



Advice

Local Government Advice

District Council of Orroroo Carrieton

February 2026

Enquiries concerning this advice should be addressed to:

Essential Services Commission
GPO Box 2605
Adelaide SA 5001

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

District Council of Orroroo Carrieton

AT A GLANCE

OVERVIEW

The Essential Services Commission finds Orroroo Carrieton's Council's historical performance **mostly sustainable**, while noting that although the Council mostly delivered an operating surplus over the Historical Period, the Council did not fully achieve its asset renewal and replacement targets. The Council's current performance is **mostly sustainable**, because it delivered an operating surplus in 2024-25 as well as achieving its asset renewal and replacement target, although the target was based on unreliable data. Over the Forecast Period, however, the Council's performance has been assessed as **unsustainable**. The Council forecasts that it will deliver a small cumulative deficit, despite increasing rates above CPI. It will also be challenging for the Council to contain growth in expenses to below CPI, since the key expenses (employees and contracts) tend to increase at or above average inflation.

The Council forecasts that it will accumulate cash and that it will achieve 100 percent of its asset renewal and replacement requirements. Over the Historical Period, the Council was unable to achieve its asset renewal targets as required by its Asset Management Plans, which has led to a backlog in asset renewal. There is a significant and persistent misalignment between depreciation expenses and planned asset renewal expenditure, suggesting that review of forecast asset values and useful lives is required, with alignment between the Infrastructure and Asset Management Plan (IAMP) and the Long-Term Financial Plan, to ensure that the requirements of the IAMP are implemented.

The Commission acknowledges that the Council recently updated the values, condition and remaining useful lives of its assets in its asset management plans, which will provide a stronger foundation for future asset management, with a focus on implementation.

FINANCIAL PERFORMANCE



Past 10 years
Mostly sustainable



Current
Mostly sustainable



Forecast
Unsustainable

RISKS IMPACTING SUSTAINABILITY

- ⚠ Financial sustainability depends upon increases in rates revenue greater than CPI.
- ⚠ Ability to contain expenses below average inflation of 2.5 percent per annum over the Forecast Period.
- ⚠ Cash is forecast to accumulate because planned asset renewal and depreciation expenses are not aligned, suggesting that asset renewal is not adequately planned, asset lives are not accurately reflected in depreciation schedule or growth in asset values is understated.

KEY FACTS

- ▶ Population in 2024 was **890** residents
- ▶ Council covers **3,322** square kilometres and **1,349** rateable properties in 2024-25
- ▶ **\$4.9 million** of income in 2024-25
- ▶ Value of infrastructure, property, plant and equipment assets held in 2024-25 equals **\$46.7 million**

Table of contents

District Council of Orroroo Carrieton AT A GLANCE	3
1 Executive summary.....	5
1.1 Summary of observations.....	5
1.2 Summary of recommendations	6
2 About the advice.....	7
2.1 Background.....	7
2.2 The Commission's approach.....	7
3 Council profile	10
4 Material plan amendments in 2025-26.....	11
4.1 Key points.....	11
4.2 Changes to operating performance	11
4.3 Indexation adjustments.....	12
5 Financial sustainability.....	13
5.1 Operating performance.....	13
5.1.1 Key points.....	13
5.1.2 Operating Surplus Ratio	13
5.1.3 Income	13
5.1.4 Expenditure	14
5.2 Net financial liabilities	15
5.2.1 Key points.....	15
5.3 Asset renewals expenditure.....	16
5.3.1 Key points.....	16
5.3.2 The Commission's recommendations on financial sustainability:	19
6 Advice on current and projected rate levels.....	20
6.1 Key points.....	20
6.2 Proposed rate increases for 2025-26	20
6.3 Projected further rate increases	20
6.4 Affordability risk	20
7 The Commission's next advice and focus areas	21
8 Appendix: Glossary of terms	22

1 Executive summary

1.1 Summary of observations

The District Council of Orroroo (**Council**) delivered a very modest cumulative operating surplus over the Historical Period; however, this was achieved through rates growth more than the Consumer Price Index, with expenditure on new and upgraded assets but failing to meet its asset renewal targets.

For the Forecast Period, the Council plans to deliver operating deficits in most years, with a modest return to surplus occurring only over the last four years of the Forecast Period. However, this return to surpluses is dependent upon rate increases at greater than average inflation over the Forecast Period, placing an increased burden upon ratepayers.

Over the Forecast Period, the Council plans to take steps to constrain growth in its operating expenses, by keeping the number of Full-Time Equivalents constant and limiting expenditure on new and upgraded assets, however, it will be difficult for the Council to contain growth in expenses to below the average Consumer Price Index as forecast, placing further risk on the Council's sustainability.

The Essential Services Commission (**Commission**) commends the Council for its intention to fully deliver its asset renewal and replacement plans over the Forecast Period. To achieve this outcome, it will be necessary for the Council to continue its work to develop robust Asset Management Plans, ensure that they are well integrated with annual updates to the Long-Term Financial Plan, and maintain effective cost control.

The Council undertook a significant review of asset condition and values in 2024, which will provide a good foundation for future asset management. However, for the Forecast Period, there is a significant and persistent misalignment between depreciation expenses and planned asset renewal expenditure. Infrastructure and Asset Management Plan expenditure is only 54.0 percent of depreciation. This discrepancy suggests that the Council has not adequately planned the implementation of its asset renewal and replacement program in line with its Infrastructure and Asset Management Plan; the Council expects assets to last much longer than the depreciation schedule indicates; or that growth in asset values is under-estimated. This discrepancy is corroborated by cash balances increasing by \$7.3 million over the Forecast Period, further indicating an imbalance between depreciation charges and spending on asset renewal and replacement.

