurrent expenditure and income expected for the 2026-27 financial year.
- the Asset Management Strategy that outlines required maintenance and renewal programs.
- the resources required for the delivery of Council services as documented in the 2026-27 Annual Business Plan and Budget which also outlines financial and non-financial performance levels.
- equity issues and the relationship between the various land uses and the existing rating structure.
- extremes in valuation changes and how their impact can be minimised in setting rating levels.

Rates revenue is used to provide a range of services such as road rehabilitation, footpath repairs and maintenance, stormwater drainage, the collection of rubbish and recyclable materials, ongoing maintenance of parks, gardens and buildings, street lighting and street cleaning, libraries, animal control, planning and enforcement of local laws, provision of community grants and events for the people of Whyalla to accommodate social needs.

RATES AT A GLANCE

In 2026-27, an average general rate increase of **\$87** annually

(\$1.65 per week, or 5.2% per residential property depending on valuation)

General rates revenue accounts for **51%** of operating income.

METHOD USED TO VALUE LAND

The Council will continue to use Capital Valuation as the basis for valuing land within the Council area.

CATEGORY	RATEABLE PROPERTIES	DIFFERENTIAL	RATES RAISED 2025-26	RATES RAISED 2026-27	% CHANGE
Residential	10,494	100%	\$17,340,822	\$18,304,125	5.56%
Commercial	351	285%	\$2,706,010	\$2,855,929	5.54%
Industry	71	375%	\$453,813	\$467,137	2.94%
Primary Production	14	10%	\$7,647	\$8,466	10.71%
Vacant Land	259	375%	\$489,220	\$498,420	1.88%
Other	56	285%	\$105,642	\$134,934	27.73%
Heavy Industry	3	2203%	\$639,909	\$665,653	4.02%
Coastal & Rural Living	317	70%	\$491,841	\$542,933	10.39%
Total	11,565		\$22,234,904	\$23,477,597	5.59%

DIFFERENTIAL GENERAL RATES

All land within a council area, except for land specifically exempt under section 147(2) of the Act is rateable. The Local Government Act provides for a Council to raise rate revenue through a General Rate which applies to all rateable properties, or through differential general rates, which apply to classes of properties.

Council has elected to apply differential rates primarily based on the prescribed Land Use codes, being:

- | | | |
|------------------------|-----------------------|-----------------------|
| 1. Residential | 4. Commercial - Other | 7. Primary Production |
| 2. Commercial - Shop | 5. Industrial - Light | 8. Vacant |
| 3. Commercial - Office | 6. Industrial - Other | 9. Other |

In addition, Council has elected to apply differentials using a combination of Locality and Land Use in a limited number of circumstances.

There are two separate differential groupings, made up of the following combinations of Locality and Land Use:

HEAVY INDUSTRY

Significant Industry (Industry - Other and Other)

Visitor Experience (Industry - Other)

Strategic Employment (Other)

COASTAL AND RURAL LIVING

Rural Shack Settlement (Residential and Vacant Land)

Rural Settlement (Residential and Vacant Land)

Rural Living (Residential, Vacant Land and Primary Production)

Based on these factors and by consolidating Land Use codes where appropriate, Council has eight identified differential groups. The table above shows the differential applied to each property type, with this being expressed as a percentage of the rate in the dollar applied to Residential properties.

FIXED CHARGE

Council considers it appropriate that:

- all rateable properties make a contribution to the cost of administering Council's activities; and
- all rateable properties make a contribution to the cost of creating and maintaining the physical infrastructure that supports each property.

The fixed charge will be set at a level that raises approximately 50% of total rates from residential properties, but also adjusted as necessary to ensure a fair distribution of rates across different property groups. For 2026-27 the fixed charge is proposed to be \$869, up from \$825 in 2025-26.

RATE CAPPING

Due to the large changes caused by shifting the basis of rating from Site Value to Capital Value, Council will apply a mechanism of rate capping for a period of 3 years, the maximum allowed under section 166(1)(l) of the Act.

After this time, Council may consider a mechanism for capping rate increases for properties that constitute a ratepayers principle place of residence under section 153(3) of the Act, with a decision to be made on an annual basis.

The cap adopted for each year will be applied to the net general rates payable for the previous year, after capping was applied, to set the maximum amount of general rates payable. For clarity, this means that the cap is cumulative.

For properties that fall into the differential categories Residential, Primary Production and Coastal & Residential Living, and where capping was applied in 2025-26, capping will be applied automatically within the following parameters:

2026/27	12% plus the General Rate Increase for 2026/27
---------	--

For properties that fall into the differential categories Commercial, Industrial, Vacant and Other, and where capping was applied in 2025/26, capping will be applied automatically within the following parameters:

SMALL TO MEDIUM BUSINESS OR COMMUNITY USE

2026/27	30% plus the General Rate Increase for 2026/27
---------	--

OTHER

2026/27	60% plus the General Rate Increase for 2026/27
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Capping will not apply to properties in the Heavy Industry category.

RATE REBATE

A rebate of rates in respect of any rateable land in Council area will be available in accordance with the Local Government Act 1999 and Council's Rating Policy. The Policy provides eligibility guidance upon which a ratepayer is entitled to a rebate of rates.

A full version of Council's Rating Policy can be viewed at www.whyalla.sa.gov.au.

REGIONAL LANDSCAPE LEVY

The Regional Landscape Levy, set by the Landscape Boards, is a State Government tax imposed under the and Landscape South Australia Act 2019. Council is obliged to collect the levy on behalf of the State Government for no net gain to Council. Council collects the levy on behalf of the Eyre Peninsula Landscape Board. The levy is based on land use type and is shown as a separate charge on the rates notice.

The management board has advised the levy for 2026-27, is \$1,123,800 for the Whyalla region (previously \$1,096,900), an increase of 2.4% from 2025-26.

Further information on the Regional Landscape Levy and the Landscape Boards be found at: <https://landscape.sa.gov.au/>.

LAND USE TYPE	RATE PER LAND USE
Residential	\$96.78
Commercial	\$145.17
Industrial	\$145.17
Primary producers	\$193.55
Others & vacant land	\$96.78

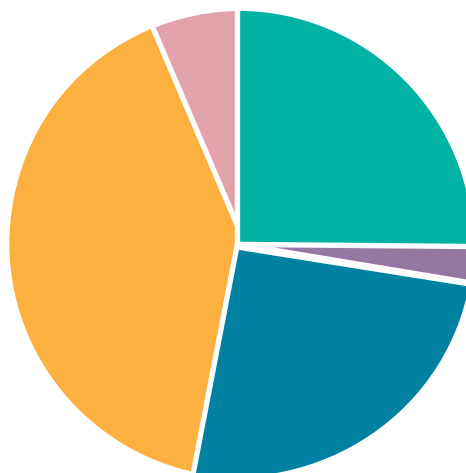
WASTE MANAGEMENT SERVICE CHARGE

The Council waste management service charge is raised to maintain the operating and capital requirements relating to waste management services. The revenue raised from this charge can only be applied to maintenance and replacement of the service and only those properties receiving the service will be levied.

For the 2026-27 financial year the service charge is proposed to be \$440, compared to \$425 for 2025-26.

Council will continue to provide the waste service charge remission, valued at \$180 for 2026-27. Eligible aged pensioners who have received the rebate before will have it applied automatically if their circumstances haven't changed. Other eligible pensioners will need to apply for this rebate annually by completing the relevant form and providing supporting evidence of eligibility.

OTHER OPERATING INCOME



RATES OTHER

Other rate revenue includes the State Government's Regional Landscape Levy collected on behalf of the Landscape Board as well as the Waste Management Service Charge

Rates other and are expected to account for **13%** of operating income in **2026-27**.

STATUTORY CHARGES

Statutory charges are fees for regulatory services. They are associated with the granting of a permit/license or the regulation of an activity. They include Development Act Fees, Animal Registrations and Parking Fines.

Statutory Charges are expected to account for **1%** of operating income in **2026-27**.

USER CHARGES

User Charges relate to the recovery of service delivery costs through the charging of fees to users of Council's services. They include airport fees, child care fees, hire of community facilities and property leases.

User Charges are expected to account for **14%** of operating income in **2026-27**.

GRANTS, SUBSIDIES AND CONTRIBUTIONS

This includes the General Purpose Grant, Local and Special Road Grants, Roads to Recovery Grant and other minor grants.

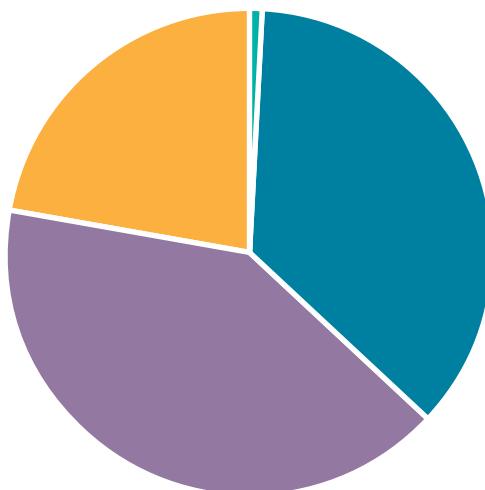
Operating Grants, Subsidies and Contributions are expected to account for **18%** of operating income in **2026-27**.

REIMBURSEMENTS AND OTHER INCOME

Reimbursements are amounts received as payment for work done by the Council acting as an agent for others. Other Income includes interest income and other revenue not separately classified above.

Reimbursements and Other Income are each expected to account for **3%** of operating income in **2026-27**.

OTHER OPERATING EXPENSES



EMPLOYEE COSTS

Employee costs include all labour related expenses such as wages and salaries as well as oncosts including allowances, leave entitlements and employer superannuation.

Employee costs are expected to account for **35%** of operating expenditure in **2026-27**.

MATERIALS, CONTRACTS & OTHER EXPENSES

Materials cover payments for physical goods and includes purchase of consumables, water and energy. Contract services involve payments for the external provision of services.

Materials, Contracts & Other Expenses are expected to account for **42%** of operating expenditure in **2026-27**.

DEPRECIATION

Depreciation is an accounting measure, which records the consumption of the Council's infrastructure, property, plant and equipment and has been based on Council's Asset Management Strategy.

Depreciation expense is expected to account for **22%** of operating expenditure in **2026-27**.