The Commission recommends that the Council also undertake revaluations of assets at least every four years and index the values of assets in the intervening years in the Asset Management Plans, aligning the updates with the Long-Term Financial Plan. It is also recommended that the Council further improve its asset management by updating and refining its data regarding asset condition, remaining asset lives and replacement costs, and by defining its service delivery standards. Along with these actions, the Council should review its forecast of depreciation expenses to better align it with their forecast of asset lives and ensure that funds do not accumulate well in advance of being required for asset renewal.

The Council should also pay close attention to the rate of increase in total expenses, in particular, any increases in the cost of 'materials, contracts and other' expenses, which are forecast to increase at a rate lower than average inflation over the Forecast Period. The containment of growth in costs to below the Consumer Price Index and the projected increases in rates are essential to deliver the operating surpluses in 2031-32 to 2034-35.

1.2 Summary of recommendations

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

- ▶ consulting with its community regarding the draft budgets, Long-Term Financial Plans and Asset Management Plans
- ▶ considering the community's ability to pay when planning increases in rates, and
- ▶ ensuring that asset renewals are financed through operating income and not by borrowing.

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

Within the next two years undertake these activities and maintain them into the future:

1. **Update** asset values at least every four years and index values annually, in line with the relevant accounting standard, update and maintain currency of data regarding asset condition and remaining asset lives.
2. **Review** depreciation to ensure that it reflects current data for asset values and remaining asset lives consistent with the updated Asset Management Plans and ensure that future Long-Term Financial Plans are in alignment with the Asset Management Plans.
3. **Disclose** to ratepayers any requirements to replace significant assets, beyond the term of the Long-Term Financial Plan and consult with ratepayers about any future accumulation of cash and implications for rates and services, to improve transparency.
4. **Closely monitor** and report growth in expenses, noting that the Council's sustainability is dependent upon the growth in expenses being contained below the Consumer Price Index.
5. **Consider** alternative strategies to achieve an operating surplus while keeping increases in rates more in line with forecast inflation, to ensure that rates remain affordable over the long term.

2 About the advice

2.1 Background

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

A primary purpose of the Local Government Advice Scheme (**Advice or the Scheme**) is to support councils to make financially sustainable strategic decisions in their annual business plans and budgets, in the context of their Long-Term Financial Plans (**LTFP**) and Infrastructure and Asset Management Plans (**IAMP**).² IAMPs are commonly referred to as Asset Management Plans (**AMP**). The LTFP and the IAMP are both required as part of a council's SMP.³ Financial sustainability encompasses intergenerational equity,⁴ program (service level) and rates stability in this context.⁵ The other main purpose is for the Commission to consider ratepayer contributions in the context of all revenue sources, as outlined in the LTFP.⁶ In addition, the Commission has discretion to provide advice on any other aspect of a council's LTFP or IAMP it considers appropriate, having regard to the circumstances of that council.⁷

The first cycle of the scheme extends over four years from 2022-23 to 2025-26. The Commission has selected 19 councils for advice in the fourth year (2025-26) of the Scheme, including the District Council of Orroroo Carrieton (**Council**).

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

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

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

2.2 The Commission's approach

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

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

² Commonly referred to as Asset Management Plans (**AMP**).

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

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

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

⁶ LG Act s122(1f)(a) and (1g)(a)(ii).

⁷ LG Act s122(1f)(b) and (1g)(b).

⁸ LG Act s122(1h).

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

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

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

Table 1: Strategic management documents referred to

- ▶ District Council of Orroroo Carrieton, Annual Business Plan 2025-26 approved 30 July 2025
- ▶ District Council of Orroroo Carrieton, Annual Business Plan 2024-25 adopted 6 June 2024
- ▶ District Council of Orroroo Carrieton, Long-Term Financial Plan 2026-2035 approved 30 July 2025
- ▶ District Council of Orroroo Carrieton, Long-Term Financial Plan 2024-2033 approved 24 May 2023
- ▶ District Council of Orroroo Carrieton, Long-Term Financial Plan 2025-2034 approved 26 June 2024
- ▶ District Council of Orroroo Carrieton, Asset Management Plan 2024-2033 approved 12 October 2023
- ▶ District Council of Orroroo Carrieton, Asset Management Plan 2026-2034 approved 30 July 2025
- ▶ District Council of Orroroo Carrieton, Road Standards as at 10th June 2020
- ▶ District Council of Orroroo Carrieton, Orroroo Recreation Grounds Stage 1 Preliminary Master Plan August 2024
- ▶ District Council of Orroroo Carrieton, Council Meeting Agenda 30th July 2025
- ▶ District Council of Orroroo Carrieton, Agenda for Special Council Meeting Agenda 11th June 2025
- ▶ District Council of Orroroo Carrieton, Special Council Meeting Minutes 11th June 2025
- ▶ District Council of Orroroo Carrieton, Agenda for Audit & Risk Management Committee Meeting Monday 2nd June 2025
- ▶ District Council of Orroroo Carrieton, Agenda and Minutes for Council Meeting 28th May 2025
- ▶ Council of Orroroo Carrieton, Agenda and Minutes for Council Meeting 23rd April 2025

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

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

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

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

The Commission has reported estimates in nominal terms to identify 'real' rather than 'inflationary' effects. In the charts, the Consumer Price Index (**CPI**) line for the Historical Period is calculated as the compound annual growth rate in the CPI (Adelaide) series from 2014-15 to 2023-24, being 2.9 percent¹⁴. Each financial year is the average of the four quarterly results. The CPI for the Forecast Period is calculated as the compound annual growth rate in the CPI (Australia) series from 2025-26 based on the Reserve Bank of Australia (RBA) (Australia-wide) inflation forecasts to the December 2027 quarter, and the midpoint of the RBA target range (2.5 percent) thereafter, yielding an average inflation rate for the Forecast Period of 2.5 percent. Similarly, for the current year 2024-25, we have observed a CPI (Adelaide) of 2.4 percent.