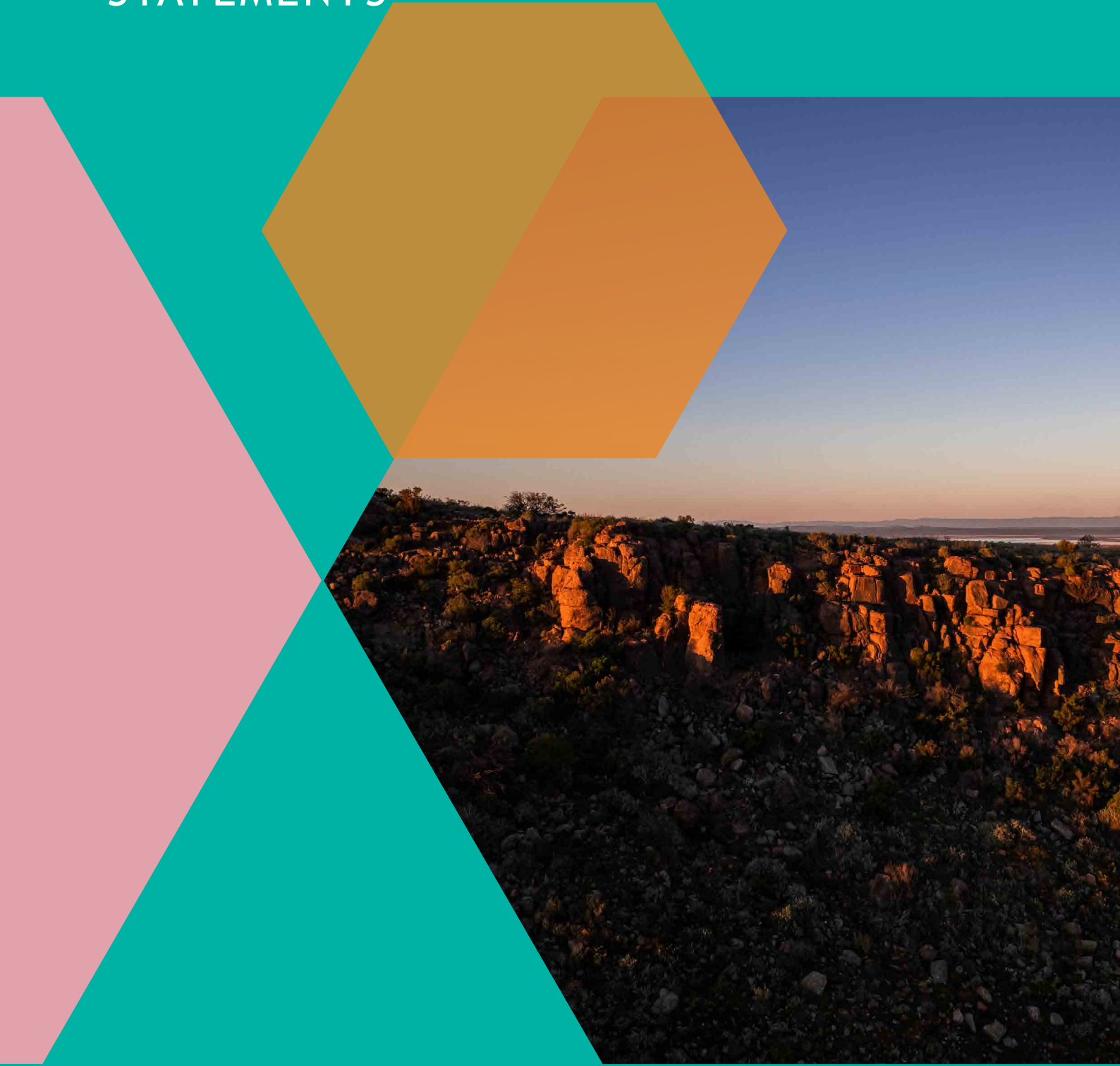
FINANCE COSTS

Finance Costs cover the interest expense related to financing Council's activities through borrowings, calculated using projected cash flows.

Finance Costs are expected to account for **1%** of operating expenditure in **2026-27**.

APPENDIX A

FINANCIAL STATEMENTS



FINANCIAL STATEMENTS BUDGET 2026-27

STATEMENT OF COMPREHENSIVE INCOME

Year Ended 30 June	2025 Year End Actual	2026 Adopted Budget	2026 Projected Actual	2027 Adopted Budget
	\$'000	\$'000	\$'000	\$'000
INCOME				
Rates	27,247	27,968	28,103	29,494
Statutory Charges	461	476	454	476
User Charges	5,105	5,794	5,889	6,434
Grants, subsidies, contributions - capital	595	617	912	732
Grants, subsidies, contributions - operating	10,249	7,069	7,813	7,661
Investment Income	68	12	62	12
Reimbursements	75	9	9	10
Other Income	1,615	1,143	1,307	1,280
TOTAL INCOME	45,415	43,088	44,549	46,059
EXPENSES				
Employee costs	14,712	15,917	15,677	16,851
Materials, contracts & other expenses	20,218	19,116	20,872	19,758
Depreciation	9,323	9,588	9,940	10,323
Finance Costs	816	541	286	441
TOTAL EXPENSES	45,069	45,162	46,775	47,373
OPERATING SURPLUS/(DEFICIT) BEFORE CAPITAL AMOUNTS	346	(2,074)	(2,226)	(1,314)
Net gain/(loss) on disposal or revaluations	6,605	-	-	-
Amounts specifically for new assets	23,946	7,985	8,159	7,152
Physical Resources Received Free of Charge	45	-	-	-
NET SURPLUS/(DEFICIT)	30,942	5,911	5,933	5,838
OTHER COMPREHENSIVE INCOME				
Changes in revaluation surplus - IPP&E	21,076	6,143	6,143	16,459
TOTAL COMPREHENSIVE INCOME	52,018	12,054	12,076	22,297
ADJUSTED OPERATING SUPLUS/(DEFICIT) BEFORE CAPITAL AMOUNTS	(3,000)	(2,074)	(2,226)	(1,314)

STATEMENT OF FINANCIAL POSITION

Year Ended 30 June	2025 Year End Actual	2026 Adopted Budget	2026 Projected Actual	2027 Adopted Budget
	\$'000	\$'000	\$'000	\$'000
ASSETS				
Current Assets				
Cash & Equivalent Assets	8,099	227	293	199
Trade & Other Receivables	3,790	3,707	7,140	7,140
Inventories	2,548	2,800	2,548	2,548
Total Current Assets	14,437	6,734	9,981	9,887
NON-CURRENT ASSETS				
Infrastructure, Property, Plant & Equipment	416,287	430,694	429,394	453,460
Other Non-Current Assets	2,364	1,408	2,264	2,164
Total Non-Current Assets	418,651	432,102	431,658	455,624
TOTAL ASSETS	433,088	438,836	441,639	465,511
LIABILITIES				
Current Liabilities				
Trade & Other Payables	11,995	4,092	4,495	4,495
Borrowings	2,000	500	-	-
Provisions	2,503	2,471	2,503	2,503
Total Current Liabilities	16,498	7,063	6,998	6,998
NON-CURRENT LIABILITIES				
Borrowings	2,500	10,400	8,500	10,100
Provisions	1,244	1,050	1,219	1,194
Total Non-Current Liabilities	3,744	11,450	9,719	11,294
TOTAL LIABILITIES	20,242	18,513	16,717	18,292
NET ASSETS	412,846	420,323	424,922	447,219
EQUITY				
Accumulated Surplus	65,300	79,292	71,233	77,071
Asset Revaluation Reserve	343,992	340,799	350,135	366,594
Other Reserves	3,554	232	3,554	3,554
TOTAL EQUITY	412,846	420,323	424,922	447,219

STATEMENT OF CHANGES IN EQUITY

Year Ended 30 June	2025 Year End Actual	2026 Adopted Budget	2026 Projected Actual	2027 Adopted Budget
	\$'000	\$'000	\$'000	\$'000
ACCUMULATED SURPLUS				
Balance at end of previous reporting period	37,680	73,381	65,300	71,233
Net Result for Year	30,942	5,911	5,933	5,838
Transfers to Other Reserves	(3,322)	-	-	-
Transfers from Other Reserves	-	-	-	-
Balance at end of period	65,300	79,292	71,233	77,071
ASSET REVALUATION RESERVE				
Property Plant & Equipment	343,992	340,799	350,135	366,594
Balance at end of period	343,992	340,799	350,135	366,594
OTHER RESERVES				
Balance at end of previous reporting period	232	232	3,554	3,554
Transfers from Accumulated Surplus	3,322	-	-	-
Transfers to Accumulated Surplus	-	-	-	-
Balance at end of period	3,554	232	3,554	3,554
TOTAL EQUITY AT END OF REPORTING PERIOD	412,846	420,323	424,922	447,219

STATEMENT OF CASH FLOWS

Year Ended 30 June	2025 Year End Actual	2026 Adopted Budget	2026 Projected Actual	2027 Adopted Budget
	\$'000	\$'000	\$'000	\$'000
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Rates	26,926	27,968	24,603	29,454
Statutory Charges	478	476	454	476
User Charges	5,439	5,794	5,889	6,434
Grants, Subsidies and Contributions - Operating	10,265	7,069	4,463	7,661
Investment Income	68	12	62	12
Reimbursements	82	9	9	10
Other income	9,900	1,143	1,307	1,280
Payments				
Employee Costs	(14,566)	(15,917)	(15,677)	(16,851)
Materials, Contracts & Other Expenses	(20,343)	(19,041)	(24,797)	(19,683)
Finance Costs	(924)	(541)	(286)	(441)
Net Cash provided by (or used in) Operating Activities	17,325	6,972	(3,973)	8,352
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Amounts Specifically for New/Upgraded Assets	24,290	7,985	8,159	7,152
Grants Utilised for Capital Purposes	595	617	912	732
Sale of Renewed/Replaced Assets	165	85	176	184
Sale of Surplus Assets	13,439	-	-	-
Payments				
Expenditure on Renewal/Replacement of Assets	(9,189)	(8,537)	(8,942)	(6,722)
Expenditure on New/Upgraded Assets	(22,331)	(8,492)	(8,138)	(11,392)
Net Cash Provided by (or used in) Investing Activities	6,969	(8,342)	(7,833)	(10,046)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Proceeds from Borrowings	-	1,400	4,000	1,600
Payments				
Repayments of Borrowings	(16,300)	-	-	-
Net Cash provided by (or used in) Financing Activities	(16,300)	1,400	4,000	1,600
Net Increase/(Decrease) in cash held	7,994	30	(7,806)	(94)
Opening cash, cash equivalents or (bank overdraft)	105	197	8,099	293
Closing cash, cash equivalents or (bank overdraft)	8,099	227	293	199



APPENDIX B

LONG TERM FINANCIAL PLAN STATEMENTS



ESTIMATED STATEMENT OF COMPREHENSIVE INCOME

Year Ended 30 June



	Actual	Estimate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
INCOME												
Rates	27,247	28,103	29,454	30,427	31,432	32,394	33,386	34,410	35,466	36,555	37,676	38,831
Statutory Charges	461	454	476	487	498	510	523	536	549	562	575	590
User Charges	5,105	5,889	6,434	6,793	7,028	7,273	7,528	7,717	7,910	8,106	8,310	8,517
Grants, subsidies, contributions - capital	595	912	732	771	771	771	771	771	771	771	771	771
Grants, subsidies, contributions - operating	10,249	7,813	7,661	7,728	7,922	8,120	8,323	8,531	8,744	8,962	9,185	9,415
Investment Income	68	62	12	12	12	12	12	12	12	12	12	12
Reimbursements	75	9	10	10	10	10	10	10	10	10	10	10
Other Income	1,615	1,307	1,280	1,320	1,361	1,402	1,444	1,489	1,535	1,582	1,630	1,680
TOTAL INCOME	45,415	44,549	46,059	47,548	49,034	50,492	51,997	53,476	54,997	56,560	58,169	59,826

EXPENSES												
Employee Costs	14,712	15,677	16,851	17,272	17,755	18,252	18,863	19,392	19,935	20,493	21,067	21,657
Materials, Contracts & Other Expenses	20,218	20,872	19,758	19,920	20,410	20,967	21,574	21,972	22,517	23,126	23,886	24,342
Depreciation	9,323	9,940	10,323	10,739	10,937	11,100	11,268	11,552	11,874	12,204	12,545	12,894
Finance Costs	816	286	441	558	522	426	368	297	151	39	0	0
TOTAL EXPENSES	45,069	46,775	47,373	48,489	49,624	50,745	52,073	53,213	54,477	55,862	57,498	58,893

OPERATING SURPLUS/(DEFICIT) BEFORE CAPITAL AMOUNTS	346	(2,226)	(1,314)	(941)	(590)	(253)	(76)	263	520	698	671	933
Net gain/(loss) on disposal or revaluations	6,605	-	-	-	-	-	-	-	-	-	-	-
Amounts specifically for new assets	23,946	8,159	7,152	2,850	126	129	132	134	137	141	144	148
Physical Resources Received Free of Charge	45	-	-	-	-	-	-	-	-	-	-	-
NET SURPLUS/(DEFICIT)	30,897	5,933	5,838	1,909	(464)	(114)	56	397	657	839	815	1,081

OTHER COMPREHENSIVE INCOME												
Changes in revaluation surplus - IPP&E	21,076	6,143	16,459	6,757	6,871	6,924	6,986	11,767	11,996	12,215	12,442	12,677
TOTAL COMPREHENSIVE INCOME	51,973	12,076	22,297	8,666	6,407	6,800	7,042	12,164	12,653	13,054	13,257	13,758

ADJUSTED OPERATING SURPLUS/(DEFICIT) BEFORE CAPITAL AMOUNTS	(3,000)	(2,226)	(1,314)	(941)	(590)	(253)	(76)	263	520	698	671	933
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ESTIMATED STATEMENT OF FINANCIAL POSITION

Year Ended 30 June



ASSETS

Current Assets

	Actual	Estimate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Cash & Equivalent Assets	8,099	293	199	281	255	185	263	199	277	2,032	5,214	9,709
Trade & Other Receivables	3,790	7,140	7,140	7,140	7,140	7,140	7,140	7,140	7,140	7,140	7,140	7,140
Inventories	2,548	2,548	2,548	2,548	2,548	2,548	2,548	2,548	2,548	2,548	2,548	2,548
Total Current Assets	14,437	9,981	9,887	9,969	9,943	9,873	9,951	9,887	9,965	11,720	14,902	19,397

NON-CURRENT ASSETS

Infrastructure, Property, Plant & Equipment	416,287	429,394	453,460	462,619	467,627	471,872	478,811	488,414	498,664	508,781	518,831	528,069
Other Non-Current Assets	2,364	2,264	2,164	2,064	1,964	1,864	1,764	1,664	1,564	1,521	1,521	1,521
Total Non-Current Assets	418,651	431,658	455,624	464,683	469,591	473,736	480,575	490,078	500,228	510,302	520,352	529,590
TOTAL ASSETS	433,088	441,639	465,511	474,652	479,534	483,609	490,526	499,965	510,193	522,022	535,254	548,987

LIABILITIES

Current Liabilities

Trade & Other Payables	11,995	4,495	4,495	4,495	4,495	4,495	4,495	4,495	4,495	4,495	4,495	4,495
Borrowings	2,000	-	-	1,500	2,700	100	2,700	2,400	1,200	-	-	-
Provisions	2,503	2,503	2,503	2,503	2,503	2,503	2,503	2,503	2,503	2,503	2,503	2,503
Total Current Liabilities	16,498	6,998	6,998	8,498	9,698	7,098	9,698	9,398	8,198	6,998	6,998	6,998

NON-CURRENT LIABILITIES

Borrowings	2,500	8,500	10,100	9,100	6,400	6,300	3,600	1,200	0	0	0	0
Provisions	1,244	1,219	1,194	1,169	1,144	1,119	1,094	1,069	1,044	1,019	994	969
Total Non-Current Liabilities	3,744	9,719	11,294	10,269	7,544	7,419	4,694	2,269	1,044	1,019	994	969
TOTAL LIABILITIES	20,242	16,717	18,292	18,767	17,242	14,517	14,392	11,667	9,242	8,017	7,992	7,967

NET ASSETS	412,846	424,922	447,219	455,885	462,292	469,092	476,134	488,298	500,951	514,005	527,262	541,020
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EQUITY

Accumulated Surplus	65,300	71,233	77,071	78,980	78,516	78,392	78,448	78,845	79,502	80,341	81,156	82,237
Asset Revaluation Reserve	343,992	350,135	366,594	373,351	380,222	387,146	394,132	405,899	417,895	430,110	442,552	455,229
Other Reserves	3,554	3,554	3,554	3,554	3,554	3,554	3,554	3,554	3,554	3,554	3,554	3,554
TOTAL EQUITY	412,846	424,922	447,219	455,885	462,292	469,092	476,134	488,298	500,951	514,005	527,262	541,020

ESTIMATED STATEMENT OF CASH FLOWS



Year Ended 30 June

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts

	Actual	Estimate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Rates	26,926	24,603	29,454	30,427	31,432	32,394	33,386	34,410	35,466	36,555	37,676	38,831
Statutory Charges	478	454	476	487	498	510	523	536	549	562	575	590
User Charges	5,439	5,889	6,434	6,793	7,028	7,273	7,528	7,717	7,910	8,106	8,310	8,517
Grants, subsidies, contributions	10,265	4,463	7,661	7,728	7,922	8,120	8,323	8,531	8,744	8,962	9,185	9,415
Investment Income	68	62	12	12	12	12	12	12	12	12	12	12
Reimbursements	82	9	10	10	10	10	10	10	10	10	10	10
Other Income	9,900	1,307	1,280	1,320	1,361	1,402	1,444	1,489	1,535	1,582	1,630	1,680
Payments												
Employee costs	(14,566)	(15,677)	(16,851)	(17,272)	(17,755)	(18,252)	(18,863)	(19,392)	(19,935)	(20,493)	(21,067)	(21,657)
Materials, contracts & other expenses	(20,343)	(24,797)	(19,683)	(19,845)	(20,335)	(20,892)	(21,499)	(21,897)	(22,442)	(23,108)	(23,911)	(24,367)
Finance Costs	(924)	(286)	(441)	(558)	(522)	(426)	(368)	(297)	(151)	(39)	0	0
Net Cash provided by (or used in) Operating Activities	17,325	(3,973)	8,352	9,102	9,651	10,151	10,496	11,119	11,698	12,149	12,420	13,031

CASH FLOWS FROM INVESTING ACTIVITIES

Receipts

Amounts Specifically for New/Upgraded Assets	24,290	8,159	7,152	2,850	126	129	132	134	137	141	144	148
Grants Utilised for Capital Purposes	595	912	732	771	771	771	771	771	771	771	771	771
Sale of Renewed/Replaced Assets	165	176	184	188	171	114	336	172	213	319	290	168
Sale of Surplus Assets	13,439	-	-	-	-	-	-	-	-	-	-	-

Payments

Expenditure on Renewal/Replacement of Assets	(9,189)	(8,942)	(6,722)	(7,307)	(7,393)	(7,150)	(9,641)	(8,112)	(8,354)	(8,903)	(8,882)	(8,022)
Expenditure on New/Upgraded Assets	(22,331)	(8,138)	(11,392)	(6,022)	(1,852)	(1,385)	(1,916)	(1,448)	(1,987)	(1,522)	(1,561)	(1,601)
Net Cash provided by (or used in) Investing Activities	6,969	(7,833)	(10,046)	(9,520)	(8,177)	(7,521)	(10,318)	(8,483)	(9,220)	(9,194)	(9,238)	(8,536)

CASH FLOWS FROM FINANCING ACTIVITIES

Receipts

Proceeds from Borrowings	-	4,000	1,600	500	-	-	-	-	-	-	-	-
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Payments

Repayments of Borrowings	(16,300)	-	-	-	(1,500)	(2,700)	(100)	(2,700)	(2,400)	(1,200)	-	-
Net Cash provided by (or used in) Financing Activities	(16,300)	4,000	1,600	500	(1,500)	(2,700)	(100)	(2,700)	(2,400)	(1,200)	0	0

Net Increase/(Decrease) in cash held

	7,994	(7,806)	(94)	82	(26)	(70)	78	(64)	78	1,755	3,182	4,495
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Opening cash, cash equivalents or (bank overdraft)

	105	8,099	293	199	281	255	185	263	199	277	2,032	5,214
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CLOSING CASH, CASH EQUIVALENTS OR (BANK OVERDRAFT)	8,099	293	199	281	255	185	263	199	277	2,032	5,214	9,709
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ESTIMATED STATEMENT OF CHANGES IN EQUITY

Year Ended 30 June

ACCUMULATED SURPLUS

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
	Actual	Estimate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Balance at end of previous reporting period	37,680	65,300	71,233	77,071	78,980	78,516	78,392	78,448	78,845	79,502	80,341	81,156
Net Result for Year	30,942	5,933	5,838	1,909	(464)	(124)	56	397	657	839	815	1,081
Transfers to Other Reserves	(3,322)	-	-	-	-	-	-	-	-	-	-	-
Transfers from Other Reserves	-	-	-	-	-	-	-	-	-	-	-	-
Balance at end of period	65,300	71,233	77,071	78,980	78,516	78,392	78,448	78,845	79,502	80,341	81,156	82,237

ASSET REVALUATION RESERVE

Property Plant & Equipment	343,992	350,135	366,594	373,351	380,222	387,146	394,132	405,899	417,895	430,110	442,552	455,229
Balance at end of period	343,992	350,135	366,594	373,351	380,222	387,146	394,132	405,899	417,895	430,110	442,552	455,229

OTHER RESERVES

Balance at end of previous reporting period	232	3,554	3,554	3,554	3,554	3,554	3,554	3,554	3,554	3,554	3,554	3,554
Transfers from Accumulated Surplus	3,322	-	-	-	-	-	-	-	-	-	-	-
Transfers to Accumulated Surplus	-	-	-	-	-	-	-	-	-	-	-	-
Balance at end of period	3,554	3,554	3,554	3,554	3,554	3,554	3,554	3,554	3,554	3,554	3,554	3,554

TOTAL EQUITY AT END OF REPORTING PERIOD

	412,846	424,922	447,219	455,885	462,292	469,092	476,134	488,298	500,951	514,005	527,262	541,020
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ESTIMATED SUMMARY STATEMENT INCLUDING FINANCING TRANSACTIONS

Year Ended 30 June												
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
	Actual	Estimate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Operating Revenues												
Rates	27,247	28,103	29,454	30,427	31,432	32,394	33,386	34,410	35,466	36,555	37,676	38,831
Statutory Charges	461	454	476	487	498	510	523	536	549	562	575	590
User Charges	5,105	5,889	6,434	6,793	7,028	7,273	7,528	7,717	7,910	8,106	8,310	8,517
Grants, subsidies and contributions - capital	595	912	732	771	771	771	771	771	771	771	771	771
Grants, subsidies and contributions - operating	10,249	7,813	7,661	7,728	7,922	8,120	8,323	8,531	8,744	8,962	9,185	9,415
Investment Income	68	62	12	12	12	12	12	12	12	12	12	12
Reimbursements	75	9	10	10	10	10	10	10	10	10	10	10
Other Income	1,615	1,307	1,280	1,320	1,361	1,402	1,444	1,489	1,535	1,582	1,630	1,680
Operating Expenses												
Employee Costs	(14,712)	(15,677)	(16,851)	(17,272)	(17,755)	(18,252)	(18,863)	(19,392)	(19,935)	(20,493)	(21,067)	(21,657)
Materials, contracts & other expenses	(20,218)	(20,872)	(19,758)	(19,920)	(20,410)	(20,967)	(21,574)	(21,972)	(22,517)	(23,126)	(23,886)	(24,342)
Depreciation, amortisation & impairments	(9,323)	(9,940)	(10,323)	(10,739)	(10,937)	(11,100)	(11,268)	(11,552)	(11,874)	(12,204)	(12,545)	(12,894)
Finance Costs	(816)	(286)	(441)	(558)	(522)	(426)	(368)	(297)	(151)	(39)	0	0
Operating Surplus/(Deficit) before Capital Amounts												
	346	(2,226)	(1,314)	(941)	(590)	(253)	(76)	263	520	698	671	933
Capital Expenditure on Renewal/Replacement assets												
	(9,233)	(8,942)	(8,972)	(6,557)	(6,893)	(7,150)	(9,141)	(8,112)	(7,854)	(8,903)	(8,882)	(8,022)
add back: Depreciation, Amortisation and Impairment	9,323	9,940	10,323	10,739	10,937	11,100	11,268	11,552	11,874	12,204	12,545	12,894
add back: Sale of Replaced Assets	166	176	184	188	171	114	336	172	213	319	290	168
Net Outlays on Existing Assets												
	256	1,174	1,535	4,370	4,215	4,064	2,463	3,612	4,233	3,620	3,953	5,040
Capital Expenditure on New and Upgraded Assets												
add back: Amounts Specifically for New and Upgraded Assets	(22,331)	(8,138)	(13,642)	(5,272)	(1,352)	(1,385)	(1,416)	(1,448)	(1,487)	(1,522)	(1,561)	(1,601)
Upgraded Assets	23,946	8,159	7,152	2,850	126	129	132	134	137	141	144	148
add back: Sale of Surplus Assets	13,439	-	-	-	-	-	-	-	-	-	-	-
Net Outlays on New and Upgraded Assets												
	15,054	21	(6,490)	(2,422)	(1,226)	(1,256)	(1,284)	(1,314)	(1,350)	(1,381)	(1,417)	(1,453)
NET LENDING/(BORROWING) FOR FINANCIAL YEAR												
	15,656	(1,031)	(6,269)	1,007	2,399	2,555	1,103	2,561	3,403	2,937	3,207	4,520
New Borrowings												
Repayment of Principal on Borrowings	-	4,000	1,600	500	-	-	-	-	-	-	-	-
(Increase)/Decrease in Cash and Cash Equivalents	(16,300)	-	-	-	(1,500)	(2,700)	(100)	(2,700)	(2,400)	(1,200)	-	-
Net Balance Sheet Funding	(7,994)	7,806	94	(82)	26	70	(78)	64	(78)	(1,755)	(3,182)	(4,495)
	8,638	(10,775)	4,575	(1,425)	(925)	75	(925)	75	(925)	18	(25)	(25)
Financing Transactions												
	(15,656)	1,031	6,269	(1,007)	(2,399)	(2,555)	(1,103)	(2,561)	(3,403)	(2,937)	(3,207)	(4,520)
Adjusted Operating/(Deficit) Ratio												
	(7)%	(5)%	(3)%	(2)%	(1)%	(1)%	0%13	0%	1%	1%	1%8	2%
Net Financial Liabilities Ratio												
	18%	21%	24%	24%	20%	14%	%106	8%	3%	(2)%	%11	(15)%
Asset Renewal Funding Ratio												
	79%	185%	160%	107%	114%	113%	%	118%	110%	94%	7%	110%