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

- ▶ its location as a rural agricultural small and medium council
- ▶ its total income level (\$3.9 million in 2024-25¹⁵), and
- ▶ the size of its rates base (around 1,349 ratepayers in 2024-25¹⁶).

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

Legend:  Low-risk  Moderate-risk  High-risk

¹² LG Act s122(1g)(a)(i).

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

¹⁴ The assumed CPI for the Historical Period is 2.9 percent, being the compound annual growth rate in the CPI (Adelaide) series from 2014-15 to 2023-24. Source: [Consumer Price Index, Australia, June Quarter 2024 | Australian Bureau of Statistics](#)

¹⁵ See District Council of Orroroo Carrieton, Annual Report 2024-25, p.4.

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

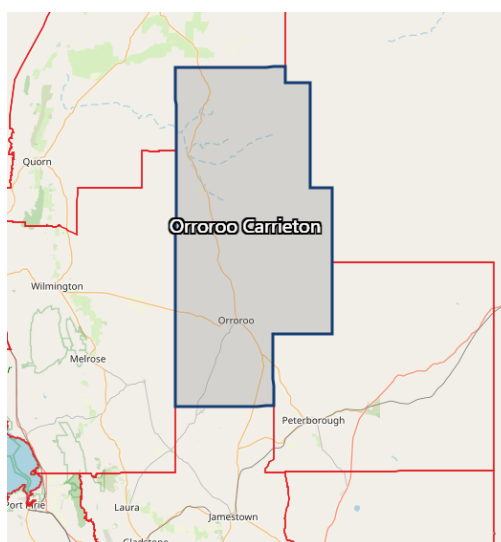
3 Council profile

The Council is classified by the Commission as a 'rural agricultural small and medium' council and is one of nineteen in this category in South Australia.¹⁷ It covers an area of 3,322 square kilometres, has an estimated resident population of 890 (at 30 June 2024),¹⁸ and approximately 1,349 rateable properties (at 1 January 2025).¹⁹

The Council is located in the Mid-North region of South Australia at the base of the Flinders Ranges and was created in 1997 from the merger of the District Council of Carrieton and the District Council of Orroroo.

Orroroo is a regional centre providing essential services and business and cultural facilities for a predominantly farming community whose main focus are grains, sheep and cattle. The area is also evolving into a significant tourism centre due to its central location relative to local and regional heritage, cultural and environmental locations.

Figure 1: Council Area



The Council region has the following attributes:

- ▶ 1,349 rateable properties with forecast growth of approximately 0.2 percent per annum²⁰
- ▶ 1,628 kilometres of sealed and unsealed roads, of which 96.3 percent are unsealed roads²¹
- ▶ employment sectors mainly in agriculture, forestry and fishing (34.4 percent), health care and social assistance (15.1 percent) and education and training (10.8 percent),²² and
- ▶ a median population age of 52.3 years.²³

¹⁷ Commission, *Fact Sheet - Local Government Advice Scheme – Schedule of Councils*, May 2023, available at <https://www.escosa.sa.gov.au/ArticleDocuments/21947/20240731-Advice-ScheduleOfCouncils-FactSheet.pdf.aspx?Embed=Y>.

¹⁸ Refer to Australian Bureau of Statistics, *Data by region*, available at <https://dbr.abs.gov.au/region.html?lyr=lga&rgn=45400>.

¹⁹ Based on the Council's Financial Reporting template provided to the Commission.

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

²¹ Refer to the Department of Infrastructure and Transport - Local Government Grants Commission, 2022-23 *Database Reports*, available at: <https://www.dit.sa.gov.au/local-government/grants-commission/publications#database>

²² Refer to Australian Bureau of Statistics, *Data by region*, available at <https://dbr.abs.gov.au/region.html?lyr=lga&rgn=45400>.

²³ Refer to Australian Bureau of Statistics, *Data by region*, available at <https://dbr.abs.gov.au/region.html?lyr=lga&rgn=45400>.

4 Material plan amendments in 2025-26

The material amendments to some of the Council's main financial forecasts are listed in the table below (in nominal terms).²⁴ To ensure a comparable analysis of estimates between the 2024-25 and 2025-26 LTFPs, the Commission has reviewed the nine overlapping years' statistics: 2025-26 to 2033-34 and identified material amendments accordingly.

4.1 Key points

	The Council forecasts that it will achieve an average ARFR of 100 percent over the 10-year Forecast Period, that is, it will renew its assets in line with the AMP requirements.
	The Council forecasts in its LTFP 2026 – 2035 that it will keep increases in operating expenses below average forecast inflation. This may be difficult to achieve but will be key to delivering an operating surplus when rates are already projected to increase at a level higher than forecast inflation and would impact affordability if increased further.
	The Council has reduced its forecast increases in rates in its LTFP 2026 – 2035 compared with the previous LTFP to improve affordability under current drought conditions, but this delays the return to an operating surplus until year seven (2031-32) of the Forecast Period.

Table 2: Historical and forecast financial items

Selected Financial Item	Sum of 2025-26 to 2033-34 estimates in 2024-25 LTFP (\$ million)	Sum of 2025-26 to 2033-34 estimates in 2025-26 LTFP (\$ million)	Change in 2025-26 estimates (\$ million)	Change in 2025-26 estimates (percent)
Rates income	19.4	17.8	-1.6	-8.3
Depreciation, amortisation and impairment*	16.6	14.4	-2.2	-13.4
Total operating expenses*	44.3	41.7	-2.5	-5.7

4.2 Changes to operating performance

Total income from rates is forecast to decrease by 8.3 percent over the nine common years of the two LTFPs, as part of the Council's response to reduce hardship on the community due to the impact of drought conditions.²⁵ Whilst the previous LTFP projected that the Council would achieve an operating surplus in 2027-28, the 2026-2035 LTFP adopted in 2025 projects deficits until 2031-32, when a modest surplus is forecast. (see Figure 2)

At the same time, total expenses are forecast to decrease by 5.7 percent between the two LTFPs, primarily due to a reduction in depreciation expenses, a review of useful lives of plant and equipment assets, and a removal of non-Council assets from the Register.²⁶

²⁴ Table 2 shows only selected financial items to demonstrate the material amendments made by the Council in its 2024-25 estimates. It excludes various financial items, and individual items do not sum to totals.