AIRPORT - ESTIMATED SUMMARY STATEMENT INCLUDING FINANCING TRANSACTIONS

Year Ended 30 June



	Actual	Estimate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Operating Revenues												
User Charges	2,038	2,351	2,837	3,055	3,196	3,345	3,501	3,589	3,679	3,770	3,864	3,960
Reimbursements	30	-	-	-	-	-	-	-	-	-	-	-
Operating Expenses												
Employee Costs	(412)	(366)	(434)	(446)	(458)	(471)	(484)	(498)	(512)	(526)	(541)	(556)
Materials, contracts & other expenses	(2,187)	(2,218)	(2,392)	(2,451)	(2,513)	(2,576)	(2,640)	(2,706)	(2,773)	(2,843)	(2,914)	(2,987)
Depreciation, amortisation & impairments	(553)	(942)	(1,026)	(1,040)	(1,055)	(1,070)	(1,086)	(1,114)	(1,142)	(1,171)	(1,200)	(1,230)
Finance Costs	(375)	(286)	(441)	(500)	(511)	(426)	(368)	(297)	(151)	(39)	0	0
Operating Surplus/(Deficit) before Capital Amounts	(1,459)	(1,461)	(1,456)	(1,382)	(1,341)	(1,198)	(1,077)	(1,026)	(899)	(809)	(791)	(813)
Capital Expenditure on Renewal/Replacement Assets	(4,868)	-	-	-	-	-	-	-	-	-	-	-
add back: Depreciation, Amortisation and Impairment	553	942	1,026	1,040	1,055	1,070	1,086	1,114	1,142	1,171	1,200	1,230
Net Outlays on Existing Assets	(4,315)	942	1,026	1,040	1,055	1,070	1,086	1,114	1,142	1,171	1,200	1,230
Capital Expenditure on New and Upgraded Assets	(21,000)	(6,542)	-	-	-	-	-	-	-	-	-	-
add back: Amounts Specifically for New and Upgraded Assets	23,919	6,081	-	-	-	-	-	-	-	-	-	-
Net Outlays on New and Upgraded Assets	2,919	(461)	0	0	0	0	0	0	0	0	0	0
NET LENDING/(BORROWING) FOR FINANCIAL YEAR	(2,855)	(980)	(430)	(342)	(286)	(128)	9	88	243	362	409	417
New Borrowings	-	1,000	400	400	-	-	-	-	-	-	-	-
Repayment of Principal on Borrowings	(200)	-	-	-	(1,100)	(2,700)	(100)	(2,700)	(2,400)	(1,200)	-	-
(Increase)/Decrease in Cash and Cash Equivalents	55	(20)	30	(58)	(14)	28	(9)	12	(43)	38	(409)	(417)
Net Balance Sheet Funding	3,000	-	-	-	1,400	2,800	100	2,600	2,200	800	-	-
Financing Transactions	2,855	980	430	342	286	128	(9)	(88)	(243)	(362)	(409)	(417)
Adjusted Operating/(Deficit) Ratio	(71)%	(62)%	(51)%	(45)%	(42)%	(36)%	(31)%	(29)%	(24)%	(21)%	(20)%	(21)%
Net Financial Liabilities Ratio	405%	398%	345%	331%	282%	189%	178%	99%	30%	(2)%	(12)%	(23)%
Asset Renewal Funding Ratio	97%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

COUNCIL - ESTIMATED SUMMARY STATEMENT INCLUDING FINANCING TRANSACTIONS

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Year Ended 30 June												
	Actual	Estimate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating Revenues												
Rates	27,247	28,103	29,454	30,427	31,432	32,394	33,386	34,410	35,466	36,555	37,676	38,831
Statutory Charges	461	454	476	487	498	510	523	536	549	562	575	590
User Charges	3,067	3,538	3,597	3,738	3,832	3,928	4,027	4,128	4,231	4,336	4,446	4,557
Grants, subsidies and contributions - capital	595	912	732	771	771	771	771	771	771	771	771	771
Grants, subsidies and contributions - operating	10,249	7,813	7,661	7,728	7,922	8,120	8,323	8,531	8,744	8,962	9,185	9,415
Investment Income	68	62	12	12	12	12	12	12	12	12	12	12
Reimbursements	45	9	10	10	10	10	10	10	10	10	10	10
Other Income	1,615	1,307	1,280	1,320	1,361	1,402	1,444	1,489	1,535	1,582	1,630	1,680
Operating Expenses												
Employee Costs	(14,300)	(15,311)	(16,417)	(16,826)	(17,297)	(17,781)	(18,379)	(18,894)	(19,423)	(19,967)	(20,526)	(21,101)
Materials, contracts & other expenses	(18,031)	(18,654)	(17,366)	(17,469)	(17,897)	(18,391)	(18,934)	(19,266)	(19,744)	(20,283)	(20,972)	(21,355)
Depreciation, amortisation & impairments	(8,770)	(8,998)	(9,297)	(9,699)	(9,882)	(10,030)	(10,182)	(10,438)	(10,732)	(11,033)	(11,345)	(11,664)
Finance Costs	(441)	-	-	(53)	(8)	-	-	-	-	-	-	-
Operating Surplus/(Deficit) before Capital Amounts	1,805	(765)	142	499	762	945	1,001	1,289	1,419	1,507	1,462	1,746
Capital Expenditure on Renewal/Replacement	(4,365)	(8,942)	(8,972)	(6,557)	(6,893)	(7,150)	(9,141)	(8,112)	(7,854)	(8,903)	(8,882)	(8,022)
add back: Depreciation, Amortisation and Impairment	8,770	8,998	9,297	9,699	9,882	10,030	10,182	10,438	10,732	11,033	11,345	11,664
add back: Sale of Replaced Assets	166	176	184	188	171	114	336	172	213	319	290	168
Net Outlays on Existing Assets	4,571	232	509	3,330	3,160	2,994	1,377	2,498	3,091	2,449	2,753	3,810
Capital Expenditure on New and Upgraded Assets	(1,331)	(1,596)	(13,642)	(5,272)	(1,352)	(1,385)	(1,416)	(1,448)	(1,487)	(1,522)	(1,561)	(1,601)
add back: Amounts Specifically for New and Upgraded Assets	27	2,078	7,152	2,850	126	129	132	134	137	141	144	148
add back: Sale of Surplus Assets	13,439	-	-	-	-	-	-	-	-	-	-	-
Net Outlays on New and Upgraded Assets	12,135	482	(6,490)	(2,422)	(1,226)	(1,256)	(1,284)	(1,314)	(1,350)	(1,381)	(1,417)	(1,453)
NET LENDING/(BORROWING) FOR FINANCIAL YEAR	18,511	(51)	(5,839)	1,407	2,696	2,683	1,094	2,473	3,160	2,575	2,798	4,103
New Borrowings	-	3,000	1,200	100	-	-	-	-	-	-	-	-
Repayment of Principal on Borrowings	(16,100)	-	-	-	(400)	-	-	-	-	-	-	-
(Increase)/Decrease in Cash and Cash Equivalents	(8,049)	7,826	64	(24)	40	42	(69)	52	(35)	(1,793)	(2,773)	(4,078)
Net Balance Sheet Funding	5,638	(10,775)	4,575	(1,425)	(2,325)	(2,725)	(1,025)	(2,525)	(3,125)	(782)	(25)	(25)
Financing Transactions	(18,511)	51	5,839	(1,407)	(2,696)	(2,683)	(1,094)	(2,473)	(3,160)	(2,575)	(2,798)	(4,103)
Adjusted Operating/(Deficit) Ratio	(4)%	(2)%	0%	1%	2%	2%	2%	3%	3%	3%	3%	3%
Net Financial Liabilities Ratio	0%	0%	3%	3%	2%	2%	2%	2%	1%	(2)%	(7)%	(14)%
Asset Renewal Funding Ratio	66%	185%	160%	107%	114%	113%	106%	118%	110%	94%	117%	110%

MODIFIED OPERATING RESULTS

Year Ended 30 June

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
	Actual	Estimate	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Airport												
Operating Surplus/(Deficit) before Capital Amounts	(1,459)	(1,461)	(1,456)	(1,382)	(1,341)	(1,198)	(1,077)	(1,026)	(899)	(809)	(791)	(813)
less: 50% of airport depreciation	276	471	513	520	527	535	543	557	571	585	600	615
Modified Operating Surplus/(Deficit) before Capital Amounts	(1,183)	(990)	(943)	(862)	(814)	(663)	(534)	(469)	(328)	(224)	(191)	(198)
MODIFIED OPERATING/(DEFICIT) RATIO	(57)%	(42)%	(33)%	(28)%	(25)%	(20)%	(15)%	(13)%	(9)%	(6)%	(5)%	(5)%
Council including Airport												
Adjusted Operating Surplus/(Deficit) before Capital Amounts	(3,000)	(2,226)	(1,314)	(941)	(590)	(253)	(76)	263	520	698	671	933
less: 50% of airport depreciation	276	471	513	520	527	535	543	557	571	585	600	615
Modified Operating Surplus/(Deficit) before Capital Amounts	(2,724)	(1,755)	(801)	(421)	(63)	282	467	820	1,091	1,283	1,271	1,548
MODIFIED OPERATING/(DEFICIT) RATIO	(6)%	(4)%	(2)%	(1)%	0%	1%	1%	2%	2%	2%	2%	3%

KEY ASSUMPTIONS

KEY ASSUMPTIONS PREVIOUS

	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Consumer Price Index (CPI)	2.7%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Wage Increase	3.0%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%
Capital Costs Local Government Price Index (LGPI)	2.7%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Depreciation Costs	1.7%	1.5%	1.5%	1.5%	1.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Weighted Interest Rate	4.8%	5.0%	5.3%	5.5%	5.8%	6.0%	6.3%	6.5%	6.5%	6.5%
Rate Increase	3.4%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%

KEY ASSUMPTIONS UPDATED

	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Consumer Price Index (CPI)	4.9%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Wage Increase	5.0%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%
Capital Costs Local Government Price Index (LGPI)	4.9%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Depreciation Costs	3.9%	1.5%	1.5%	1.5%	1.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Weighted Interest Rate	5.5%	5.5%	5.5%	5.5%	5.8%	6.0%	6.3%	6.5%	6.5%	6.5%
Rate Increase	5.3%	3.3%	3.3%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%

Other Relevant Information

- CPI and LGPI are applied in arrears, i.e. the figure applied to each financial year is the estimated annual CPI for the March directly preceding
- LGPI is applied to the cost of capital
- The Weighted Interest Rate takes into account that Council have a portion of fixed borrowings
- The majority of items increase by CPI each year
- The assumption for Depreciation has been dropped for a number of years, as it is expected that this will correct over time after 2 years of large increases