²⁵ See District Council of Orroroo Carrieton, draft Long Term Financial Plan 2026-2035 p. 3.

²⁶ See District Council of Orroroo Carrieton, Long Term Financial Plan 2026-2035 p. 7.

The Council's CEO has provided a Statement on Financial Sustainability,²⁷ which sets out the Council's recent progress in improving its asset management and its strategy to achieve long-term financial sustainability.²⁸

The Council's historical and forecast operating performance is discussed further in Section 5.1.

4.3 Indexation adjustments

The Council based its forecast for inflation over the 10-year period of the new LTFP on forecasts prepared by the South Australian Centre for Economic Studies (SACES) released in March 2025, which includes an inflation forecast for the period.²⁹

The Commonwealth Financial Assistance Grants (**FA Grants**) income includes a forecast annual increase of CPI less 1.0 percentage point, and Supplementary Roads to Recovery grant funding has been assumed to continue through the period of the LTFP budgeted at the 2025-26 level, with annual CPI adjustments. The LTFP includes the current annual allocation of 'Roads to Recovery' grant funds to 2029, as advised by the funding body, with CPI adjustments applied from 2029-30 for future allocations.³⁰

Employee costs are based on a projected increase of 0.5 percentage point above inflation for 2025-26 and at forecast inflation for the remaining years of the Forecast Period, with a constant number of FTEs. This assumption appears reasonable.

'Materials, Contracts and Other' Expenses are forecast to increase at a rate lower than average forecast CPI, which might under-estimate costs, noting the long-term historical increases in such costs have been above average historical inflation.

²⁷ See District Council of Orroroo Carrieton, draft Long Term Financial Plan 2026-2035 p. 12.

²⁸ See District Council of Orroroo Carrieton, draft Long Term Financial Plan 2026-2035 p. 12.

²⁹ SACES forecast in March 2025 that inflation will increase by 3.0 percent in 2025-26, 2.8 percent in 2026-27 and 2.5 percent for years three to 10 of the Forecast Period (i.e., 2027-28 to 2034-35).

³⁰ See District Council of Orroroo Carrieton, Long Term Financial Plan 2026-2035 p. 6.

5 Financial sustainability

5.1 Operating performance

5.1.1 Key points

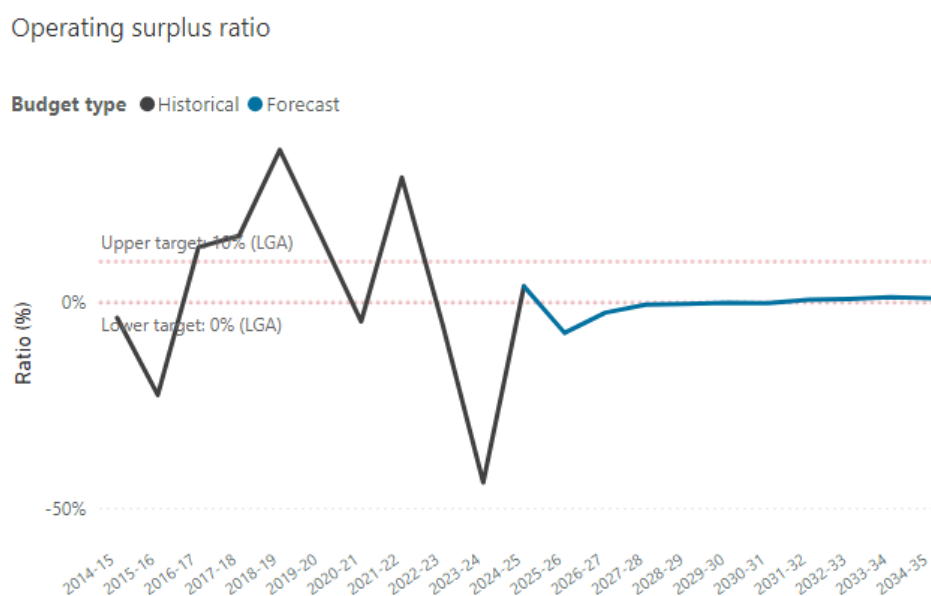
- ⚠ The Council's OSR is forecast to decrease from an average of 7.1 percent over the Historical Period to negative 0.5 percent over the Forecast Period.
- ⚠ The Council forecasts that it will constrain increases in expenses to a CAGR of 2.2 percent, which is below the average forecast CPI of 2.5 percent.

5.1.2 Operating Surplus Ratio

The Council forecasts that it will operate in deficit for six of the 10 years of the Forecast Period, generating a small cumulative deficit over the Forecast Period. The Council plans to return to an operating surplus through growth in total income by an average (CAGR) of 3.1 percent, compared to average CPI of 2.5 percent over the Forecast Period, while containing the growth in total expenses to a CAGR of only 2.2 percent.

- ▶ Over the Historical Period, the OSR had an average value of 7.1 percent, which sits within the LGA target range of zero to 10 percent.
- ▶ Over the Forecast Period, however, the average OSR is negative 0.5 percent, indicating a cumulative deficit over the period. The forecast OSRs shift to small positive values for the years 2031-32 to 2034-35. (see Figure 2)

Figure 2: Operating surplus ratio – historical and forecast



5.1.3 Income

Over the Historical Period, total income slightly declined in real terms due to growth in rates revenue being more than offset by a decrease in grants revenue.