APPENDIX C

UNIFORM PRESENTATION OF RATES



Photography by Karen Bilney

Uniform Presentation of Annual Business Plan and Budget (ABP&B) Proposal

Expected Rates Revenue

	2025/26 (as adopted)	2026/27 (estimated)	Change	Comments
General Rates				
General Rates (existing properties)	\$22,618,250	\$23,869,367 (a)		For 2026/27, an expected General Rate rise of around 5.3 per cent is projected. 0.29 per cent of additional rates are expected from development.
General Rates (new properties)	\$56,545	\$69,850 (b)		
General Rates (GROSS)	\$22,674,794	\$23,939,217 (c)		
Less: Mandatory Rebates	(\$375,555)	(\$394,662) (d)		
General Rates (NET)	\$22,299,240	\$23,544,555 (e)	5.6%	

(e)=(c)-(d)

Other Rates (inc. service charges)

Regional Landscape Levy	\$1,098,923	\$1,125,028	(f)	The Regional Landscape Levy is not retained by council.	
Waste collection	\$4,776,681	\$4,970,790	(g)	\$220.00 for each red bin, \$110.00 for each yellow bin and \$110.00 for each green organic bin.	
	\$27,075,921	\$28,515,345			
Less: Discretionary Rebates	(\$338,100)	(\$347,038)	(h)		
Total Rates Revenue	\$26,737,821	\$28,168,307	(i)	5.4%	Excludes Mandatory & Discretionary Rebates and the Regional Landscape Levy.
	(m)=(e)+(g)+(h)+(j)+(k)-(l)				

(m)=(e)+(g)+(h)+(i)+(j)+(k)-(l)

Growth in number of rateable properties

Number of rateable properties	11,536	11,565	(i)	0.3%	Growth' is expected to account for 0.29% of the estimated increase in General Rates to be collected.
	<i>Actual</i>	<i>Estimate</i>			
'Growth' is defined in the regulations as where new properties have been created which has added ratepayers to council's ratepayer base. Growth can also increase the need and expenditure related to infrastructure, services and programs which support these properties and residents.					

Average General Rates per rateable property

Average per rateable property	\$1,933	\$2,036	(k)	5.3%	These 'averages' are based on the total of all rateable properties and are therefore not necessarily indicative of either the rate or change in rates that all ratepayers will experience.
(k)=(e)/(j)					
Councils use property valuations to calculate each rateable property's contribution to the required rate revenue total. Councils do not automatically receive more money because property values increase but this may alter how rates are apportioned (or divided) across each ratepayer (ie. some people may pay more or less rates, this is dependent on the change in value of their property relative to the overall valuation changes across the council area).					
The total rates paid by all rateable properties will equal the amount adopted in the budget.					

Notes

(c) General Rates are shown after the impact of capping is applied
(d) Councils are required under the Local Government Act to provide a rebate to qualifying properties under a number of categories: Health Services - 100 per cent Religious purposes - 100 per cent Royal Zoological Society of SA - 100 per cent Community Services - 75 per cent Public Cemeteries - 100 per cent Educational purposes - 75 per cent The rates which are foregone via Mandatory Rebates are redistributed across the ratepayer base (ie. all other ratepayers are subsidising the rates contribution for those properties who receive the rebate).
(e) Presented as required by Regulation 6(1)(ea) of the Local Government (Financial Management) Regulations 2011. Please Note: The percentage figure in (c) relates to the change in the total amount of General Rates to be collected from <u>all</u> ratepayers, not from <u>individual</u> ratepayers (ie. not everyone's rates will necessarily change by this figure).
(f) The Regional Landscape Levy is not retained by council . Councils are required under the <i>Landscape South Australia Act 2019</i> to collect the levy on all rateable properties on behalf of the State Government.
(h) A council may grant a rebate of rates or service charges in a number of circumstances. The rates which are foregone via Discretionary Rebates are redistributed across the ratepayer base (ie. all other ratepayers are subsidising the rates contribution for those properties who receive the rebate).
(j) 'Growth' as defined in Regulation 6(2) of the Local Government (Financial Management) Regulations 2011. Please note: The 2025/26 number of rateable properties is an estimate based on the most current information available at the time of going out to consultation on the ABP&B. This information is updated regularly and therefore may be subject to change at the time of adoption of ABP&B.

Uniform Presentation of Annual Business Plan and Budget (ABP&B) Proposal

Differential Rates

	Total expected revenue			No. of rateable properties		Average per rateable property				Cents in the \$
	2025/26	2026/27	Change	2025/26	2026/27	2025/26	2026/27	Change	2026/27	
Land Use										
Residential	\$17,340,822	\$18,304,125	5.6%	10465	10494	\$1,657	\$1,744	(/)	\$87	0.003101
Commercial	\$2,706,010	\$2,855,929	5.5%	350	351	\$7,731	\$8,137	(/)	\$405	0.008838
Industry	\$453,813	\$467,137	2.9%	71	71	\$6,392	\$6,579	(/)	\$188	0.011629
Primary Production	\$7,647	\$8,466	10.7%	13	14	\$588	\$605	(/)	\$16	0.000310
Vacant Land	\$489,220	\$498,420	1.9%	260	259	\$1,882	\$1,924	(/)	\$43	0.011629
Other	\$105,642	\$134,935	27.7%	56	56	\$1,886	\$2,410	(/)	\$523	0.008838
Locality										
Coastal & Rural Living	\$491,841	\$542,933	10.4%	317	317	\$1,552	\$1,713	(/)	\$161	0.002171
Heavy Industry	\$639,909	\$665,653	4.0%	4	3	\$159,977	\$221,884	(/)	\$61,907	0.068311

Council uses a differential rating system, using Land Use Codes and Locality as the factors to apply such differential rates. In applying differential general rates, council has considered and is satisfied that the rating system addresses the issue of consistency and comparability across all council areas, particularly as it relates to the various sectors of the business and wider community.

Fixed Charge

	Total expected revenue			Charge or Rate		
	2025/26	2026/27	Change	2025/26	2026/27	Change
Fixed Charge	\$9,481,725	\$10,000,452	5.5%	\$825	\$869	(m) \$44

A Fixed Charge ensures all rateable properties pay a base amount to the cost of administering council activities and maintaining the services and infrastructure that supports each property. Rates based on values are then applied in addition to the fixed charge. Council is limited to the amount that can be raised by the fixed charge in that it cannot raise more than 50% of its general rate revenue from the fixed charge component. In 2026/27 council proposes to raise 43% of its general rate revenue by way of the fixed charge. This revenue amount is **included** in the General Rates GROSS figure at (c).

Adopted valuation method

Capital Value

Council has the option of adopting one of two valuation methodologies to assess the properties in its area for rating purposes:

Capital Value – the value of the land and all improvements on the land; or

Annual Value – a valuation of the rental potential of the property.

Council uses **Capital Value** as the basis for valuing land within the Council area.

Notes

(l) Average per rateable property calculated as General Rates for category, including any fixed charge but excluding any separate rates, *divided* by number of rateable properties within that category in the relevant financial year.

(m) A fixed charge can be levied against the whole of an allotment (including land under a separate lease or licence) and only one fixed charge can be levied against two or more pieces of adjoining land (whether intercepted by a road or not) if they are owned by the same owner and occupied by the same occupier. Also if two or more pieces of rateable land within the area of the council constitute a single farm enterprise, only one fixed charge may be imposed against the whole of the land.



APPENDIX D

ESCOSA ADVICE - ACTION PLAN



Photography by Brian Tonkin

ESCOSA ADVICE - ACTION PLAN

ESCOSA ADVICE	COUNCIL COMMENT/PROPOSED ACTION	STATUS
Improve the transparency of changes to its key planning assumptions in its long-term financial plan and annual business plan each year.	As noted by the commission, the biannual update process for the Long Term Financial Plan was recently adjusted to include an additional table of all key assumptions. This has now been improved to show what these assumptions were before the update, to highlight any significant changes.	Complete.
Complete its planned comprehensive review of its long-term financial plan and infrastructure and asset management plan, as it is required to do under the LG Act; and consider publishing its long-term financial plan each year.	- The review of the Strategic Management Plans is currently underway and will be completed in legislative timeframes. - Council has always made its updated Long Term Financial Plan publicly available through the Council Agenda. However, it is noted that this process could be improved by ensuring that the most up to date LTFP projections are published on the Strategic Management Plan page each year.	- Complete. - Strategic Management Plan page will be updated regularly after the new plans are adopted.
Complete its planned Service Review Framework and report its actual and projected cost savings in its annual business plan and long-term financial plan, to provide evidence of constraining cost growth and achieving efficiency across its operations and service delivery.	- Council is currently reviewing its Service Review Program. - A new section has been added to the ABP to report on this.	- On track. - Ongoing
Implement its planned long-term funding model for the Whyalla airport to ensure appropriate recovery of the airport's costs, to reduce the burden on the Council's budgets and the potential for cross-subsidies by ratepayers.	The long term funding model for Council's airport referred to here, was one that the previous Federal Government had committed to implementing for Regional Airports, primarily to address the increased impacts of screening costs. Unfortunately, this commitment was not followed through by the Federal Government. Other than this, the only ways of improving the operating result of the airport are to increase passenger numbers or find commercial opportunities.	Ongoing
Improve the transparency of the Council's budgeting and forecasts to remove any budget distortion associated with the airport.	The financial result of the Airport has been separately reported for the past 5 years, which allowed ESCOSA to make their observations on its historic performance. For the 2023/24 budget cycle, a further improvement was made to Council's budget reporting to also include the result of Council without the impacts of the airport. This could be derived from the previous reporting, but this improvement was to make this completely transparent. The detailed commentary from ESCOSA appears to be requesting exactly this change, which is already in place.	No action required.
Improve the transparency of borrowings assumptions in its long-term financial plan and annual business plan, as appropriate.	This advice related to Council not publishing sufficient information around variable and fixed debt and debt terms. This information is published on a monthly basis within the Monthly Budget Report and is also reported annually to the A&RC in line with the Treasury Management Policy, with all loans held as Cash Advance Debentures, rather than taking out loans for specific purposes. ESCOSA did not ask any follow up questions on this topic during their review, so this additional information was not provided to them. It is felt that no changes are required in this area.	No action required.

ESCOSA ADVICE	COUNCIL COMMENT/PROPOSED ACTION	STATUS
Adhere to the principles underpinning its long-term financial plan projections to provide more funding to the renewal of its assets, rather than prioritising initiatives which involve new or upgraded infrastructure (particularly without funding commitments such as grants (on appropriate terms), contributions, or subsidies).	Council currently fully funds its Asset Management Strategy, so it is not advisable that additional funds are put towards the renewal of assets. The Asset Renewal Funding Ratio has been below the target range for a number of years; however, it should be noted that this relates to timing issues with project delivery, rather than underinvestment. Council has however taken on board that there should be a reduced focus on spending on new assets over the coming years, with allocations in the LTFP for this purpose reduced by \$1 million per year, resulting in a cumulative reduction of \$10 million over the term of the LTFP.	Reduced allocations for new assets incorporated into the current LTFP projections.
Continue to review the estimates of asset lives (and valuations) informing its forecast rate of asset consumption (and depreciation expenses) and asset renewal needs in its long-term financial plan and asset management plans.	Council will continue to review its estimates of asset lives etc via its program of valuation and condition ratings of all major assets classes on a 5 yearly cycle, noting that this practice is consistent with Australian Accounting Standards.	No action required.
Complete the planned reviews of its asset management plans, with consideration of desired service levels, the level of the asset stock, and financial sustainability objectives, as appropriate.	- The review of Council's Asset Management Strategy is complete. - Work was undertaken to rationalise Council's playground assets, with 8 removed based on low usage. - Council is constantly reviewing its building stock to identify ways to rationalise wherever possible, however this includes complex stakeholder engagement, which means that this work can take a long time to achieve results. Some good wins have been achieved over the last 3 to 4 years in this area.	- Complete. - Complete. - Complete.
Continue the good practice of consulting with the community on its strategic management plans, with a focus on understanding the community's preferences on service levels and managing emerging affordability risk.	This process is undertaken annually during the Annual Business Plan process, with significant conversation around service provision and the level of rates increases. The setting of service levels will also be a key outcome of Council's service review program.	No action required.
Continue to review and consider options in limiting any further average rate increases above inflation, including through considering alternative funding models with the support of State and Federal Governments, as appropriate.	The level of reliance on rate increases above CPI was also raised as a concern by the A&RC. A recent review of the assumptions in the LTFP was undertaken and changes made to reduce assumed rate increases across the next 10 years by 8.6%.	Complete.

OFFICIAL



Advice

Local Government Advice

The Corporation of the City of Whyalla

February 2024

OFFICIAL

Enquiries concerning this advice should be addressed to:

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City of Whyalla

AT A GLANCE

OVERVIEW

The Essential Services Commission finds the City of Whyalla's current and projected financial performance **potentially unsustainable** taking into account Whyalla airport's high historical and forecast operating expenses over the next 10 years, and the planned average rate increases of 4.1% p.a. per property over this period

RISKS IMPACTING SUSTAINABILITY

- ⚠️ Whyalla airport's costs are not recovered (to be cost neutral) or are not reduced in the short-medium term
- ⚠️ Costs in all areas are not controlled and constrained
- ⚠️ The asset renewal needs of the existing infrastructure base are not met
- ⚠️ Retaining assets that do not provide benefit to the greater community, rather than disposing of them

CONTINUE

- ✓ Reviewing estimates of asset lives valuations
- ✓ Consulting with the community on strategic management plans
- ✓ Reviewing and considering options to limit further average rate increases above inflation

COMMISSION'S RECOMMENDATIONS

- Improve the transparency of changes to key planning assumptions in the long-term financial plan and annual business plan
- Complete a comprehensive review of the long-term financial plan and infrastructure and asset management plans with consideration of desired service levels
- Publish the long-term financial plan each year
- Report actual and projected cost savings in the annual business plan and long-term financial plan
- Implement the planned long-term funding model for the airport to ensure appropriate recovery of its costs
- Improve the transparency of the Council's budgeting and forecasts to remove the budget distortion linked to the airport
- Improve the transparency of borrowing assumptions in the long-term financial plan and annual business plans
- Provide more funding to the renewal of its assets, rather than prioritising initiatives involving new or upgraded infrastructure

KEY FACTS

- Population in 2021 was **21,244**
- Council covers **399 square kilometres**
- **11,512** rateable properties in 2022-23
- **\$23.7 million of rate income** in 2022-23
- Value of assets held in 2022-23 equals **\$358.6 million**

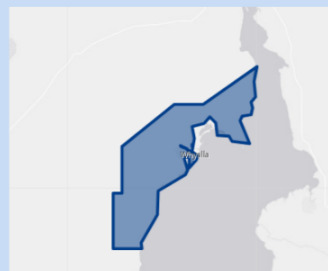


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Glossary of terms

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

Legend:  Low-risk  Moderate-risk  High-risk

1 The Commission's key advice findings for the Corporation of the City of Whyalla

The Essential Services Commission (**Commission**) finds the Corporation for the City of Whyalla's (**Council** or **City of Whyalla**) current and projected financial performance potentially unsustainable, driven by continued operating deficits, growth in its cost base, and higher financial risks emerging through increased borrowings. The Council's projected improvement to its financial performance is reliant on cost control, a reassessment of its service levels and asset needs, and further rates increases above forecast Consumer Price Index (CPI).¹

Current financial performance:

			
Unsustainable	Potentially Unsustainable	Mostly Sustainable	Sustainable

Projected financial performance (future):

			
Unsustainable	Potentially Unsustainable	Mostly Sustainable	Sustainable

Previous financial performance (past ten years):

			
Unsustainable	Potentially Unsustainable	Mostly Sustainable	Sustainable

Looking ahead, the Commission suggests the following steps, so the Council continues to budget appropriately, reports its cost savings and efficiencies, maintain the reasonableness of the assumptions underpinning its financial and asset management planning and looks for opportunities to limit the extent of further residential rate increases.

Budgeting considerations

1. **Improve** the transparency of changes to its key planning assumptions in its long-term financial plan and annual business plan each year.
2. **Complete** its planned comprehensive review of its long-term financial plan and infrastructure and asset management plan, as it is required to do under the LG Act; and consider publishing its long-term financial plan each year.

¹ The forecast average annual growth in the CPI from 2023-24 to 2032-33 is estimated to be 2.6 percent based on the RBA forecasts for the CPI (Australia-wide) to December 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.

Continuing to provide evidence of ongoing cost efficiencies

3. **Complete** its planned Service Review Framework and report its actual and projected cost savings in its annual business plan and long-term financial plan, to provide evidence of constraining cost growth and achieving efficiency across its operations and service delivery.
4. **Implement** its planned long-term funding model for the Whyalla airport to ensure appropriate recovery of the airport's costs, to reduce the burden on the Council's budgets and the potential for cross-subsidies by ratepayers.
5. **Improve** the transparency of the Council's budgeting and forecasts to remove any budget distortion associated with the airport.

Managing financial risk

6. **Improve** the transparency of borrowings assumptions in its long-term financial plan and annual business plan, as appropriate.

Refinements to asset management planning

7. **Adhere** to the principles underpinning its long-term financial plan projections to provide more funding to the renewal of its assets, rather than prioritising initiatives which involve new or upgraded infrastructure (particularly without funding commitments such as grants (on appropriate terms), contributions, or subsidies).
8. **Continue** to review the estimates of asset lives (and valuations) informing its forecast rate of asset consumption (and depreciation expenses) and asset renewal needs in its long-term financial plan and asset management plans.
9. **Complete** the planned reviews of its asset management plans, with consideration of desired service levels, the level of the asset stock, and financial sustainability objectives, as appropriate.

Containing rate levels

10. **Continue** the good practice of consulting with the community on its strategic management plans, with a focus on understanding the community's preferences on service levels and managing emerging affordability risk.
11. **Continue** to review and consider options in limiting any further average rate increases above inflation, including through considering alternative funding models with the support of State and Federal Governments, as appropriate.

2 About the advice

The Essential Services Commission (**Commission**), South Australia's independent economic regulator and advisory body, has been given a role by the State Parliament to provide advice on material changes proposed by local councils in relation to elements of their strategic management plans (**SMPs**) and on the proposed revenue sources, including rates, which underpin those plans.²

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**)³ – both required as part of a council's SMP.⁴ Financial sustainability is considered to encompass intergenerational equity,⁵ as well as program (service level) and rates stability.⁶ The other main purpose is for the Commission to consider ratepayer contributions in the context of revenue sources, as outlined in the LTFP.⁷ 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.⁸

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

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

The Council is obliged under the *Local Government Act 1999* (**LG Act**) to publish this advice and its response, if applicable, in its 2024-25 Annual Business Plan (including any draft Annual Business Plan) and subsequent plans until the next cycle of the scheme.⁹ It does not need to publish the attachment to the advice (these will be available with the advice on the Commission's website¹⁰), nor is it compelled under the LG Act to follow the advice.

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

2.1 Summary of advice

In general, the Commission finds the Council's financial position is potentially unsustainable, driven by an increasing cost base, forecast operating deficits and an increase to its borrowings which will add further pressure on its financial capacity. The Council is projecting to increase rates above CPI to improve its financial situation and allow it to continue to renew its asset base at existing service levels.

The Council is projecting to target an operating surplus position by 2030-31, however its plans don't factor in growth from rateable properties or upside resulting from the development of the Hydrogen industry in the council area. Historically, the Whyalla airport (**airport**) has contributed to the Council's deficits which has been impacted by the COVID-19 pandemic and the associated decline in passenger numbers. The Council has, at times, not been able to meet its ongoing renewal needs of its existing

² 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).

³ Commonly referred to as asset management plans.

⁴ 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.

⁵ 'Intergenerational equity' relates to fairly sharing services and the revenue generated to fund the services between current and future ratepayers.

⁶ Commission, *Framework and Approach – Final Report*, August 2022, pp. 2-3, available at www.escosa.sa.gov.au/advice/advice-to-local-government.

⁷ LG Act s122(1f)(a) and (1g)(a)(ii).

⁸ LG Act s122(1f)(b) and (1g)(b).

⁹ LG Act s122(1h).

¹⁰ The Commission must publish its advice under LG Act s122(1i)(a).

infrastructure base,¹¹ and it recognises it may not have the capacity to fund the existing infrastructure for a city that was designed for a larger population base (around double the current population).

The past rate increases, from 2012-13 to 2022-23, have been at almost double the rate of historical inflation similar to the rate of growth in operating costs. Based upon the evidence available to the Commission, the Council has not been able to reduce its recent deficits through effective cost constraint.

Its forward projections from 2023-24 in its annual business plan (ABP) show a gradual improvement in its financial sustainability outlook (over the longer-term) because the forecast rate of operating income growth outpaces expense growth, through:

- ▶ continued average rate increases above the Reserve Bank of Australia (RBA)-based forecast inflation rate - this is generally aligned with the Council's own forecast inflation; however, it is forecasting an additional 1.9 percent per annum increase on rate revenues above inflation, and
- ▶ lower rate of average cost growth particularly in 'materials, contracts and other' expenses lower than it has experienced over the past 10 years (however this is increasing on a much higher cost base from 2022-23).

Based on the financial projections in its LTFP (included in its ABP), the Commission has identified that the Council could make further improvements to its financial situation and avoid a significant burden being placed on ratepayers through higher rate contributions. This could include a focus on cost control and consideration of whether the Council needs to retain the same asset stock and provide the same level of services. Further, and noting the Council acknowledges the financial sustainability risk it faces, it may need to reassess the timing of new infrastructure spending until growth or funding from Government and private sector investment in the region becomes evident.

2.2 Detailed advice findings

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

In providing this advice, the Commission has followed the approach explained in the Framework and Approach – Final Report (F&A).¹² The attachment explores these matters further.¹³

2.2.1 Advice on material plan amendments in 2023-24

Key Points:

-  The long-term financial plan document was last adopted in March 2020 and is comprehensively updated every four years, potentially being inconsistent with the requirements of the LG Act.
-  Rates income increased by 5 percent mainly reflecting the change in CPI between the Council's 2022-23 adopted budget (estimated by the Council at 2.3 percent for 2023-24), and its 2023-24 adopted budget where actual CPI of 7.9 percent was applied.
-  Operating expenses increased by 3 percent mainly driven by changes in the CPI.

¹¹ As recommended by its AMPs.

¹² Available at: www.escosa.sa.gov.au/advice/guidance-on-local-government-advice

¹³ The attachment (to this advice) will be available on the Commission's website with the advice, available at: www.escosa.sa.gov.au/advice/advice-to-local-government



'Materials, contracts and other' expenses, and depreciation increased by approximately 4 percent respectively reflecting the higher anticipated costs associated with electricity contract renewal, and higher asset indexation.

The Council updates its LTFP projections each time a budget is amended (as part of its annual business planning process, typically in June) and then again in October for the audited (or actual) financial information. Its main LTFP document was last adopted in March 2020 and is comprehensively updated every 4 years.¹⁴ The Commission notes this contrasts with the approach of other councils which republish their LTFP each year, therefore potentially being inconsistent with the requirements of the LG Act.¹⁵

Since the Council adopted its LTFP several of its long-term planning assumptions would have changed, including macro-economic variables such as CPI, asset indexation, interest rates, and commodity prices (among other things).¹⁶ While the Council regularly updates its forecast numbers in its ABP, it is not clear how its assumptions have changed over its forecast period, and the implications being that ratepayers (or stakeholders) may not be fully informed on these matters. More recently, in its 2023-24 ABP, the Council has been disclosing its long-term planning assumptions.