Over the Forecast Period, the total income is forecast to increase by an annual average (CAGR) of 3.1 percent, compared with forecast average CPI of 2.5 percent.

5.1.4 Expenditure

5.1.4.1 Over the Historical Period:

- ▶ Total expenses increased by a CAGR of 2.1 percent, compared to average inflation of 2.9 percent
- ▶ 'Materials contracts and other expenses' increased by a CAGR of 4.5 percent
- ▶ Depreciation increased by a CAGR of only 1.0 percent, including an increase of 7.6 percent in 2023-24 arising from a revaluation of assets that year³¹, and
- ▶ Employee costs increased by a CAGR of 1.5 percent, much lower-than-average annual inflation of 2.9 percent, as the FTE decreased for several years.

5.1.4.2 Over the Forecast Period:

- ▶ Total expenses are forecast to increase by a CAGR of 2.2 percent, which is lower than forecast average inflation of 2.5 percent.
- ▶ 'Materials, contracts and other' expenses are forecast to grow by a CAGR of 2.2 percent, in line with the forecast average growth in total expenses, and at a lower rate than forecast inflation (2.5 percent).

Depreciation expense is forecast to increase by a CAGR of 1.9 percent, or 0.6 percentage points below inflation, although the Council plans to adjust its asset values annually for inflation³² and in line with adjustments to its assets register.³³ The Council has advised that it based its indexation adjustments to expenses in the LTFP upon the RBA's CPI forecasts³⁴ and closely monitors performance against budgets through monthly and quarterly reports for Senior Leadership Team and Council. The LTFP is reviewed annually in line with the budget process, which includes consultation. If any material information emerges during the year that impacts the forecast expenditure, LTFP modelling is undertaken to inform the Council of the potential impact of this information, to ensure that expenditure remains within the LTFP limits.

³¹ See District Council of Orroroo Carrieton, Annual Financial Statements for the year ended 30 June 2025 p. 4.

³² Depreciation is adjusted for inflation each financial year, along with changes to the asset base - see District Council of Orroroo Carrieton, Long Term Financial Plan 2026-2035 p 4. The Council has introduced residual values and undertaken a review of the useful lives and plans to remove from the Asset Register assets that it does not own. These steps enable the Council to refine depreciation expenses – see District Council of Orroroo Carrieton Long Term Financial Plan 2026-2035 p. 7.

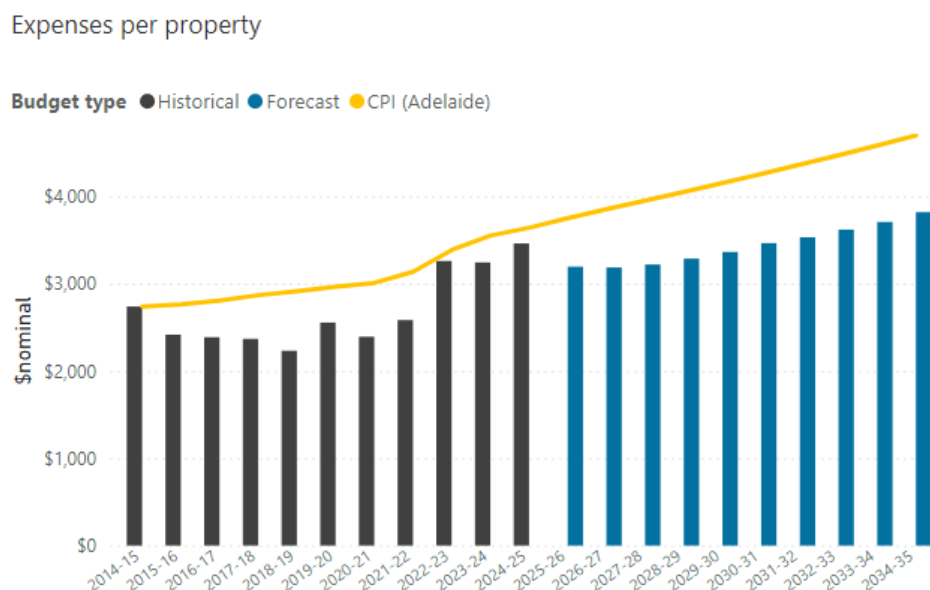
³³ The Council has undertaken a full asset revaluation over the last 2 years that provides an up-to-date and accurate understanding of existing assets and an accurate depreciation expense. This process has, however, resulted in an increased depreciation expenses greater than what is currently recognised'. See the CEO Statement on Financial Sustainability in the District Council of Orroroo Carrieton Long Term Financial Plan 2026-2035 p. 12.

³⁴ In communications to the Commission dated 9 September 2025.

5.1.4.3 Expenses per property:

- Over the Historical Period, the expenses per property increased at a CAGR of 1.9 percent, below average inflation of 2.9 percent for the period but partially achieved by the under-funding of asset renewals. Over the Forecast Period, the expenses per property are forecast to increase at a CAGR of 2.0 percent, again below forecast average inflation of 2.5 percent. If the Council is not able to contain expenses as planned, then it risks not achieving its asset renewal targets or it will incur deficits. This will be discussed further in Section 5.3.

Figure 3: Expenses by rated property - historical and forecast



5.2 Net financial liabilities

5.2.1 Key points

- ✓ The average NFLR had a value of negative 23.4 percent over the Historical Period and is forecast to have an average value of negative 90.8 percent over the Forecast Period, which indicates that the Council is well able to manage its financial liabilities.
- ✓ The level of cash holdings is forecast to increase substantially over the Forecast Period, and the Council advised that the cash will be used for long-lived asset renewal requirements identified for the period commencing after 2034-35.³⁵
- ⚠ Over the Forecast Period, the NFLR reduces significantly, mainly driven by a forecast accumulation of cash from \$1.2 million in 2025-26 to \$8.2 million in 2034-35, an increase of \$7.0 million, for expenditure on new and upgraded assets after 2034-35.