Regarding the Council's IAMP, it was comprehensively reviewed in 2019-20, however it is preparing to undertake this review again within the next 12 months. It is positive that the Council incorporates annual updates to its asset valuations, and also undertakes a detailed valuation process and asset condition assessment for each asset class every 5 years.¹⁷ The Council states it has observed increases in asset value of 8 percent at 30 June 2022, approximately 3.5 percent higher than it had anticipated in financial projections.

The Commission considers that it would be appropriate for it to:

1. **Improve** the transparency of changes to its key planning assumptions in its long-term financial plan and annual business plans each year.
2. **Complete** its planned comprehensive review of its long-term financial plan and infrastructure and asset management plan, as it is required to do under the LG Act; and consider publishing its long-term financial plan each year.

The Council's 2023-24 LTFP projections shows notable increases in total operating income and total operating expenses, compared with the 2022-23 projections,¹⁸ as follows:

- ▶ A 5 percent increase in rates income mainly reflecting the change in CPI between the Council's 2022-23 adopted budget (estimated by the Council at 2.3 percent for 2023-24), and its 2023-24 adopted budget where actual CPI of 7.9 percent was applied.¹⁹
- ▶ A 43 percent increase in user charges being offset by a 24 percent decrease in 'grants, subsidies and contributions', reflecting the shift in funding assumptions for security screening at the airport which will be levied on airlines using the airport.

¹⁴ City of Whyalla, *Long Term Financial Plan 2021 – 2030*, March 2020

¹⁵ Under s.122(4)(a)(i) of the LG Act the Council must undertake a review of its long-term financial plan on an annual basis.

¹⁶ Including numerous COVID and post-COVID impacts.

¹⁷ The Council's statement on material amendments to its IAMP provided to the Commission in September 2023.

¹⁸ The overlapping nine years forecast in both the 2022-23 and 2023-24 LTFPs (included in its ABP).

¹⁹ CPI Adelaide (All groups) increased by 7.9 percent in the year to March 2023 quarter. Available at <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/sep-quarter-2023>.

- An increase in operating expenses by 3 percent driven by changes in CPI (as noted above), however some offsetting factors include the Council resolving to reduce the size of the management team by three FTEs from 2025-26 if growth expected from the development of Hydrogen (and related) industries don't eventuate. Other changes include increases in 'materials, contracts and other' expenses and depreciation by approximately 4 percent respectively reflecting the higher anticipated costs associated with electricity contract renewal, and higher asset indexation.

In relation to capital expenditure, the Council is proposing higher spend on both asset renewals, and new and upgraded assets, of 4 and 8 percent respectively. This reflects some approved projects being deferred, driven by difficulties in attracting interest from contractors, project scope changes and associated price increases.²⁰

Overall, the amendments to the Council's plans show that it mostly forecasts operating deficits over the next 10 years. Financial sustainability is discussed below in section 2.2.2.

2.2.2 Advice on financial sustainability

Operating performance

Key Points:

- ✓ The average operating surplus ratio between 2012-13 and 2022-23 was 0.2 percent.
- ⚠ In its forward projections, the operating surplus ratio is not forecast to meet the suggested LGA target range (with a surplus) until 2030-31 (when it will be 0.5 percent).
- ⚠ The Whyalla airport operations show an accumulated operating deficit of \$2.8 million over the last five years (from 2018-19 to 2022-23). With airport operations excluded, the Council registers a \$1.3 million surplus over this period.
- ✖ Between 2023-24 and 2032-33 the Council is forecasting an accumulated loss of nearly \$5 million, primarily due to the Whyalla airport.

The Council has experienced some volatility in its operating performance from 2012-13 to 2022-23, however it has achieved an operating surplus ratio²¹ of 0.2 percent, on average, over this period. In its forward projections, the operating surplus ratio is not forecast to meet the suggested LGA target range (with a surplus) until 2030-31 (when it will be 0.5 percent). Over the forecast period (from 2023-24 to 2032-33) the Council is forecasting accumulating a loss of nearly \$5 million.

The historical operating performance is driven by average increases in its total operating income and total operating expenses of 4.4 percent per annum and 4.7 percent per annum respectively, both increasing at almost double the rate of historical CPI (from 2012-13 to 2022-23).²² This also reflects higher year-on-year increases in its cost structure in 2022-23, notably in 'employee costs', 'materials,

²⁰ The Council has resolved to reduce new and upgraded asset expenditure by 25 percent from 2025-26, recognising that the Council may need to cut back in the medium to longer-term if development in the Hydrogen industry does not occur as expected.

²¹ The operating surplus ratio is defined as: Operating Surplus (Deficit) ÷ Total Operating Income. The general target is to achieve, on average over time, an operating surplus ratio of between zero and 10 percent (Local Government Association of South Australia, *Financial Sustainability Information Paper 9 - Financial Indicators Revised*, May 2019 (**LGA SA Financial Indicators Paper**), p. 6).

²² 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).

contracts and other' expenses, and depreciation charges of 12 percent, 14 percent and 10 percent respectively (with depreciation charges reflecting the indexation of its asset base).²³

The Council's airport operations show an accumulated operating deficit of \$2.8 million over the last five years (from 2018-19 to 2022-23) which has been a significant contributor to the Council's past financial performance.²⁴ Over this period, if airport operations are excluded, the Council registers a cumulative \$1.3 million surplus. In general, the operating income for airport services was lower than the operating costs, and this was exacerbated by the COVID-19 pandemic due to travel restrictions. Recent upgrades and expansion of the airport infrastructure (partly funded through grants) has also increased depreciation and financing charges (due to additional borrowings). The Council has been absorbing some of the deficits relating to the airport as it has not been able to recoup all the costs due to the terms of its grant funding agreements. The Commission's analysis of the airport's historical and projected operating performance shows that it is not self-sustaining as some deficits have been funded from increased borrowings and existing cash balances (meaning that the cost recovery for the airport may not be set appropriately). Further, this suggests that some cost constraint and review of the airport's funding model (and charging structure) is needed to ensure appropriate recovery of the airport's costs, and in turn reduce the burden on the Council's budgets and ratepayers.²⁵

On the income side (for the Council as a whole), the Council has had to increasingly rely on rates revenue which increased on average by 4.3 percent per annum from 2012-13 to 2022-23 (when rateable property growth was negligible and CPI growth averaged 2.6 percent).²⁶ The Council also receives 'grants, subsidies and contributions' and 'user charges' which have accounted for 19 percent and 12 percent (on average) of total operating income respectively.

The lower forecast average expense growth of 2.6 percent per annum over the next 10 years (driven by lower 'materials, contracts and other' expenses growth of 1.8 percent) is approximately in line with RBA-based forecast inflation.²⁷ While this represents a material change from the Council's past performance (with average annual growth of 4.7 percent in the 10 years to 2022-23), the Council's projected costs are increasing on a higher cost base. This combined with annual average rates revenue growth of 4.6 percent per annum to 2032-33, is expected to gradually improve the Council's operating performance. To improve its operating performance, the Council may need to consider more meaningful savings targets, and it's not clear to the Commission what savings have been achieved historically, or what cost challenges it is placing on its budgets. It is also noted the Council's current plans do not forecast growth in rateable property numbers which can add more risk of its expansion activities on its ratepayers.

The Commission notes that unless the Council puts in place measures to constrain its costs and generally mitigate its financial sustainability risks (as it recognises in its plans),²⁸ significant burden will be placed on ratepayers through higher rate contributions. Such measures could include (among other things) seeking efficiency in its operating costs or divesting some of its assets or services that do not provide benefit to the greater community. Related to this the Commission has observed some initiatives being considered, as the Council states it is committed to developing a Service Review Framework focused on identifying community need, achieving efficiency and effectiveness with the aim to achieve ongoing savings that can be passed onto the ratepayer, or redirected to areas identified as requiring higher need.²⁹ Further, in reviewing its plans, ratepayers could benefit from more transparency or

²³ Based on the Council's Financial Report Template provided to the Commission in an Excel document. Also see City of Whyalla, *2022-23 Annual Report*, available at https://www.whyalla.sa.gov.au/_data/assets/pdf_file/0039/1519689/Annual-Report-2023_FINAL_small.pdf.

²⁴ Based on the Commission's analysis of the Council's ABPs over the period 2018-19 to 2022-23, where historical financial information is available on the Whyalla airport.

²⁵ The Council states that the airport has undergone extensive upgrades, and the long-term funding model will be phased in over a number of years to avoid a large one-off increase. See City of Whyalla, *Annual Business Plan 2023-24*, July 2023, p. 40.

²⁶ Based on CPI Adelaide (All groups). Available at <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/sep-quarter-2023>.

²⁷ The forecast average annual growth in the CPI from 2023-24 to 2032-33 is estimated to be 2.6 percent based on the RBA forecasts for the CPI (Australia-wide) to December 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.

²⁸ City of Whyalla, *Annual Business Plan 2023-24*, July 2023, pp. 23-24.

²⁹ City of Whyalla, *Annual Business Plan 2023-24*, July 2023, p. 26.

reporting around the Council's budget to allow them to review the financial sustainability of the airport compared to the Council's other services.³⁰

Against this background, and as part of the Council's continuing review of its plans, the Commission has found that it would be appropriate for the Council to:

3. **Complete** its planned Service Review Framework and report its actual and projected cost savings in its annual business plan and long-term financial plan, to provide evidence of constraining cost growth and achieving efficiency across its operations and service delivery.
4. **Implement** its planned long-term funding model for the airport to ensure appropriate recovery of the airport's costs, to reduce the burden on the Council's budgets and the potential for cross-subsidies by ratepayers.
5. **Improve** the transparency of the Council's budgeting and forecasts to remove any budget distortion associated with the airport.

Net financial liabilities

Key Points:

-  Net cash flows after operating and investing activities (i.e. capital-related) averaged negative \$1.0m per annum between 2012-13 and 2022-23, which was primarily used to fund its capital expenditure requirements.
-  The net financial liabilities ratio has averaged 24.7 percent over the period from 2012-13 and 2022-23 ranging between negative 6.9 percent and 46.4 percent.
-  The net financial liabilities ratio is estimated to peak at 71.3 percent in 2024-25, progressively declining to 35.5 percent in 2032-33.

With the Council's frequent operating deficits (which include depreciation expenses), its net cash flow after operating and investing (that is, capital-related) activities has averaged negative \$1.0 million per annum between 2012-13 and 2022-23. This net cash flow (in addition to the Council's existing cash balances and borrowing capacity) has been primarily used to fund its capital expenditure requirements. Overall, the Council has relied primarily on rates revenue and operating and capital grant funding to support its financial liabilities.

Over the period 2012-13 to 2022-23, the Council's net financial liabilities ratio averaged 24.7 percent (or has ranged between negative 6.9 percent and 46.4 percent), however has typically been within the suggested LGA target range for this ratio.³¹ The Council has estimated that the net financial liabilities ratio will peak at 71.3 percent in 2024-25 with total borrowings projected of \$29.0 million (with \$8.3 million related to the airport).³² The ratio will then progressively decline to 35.5 percent in 2032-33, which reflects a marginally lower trend in borrowings and the projected operating income growth (an average of 3.1 percent per annum).

The Council applies a target of 80 percent for its net financial liabilities ratio (below the 100 percent suggested by the LGA), and recognises that it may not have the capacity to service further debt funded assets costs.³³ When viewed in the context of the Council's historical and forecast operating deficits,

³⁰ This assumes the Council has an appropriate cost allocation methodology between the airport and other council services (so that all airport costs can be reasonably identified).

³¹ The net financial liabilities ratio is defined as: Net financial liabilities ÷ Total operating income. This ratio measures the extent to which a council's total operating income covers, or otherwise, its net financial liabilities. The suggested LGA target range is between zero and 100 percent of total operating income, but possibly higher in some circumstances (LGA SA Financial Indicators Paper, pp. 7-8).

³² City of Whyalla, *Annual Business Plan 2023-24*, July 2023, pp. 43 and 62.

³³ City of Whyalla, *Annual Business Plan 2023-24*, July 2023, p 24.

including any upward revisions to asset valuation and depreciation,³⁴ this may present a sustainability risk (as councils have a continuing obligation to fund its asset renewals and debt servicing costs).