A NFLR below 100.0 percent indicates that a council can manage its financial liabilities relative to its operating revenue. The Council's conservative approach to debt and strong cash holdings ensure that it has no net financial liabilities.

³⁵ The Council provided information to the Commission regarding their long-lived asset renewal requirements in communications dated 14 August 2025.

- ▶ Over the Historical Period, the NFLR averaged negative 23.4 percent, and the Council reduced its borrowings to a negligible level.
- ▶ Over the Forecast Period, the NFLR declines significantly, and averages negative 90.8 percent, primarily due to the forecast accumulation of cash from \$1.2 million in 2025-26 to \$8.2 million in 2034-35, an increase of \$7.0 million, required for the renewal of major assets such as the CWMS after the end of the Forecast Period.

The Council has adopted a strategy of avoiding debt for new projects 'unless grant funding is available and it is needed for a council contribution for major projects, activities or services that will make a positive contribution to the achievement of the Strategic Plan and therefore provide generational benefit to the wider community'.³⁶ In line with this policy, the Council plans to decrease its annual expenditure on new and upgraded assets over the forecast period by a CAGR of 24.0 percent and shift its focus to asset renewal,³⁷ which is to be funded using cash reserves.

Over the forecast period, the Council plans to reduce its net financial liabilities from negative \$1.0 million in 2025-26 to negative \$8.0 million in 2034-35 and increase its cash holdings from \$1.2 million in 2025-26 to \$8.2 million in 2034-35 to fund its asset renewal and replacement requirements beyond the forecast period.³⁸ With most councils, a decrease in the net financial liabilities and increase in cash holdings might be a concern, however in this case, it is not a concern because the Council has earmarked this cash for future asset renewal.³⁹

The Council should monitor its accumulation of cash closely to ensure that the levels of cash held is aligned to current assessments of future asset renewal requirements as the cost of these requirements becomes clear.

5.3 Asset renewals expenditure

5.3.1 Key points

- Over the Forecast Period, there is a significant and persistent misalignment between depreciation expenses and planned asset renewal expenditure, with the value of IAMP expenditure only 54.0 percent of depreciation. This discrepancy suggests that either the Council has not adequately planned the implementation of its asset renewal and replacement program in line with its IAMP, that the Council expects assets to last much longer than the depreciation schedule indicates or that growth in asset values is underestimated.
- Over the Historical Period, the average ARFR (net) was 77.8 percent indicating under-funding of asset renewal and replacement, incurring the risk of lowering its service delivery standards and incurring higher repairs and maintenance expenses over time.
- On average, over the Historical Period, 35.2 percent of capital expenditure was on new and upgraded assets while asset renewal and replacement were under-funded.
- Expenditure on 'Materials contracts and other expenses' is forecast to increase at a rate lower than CPI, which would be challenging to achieve.

³⁶ See District Council of Ororoo Carrieton, Long Term Financial Plan 2026-2035 p. 10.

³⁷ See District Council of Ororoo Carrieton, Long Term Financial Plan 2026-2035 p. 4.

³⁸ As advised by the Council in communications dated 14 August 2025.

³⁹ The Council advised in communications dated 14 August 2025 that it is accumulating cash towards the end of the Forecast Period to fund a robust asset renewal program, including expenditure on the CWMS to maintain operational efficiency and service standards.

-  Although the Council forecasts that it will achieve an ARFR of 100 percent over the Forecast Period, the value of 'Infrastructure, property, plant and equipment' is forecast to grow at a CAGR of 1.5 percent, compared with forecast CPI of 2.5 percent, which suggests that the cost of asset renewal and replacement is likely to be understated.
-  The draft Asset Management Plan (AMP) lacks adequately defined service delivery standards, which could further affect the accuracy of renewal forecasts and the alignment of depreciation and renewal expenditure.
-  The Council forecasts that it will achieve an ARFR of 100 percent over the Forecast Period.
-  The Council plans to conduct a detailed review of asset values, condition and remaining asset lives to identify asset renewal requirements beyond the Forecast Period and the funding required to deliver them.

The Council adopted a new AMP 2026-35 in July 2025, incorporating revaluations of the CWMS in 2023 and the roads in 2024. The Council re-values all five asset classes⁴⁰ every five years and has advised that it plans to conduct a more detailed assessment of the condition, remaining lives and renewal requirements early in 2026 and incorporate this information into the 2026-27 LTFP and 2026-27 Budget.⁴¹ However, the value of 'Infrastructure, property, plant and equipment' is forecast to grow at a CAGR of 1.5 percent, compared with forecast CPI of 2.5 percent, so the cost of asset renewal and replacement is likely to be understated.

The Council's planned asset renewal expenditure is much lower than depreciation expenses. While it is to be expected that the values will differ year-on-year, over time it is to be expected that the value of depreciation and actual expenditure on asset renewal and replacement would tend to converge. This persistent gap could distort the Council's financial position, leading to a backlog of required asset renewal and replacement, excess cash reserves, reduced service standards and higher maintenance costs. The method and input values for calculating depreciation should be reviewed to ensure that values are more closely aligned with the asset renewal requirements in the IAMP. The misalignment can be seen by comparing Figures 4 and 5.

- ▶ Over the Historical Period, the ARFR (net) averaged 77.8 percent, below the lower LGA target of 90 percent, which indicates that the Council did not renew its assets in line with its IAMP targets. (see Figure 4) Over the same period, the Council spent \$7.3 million on new and upgraded assets.
- ▶ Over the Forecast Period, the Council plans to spend \$8.7 million on asset renewal and achieve an ARFR (Net) of 100.0 percent, which indicates that it intends to meet all its planned asset renewal requirements. At the same time, the ARFR (depreciation based) is forecast to have an average of only 54.0 percent, indicating that depreciation expenses are significantly higher than planned asset renewal. The Council should review its AMPs and/or depreciation expenses to identify the reasons for this large inconsistency and address them.

Table 3 shows that the Council plans to increase the proportion of its capital expenditure on asset renewal and replacement.

⁴⁰ The five asset classes for Orroroo Carrieton Council include roads, buildings and other structures, plant and equipment, community waste management system (CWMS) and other assets.

⁴¹ The Council advised the Commission of its plans in communications dated 14 August 2025.

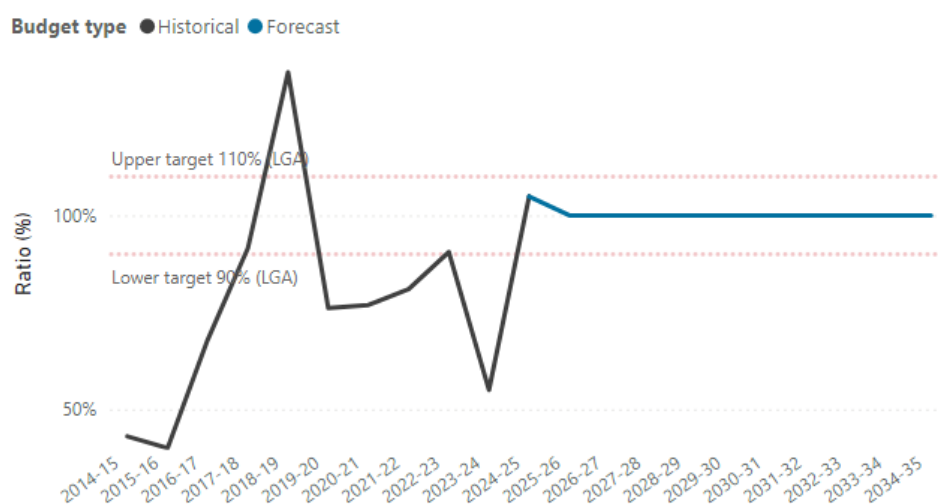
Table 3: Proportions of capital expenditure – historical and forecast

Type of capital expenditure	Historical average	Forecast average
Asset renewal and replacement	64.8 percent	74.0 percent
New and upgraded assets	35.2 percent	26.0 percent

The Council advised⁴² that it plans to remove some non-Council owned/controlled assets from its asset register starting in 2025-26, which will reduce depreciation expenses.⁴³ The Council also advised that it is undertaking more work to update the AMPs within the next financial year, which would update the amount and timing of forecast IAMP expenditure.⁴⁴ Together, these activities might reduce the variance between depreciation and asset renewal expenditure over the Forecast Period. This variance has implications for both the level of depreciation expenses, the operating result and the accumulation of cash reserves but the updates to forecast IAMP expenditure are unlikely to be sufficiently material to address the discrepancy.

Figure 4: Asset renewal funding ratio (renewal expenditure net) – historical and forecast

Asset renewal funding ratio (renewal expenditure, net)



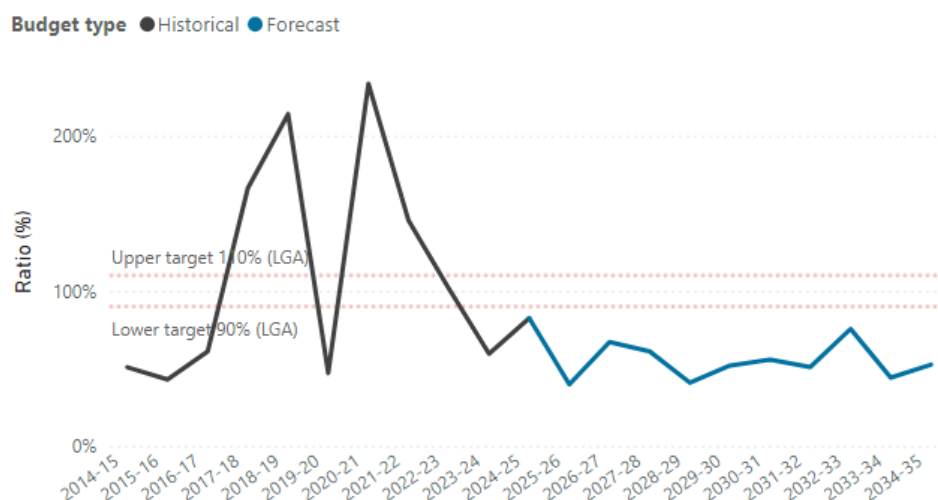
⁴² As advised by the Council in communications to the Commission dated 13 November 2025.

⁴³ The size of the reduction in depreciation expenses has not been advised by the Council.

⁴⁴ The Council also advised in communications on 13 November 2025 that the depreciation expenses include values for the CWMS, an asset with a long life that does not require significant renewal until after the Forecast Period.

Figure 5: Asset renewal funding ratio (depreciation based) – historical and forecast

Asset renewal funding ratio (depreciation based)



5.3.2 The Commission's recommendations on financial sustainability:

The Commission recommends that the Council:

Within the next two years undertake these activities and maintain them into the future:

1. **Update** asset values at least every four years and index values annually, in line with the relevant accounting standard, update and maintain currency of data regarding asset condition and remaining asset lives.
2. **Review** depreciation to ensure that it reflects current data for asset values and remaining asset lives consistent with the updated Asset Management Plans and ensure that future Long-Term Financial Plans are in alignment with the Asset Management Plans.
3. **Disclose** to ratepayers any requirements to replace significant assets, beyond the term of the Long-Term Financial Plan and consult with ratepayers about any future accumulation of cash and implications for rates and services, to improve transparency.
4. **Closely monitor** and report growth in expenses, noting that the Council's sustainability is dependent upon the growth in expenses being contained below the Consumer Price Index.
5. **Consider** alternative strategies to achieve an operating surplus while keeping increases in rates more in line with forecast inflation, to ensure that rates remain affordable over the long term.