The Commission observes that there is limited information on the Council's borrowing assumptions, for example in relation to average debt term, refinancing assumptions, and the level of fixed and variable borrowings, which could assist in understanding the Council's financial and sustainability risks. Therefore, the Commission considers it would be appropriate for the Council to:

6. **Improve** the transparency of borrowings assumptions in its long-term financial plan and annual business plan, as appropriate.

Asset renewals expenditure

Key Points:

-  Between 2012-13 and 2021-22, total capital expenditure averaged \$10.1 million per annum (including \$5.5 million on asset renewals and \$4.6 million on new and upgraded assets) and, based on the asset renewal expenditure requirements specified in its AMP, it has generally underperformed on meeting its asset service sustainability requirements during that time.
-  Between 2012-13 and 2021-23, the asset renewal funding ratio averaged 85%.
-  The forecast asset renewal funding ratio over the next 10 years is projected to be 104%.
-  Historical spending (over the last 10 years) on asset renewals has been below the rate of depreciation, in some years by a significant margin. Renewal spending is forecast to account for 69 percent of depreciation expense on average to 2032-33.

Between 2012-13 and 2022-23 the Council's total capital expenditure averaged \$10.1 million per annum (including \$5.5 million on asset renewals and \$4.6 million on new and upgraded assets) and, based on the asset renewal expenditure requirements specified in its AMP, it has generally underperformed on meeting its asset service sustainability requirements during that time. In eight of the last 11 years, it has underspent on the renewal and rehabilitation needs of its asset stock, and in other years it has overspent – indicating significant spend volatility compared to its AMP. The Council's asset renewal funding ratio (IAMP-based) was below the suggested LGA target range of 90 to 110 percent,³⁵ and averaged 85 percent between 2012-13 and 2022-23.

From 2023-24, the Council's asset renewal spending profile is increasing, reflecting the Council's intention to focus more on its asset renewal spending priorities.³⁶ As such, its asset renewal funding ratio (IAMP-based) is expected to trend in line with the suggested LGA target range (averaging 104 percent from 2023-24 to 2032-33).

The Council has grown its asset base, particularly over the last five years (from 2018-19 to 2022-23) and predominantly relates to new or upgraded asset expenditure, which averaged \$8 million per annum over this period. It is noted, the airport accounted for approximately 38 percent of total expenditure on new or upgraded assets, with significant projects (in the last three years), being the airport Runway, Apron and

³⁴ For example, if significant asset revaluations are needed to accurately reflect forward looking asset costs, the Council's LTFP looks unsustainable, based upon the Council seeking to keep the same asset stock and provide the same services. This is because the depreciation charge will increase, placing more pressure on the operating surplus ratio, and the Council will have less capacity to build cash reserves or finance additional borrowings.

³⁵ The IAMP-based method is the current industry standard whereby asset renewal/replacement expenditure is divided by the recommended expenditure in the IAMP (or AMP). The suggested LGA target range for the ratio is 90 to 110 percent (LGA SA Financial Indicators Paper, p.9).

³⁶ City of Whyalla, *Annual Business Plan 2023-24*, July 2023, p. 40.

Taxiway Upgrade (\$6.9 million), Airport Terminal Upgrade (\$6.8 million), and Point Lowly Lighthouse Cottages (\$1.9 million).

The Council recognises in its ABP that it has a sustainability risk,³⁷ and that new and upgraded asset investment will incur ongoing costs, such as interest, maintenance, and depreciation, however, the Council is also focused on ensuring preparedness to capitalise on growth opportunities in the region. The Commission considers that this direction may be unaffordable for ratepayers without further funding commitments (on appropriate terms); and it is suggested that the Council could be better placed (from a financial and asset sustainability perspective) if it were more focused on the renewal of its existing asset stock, rather than increasing investment in new and upgraded assets. For this reason, the Commission considers that it would be appropriate for it to:

7. **Adhere** to the principles underpinning its long-term financial plan projections to provide more funding to the renewal of its assets, rather than prioritising initiatives which involve new or upgraded infrastructure (particularly without funding commitments such as grants (on appropriate terms), contributions, or subsidies).

The Commission notes the Council's historical spending (over the last 10 years) on asset renewals has been below the rate of depreciation, in some years by a significant margin. Renewal spending is forecast to account for 69 percent of depreciation expense on average to 2032-33.³⁸ In this context it is important to understand the extent to which the depreciation values reflect the current cost of the asset, and if the Council's spending priorities are being appropriately allocated to the renewal and rehabilitation of its assets. In assessing the Council's asset renewal ratios, it appears that it had deferred or under invested on its asset renewal needs but could also be because assets are no longer needed or in some instances renewals are done to a lower specification.³⁹

Based on discussions with the Council, it states that asset revaluations for 2023-24 are approximately 11 percent higher than the asset indexation applied in its ABP. Additionally, there may be some scope to reassessing asset lives (such as for transport assets) which could indicate that for some assets the asset lives are shorter in the depreciation calculation than occurs in practice. Therefore, the Commission considers that it would be appropriate for the Council to:

8. **Continue** to review the estimates of asset lives (and valuations) informing its forecast rate of asset consumption (and depreciation expenses) and asset renewal needs in its long-term financial plan and asset management plans.

In general, the Commission's review of the Council's asset management planning practices (along with discussions with the Council) indicate that asset condition and valuations are appropriately understood and considered. It is noted that the Council has reported desktop valuations for most of its assets as of 30 June 2023, and condition audits were carried out over the last 4 years. However, further updates to its Asset Management Strategy (adopted in March 2020) may be needed to align to the current economic environment and/or possible changes in service levels and rationalisation to achieve financial sustainability (as previously discussed). Further, it is noted that councils are required to undertake a comprehensive review of its strategic management plans (including asset management plans) within two years after each general election of the council. Therefore, the Commission considers that it would be appropriate for it to:

9. **Complete** the planned reviews of its asset management plans, with consideration of desired service levels, the level of the asset stock, and financial sustainability objectives, as appropriate.

³⁷ City of Whyalla, *Annual Business Plan 2023-24*, July 2023, p. 24. Includes the CEO Report on Financial Sustainability.

³⁸ The Council's asset renewal funding ratio by the depreciation-based method (where asset renewal/replacement expenditure is divided by depreciation expenses) is forecast to average 69 percent to 2032-33. This ratio shows the extent to which capital expenditure on the renewal and replacement of assets matches the estimated rate at which these assets are used or consumed. Prior to 2013, the calculation of the ratio in the sector was based on the 'depreciation method' and was known as the asset sustainability ratio until 2018.

³⁹ The Council recognises it does not have the capacity to fund the infrastructure for a city that was designed for a larger population. See City of Whyalla, *Annual Business Plan 2023-24*, July 2023, p. 23.

2.2.3 Advice on current and projected rate levels

Key Points:

-  Rate revenue per property growth has averaged 4.1 percent or \$63 per annum for each property between 2012-13 and 2021-22, which is 2.1% above CPI for the same period.
-  The forecast rate increases for 2023-24 is 8.7 percent per property.
-  The forecast rate increases per property from 2023-24 to 2031-32 is projected to be an average of 4.1 percent per annum or a cumulative increase of \$983 over this period which is meaningfully above the RBA-based inflation forecast of an average of 2.6 percent per annum.
-  Affordability risk for further average rate increases appears to be high based on a range of factors including:
 - the relative low socio-economic indexes for areas (SEIFA) economic resources ranking for the Council area,
 - higher proportional unemployment in the region than other regions,
 - lower property values (than metropolitan areas),
 - an assessment of the economic resources available to the community,
 - prior effects of cumulative rate increases,
 - future effects of forecast cumulative rate increases, and
 - a number of community concerns (written submissions).

The Council's rate revenue per property growth has averaged 4.1 percent or \$63 per annum for each property in the period between 2012-13 and 2021-22 (encompassing negligible rateable property growth) and is more than double CPI growth of an average of 2.0 percent per annum over that period.

In 2023-24, the Council has budgeted for an average rate increase of 8.7 percent, higher than anticipated for this year in its previous LTFP projection (an estimated 4.0 percent increase in average rates was previously forecast for 2023-24). The increase reflects the Council's higher short-term inflation expectations and associated operating cost pressures and contributes toward the upgrade of infrastructure. Further, the Council has included in its rate revenue projections an additional 1.9 percent on top of CPI to maintain its financial sustainability,⁴⁰ although this will not provide for a breakeven operating result until the end of the decade.

Its 2023-24 LTFP projections indicate an average increase of \$983 to existing rates in total to 2032-33 (to \$3,216 per annum), meaningfully above the RBA-based inflation forecast of an average inflation (2.6 percent per annum).⁴¹ Most ratepayers are expected to experience similar average increases, however it receives larger contributions from heavy industry ratepayers (such from Santo Limited's Port Bonython sites) and separately from GFG Alliance's under a mutual agreement covering its integrated steelworks and port, and iron ore mining sites. The Commission considers there may be benefit in the Council revisiting this agreement to ensure an equitable contribution is received for the use of the Council's assets and services.

Affordability risk within the community for the further rate increases appears to be high based on a range of factors, including an assessment of the economic resources available to the community,⁴² and

⁴⁰ City of Whyalla, *Long Term Financial Plan 2021-2030*, March 2020, p. 2.

⁴¹ The forecast average annual growth in the CPI from 2023-24 to 2032-33 is estimated to be 2.6 percent based on the RBA forecasts for the CPI (Australia-wide) to December 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.

⁴² The City of Whyalla area is ranked 7 among 71 South Australian 'local government areas' (including Anangu Pitjantjatjara and Maralinga Tjarutja Aboriginal community areas and 'unincorporated SA') on the Australian Bureau of Statistics SEIFA Index of Economic Resources (2021), where a lower score (e.g., 1) denotes relatively lower access to economic resources in general, compared with other areas, available at

the number of community concerns on affordability and cost of service provision. However, the Commission notes the Council's community consultation processes are comprehensive and are focused on understanding concerns on rates affordability and service provision.⁴³ Overall, the Commission considers it would be appropriate for it to:

10. **Continue** the good practice of consulting with the community on its strategic management plans, with a focus on understanding the community's preferences on service levels and managing emerging affordability risk.

Affordability risk could be impacted in the context of the Council's financial sustainability risks, which is evident from the forecast operating deficits (to 2029-30), uncertainty around its future asset renewal, service levels, and new investment needs driven principally by the proposed development of a hydrogen industry in Whyalla. The associated implications for the Council's funding requirements (for capital expenditure, borrowings, and depreciation) could mean the community may be exposed to further rate increases, if additional external funding is not sourced (on appropriate terms) or further efficiencies are not realised.

Nonetheless, given historical and forecast rate increases and the current economic conditions affecting many communities' capacity to pay, it would be appropriate for the Council to:

11. **Continue** to review and consider options in limiting any further average rate increases above inflation, including through considering alternative funding models with the support of State and Federal Governments, as appropriate.

2.3 The Commission's next advice and focus areas

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

- ▶ ongoing performance against its LTFP estimates and its goal to achieve an operating breakeven position,
- ▶ improved disclosure of its key planning assumptions in its LTFPs and ABPs,
- ▶ material changes to the LTFP and IAMP following its comprehensive review,
- ▶ identification and reporting of cost savings and operating efficiencies, and
- ▶ how it has sought to address the emerging financial sustainability risks and affordability risks.

<https://www.abs.gov.au/statistics/people/people-and-communities/socio-economic-indexes-areas-seifa-australia/2021>.

⁴³ The Council sought community engagement through public information sessions, a focus group session, and allowed interested parties to view its proposed plans and make written or verbal submissions. See City of Whyalla, *Special Council Meeting Agenda – 29 May 2023, Item 4.2.3 Submissions on Draft 2023/24 Annual Business Plan and Budget*, pp. 51-52, available at https://www.whyalla.sa.gov.au/_data/assets/pdf_file/0035/1347956/agenda-COMplete-29-may-2023.pdf.



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