6 Advice on current and projected rate levels

6.1 Key points



The Council holds community consultations regarding rates affordability and the ratepayers' willingness to pay.



Rates are forecast to increase higher than forecast inflation over the Forecast Period.

With annual rate increases at levels greater than CPI since 2017-18 and planned to continue throughout the Forecast Period, the Council is at moderate risk of eroding rates affordability.

- ▶ Over the Historical Period, the average rates per property increased at 4.2 percent, relative to average CPI of 2.9 percent for the period.
- ▶ Over the Forecast Period, the average (CAGR) rates revenue per property are forecast to increase at 3.1 percent annually, compared with forecast average CPI of 2.5 percent.

6.2 Proposed rate increases for 2025-26

In 2025-26, the Council has proposed an increase in rates income per property of 5.4 percent (that is, CPI plus 3.0 percentage points).

6.3 Projected further rate increases

The Council is projecting real increases in rates income over the Forecast Period, at an annual average (CAGR) of 3.3 percent, compared with forecast average CPI of 2.5 percent.

The Council held consultations with ratepayers concerning the projections for rates income in the draft Annual Business Plan and Budget (ABP&B) and draft LTFP in July 2025, to explain that rates were set to increase higher than forecast inflation over the term of the LTFP to achieve an operating surplus in the years 2031-32 to 2034-35. The outcomes of those consultations were incorporated into the ABP&B and LTFP adopted in July 2025.

6.4 Affordability risk

The Council's SEIFA Economic Resources ranking of 53 out of 71⁴⁵ councils/communities in 2021⁴⁶ suggests that the Council area is relatively advantaged and able to pay the current level of rates. Furthermore, the Council's relatively low average rates per property (excluding CWMS) paid in 2023-24 of \$1,229 compares favourably to the South Australian average of \$1,180 in that year.⁴⁷

The community is experiencing financial pressures from current drought conditions resulting in lower incomes from agricultural enterprises and lower business income in the district and ongoing rate increases at greater than CPI might impact affordability.

On balance, while the current affordability risk seems low, the continued growth in rates per property at levels increasingly higher than CPI will not be sustainable for the community.

⁴⁵ See ABS, SEIFA Table 4, available at <https://www.abs.gov.au/statistics/people/people-and-communities/socio-economic-indexes-areas-seifa-australia>.

⁴⁶ See ABS, SEIFA by Local Government Area, available at <https://profile.id.com.au/adelaide/seifa-disadvantage>.

⁴⁷ See SA Local Government Grants Commission Database Report 2023-24, available at <https://www.dit.sa.gov.au/local-government/grants-commission/publications#database>

7 The Commission's next advice and focus areas

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

- ▶ ability to achieve and maintain an operating surplus while fully funding asset renewal and replacement in line with the AMP
- ▶ ability to move towards rates growth in line with CPI
- ▶ ability to contain costs to levels aligned with inflation
- ▶ improvements in asset management practices including regularly updating estimates of asset condition and remaining asset lives and defining service delivery standards and better aligning depreciation expenses with asset renewal requirements, and
- ▶ management of the timing and amount of cash accumulation that will adequately fund planned capital expenditure without unduly burdening ratepayers through an excessive or untimely impost on ratepayers.

8 Appendix: Glossary of terms

Term	Explanation
ABP&B	Annual Business Plan and Budget
ABS	Australian Bureau of Statistics
AMP	Asset management plan (also called an IAMP)
ARFR	Asset Renewal Funding Ratio: renewal expenditure based (gross): $\text{Asset Renewal Expenditure} / \text{IAMP Renewal Expenditure}$ (where IAMP expenditure includes sale of replaced assets) Asset Renewal Funding Ratio - renewal expenditure based (net) - if IAMP excludes sale of replaced assets: $\text{Asset Renewal Expenditure} / \text{IAMP Renewal Expenditure}$ (where IAMP expenditure excludes sale of replaced assets) Asset Renewal Funding Ratio (depreciation based): $\text{Asset Renewal Expenditure} / \text{Depreciation}$ (IAMP Renewal Expenditure is that required according to the IAMP.)
CAGR	Compound Annual Growth Rate: $\text{CAGR} = (\text{V}_{\text{final}} / \text{V}_{\text{begin}})^{1/t} - 1$ CAGR represents the mean annualized growth rate for compounding values over a given time period. CAGR smooths the effect of volatility of periodic values that can render arithmetic means less meaningful. (Source: Wikipedia)
Commission	Essential Services Commission, established under the <i>Essential Services Commission Act 2002</i>
CPI	Consumer Price Index (Adelaide, All Groups)
Council	District Council of Orroroo Carrieton
ESC Act	<i>Essential Services Commission Act 2002</i>
F&A	Local Government Advice: Framework and Approach – Final Report
Forecast Period	10 years from 2025-26 to 2034-35
FTE	Full Time Equivalent
Historical Period	10 years 2014-15 to 2023-24
IAMP	Infrastructure and asset management plan (also called an AMP)
LG Act	<i>Local Government Act 1999</i>

Term	Explanation
LGA SA Financial Indicators Paper	Local Government Association of South Australia, Financial Sustainability Information Paper 9 - Financial Indicators Revised May 2019
LTFP	Long-term financial plan
NFLR	Net Financial Liabilities Ratio Net Financial Liabilities are defined as: Total Liabilities LESS Current Assets (Cash and Cash Equivalents) LESS Current Assets (Trade and Other Receivables) LESS Current Assets (Other Financial Assets) LESS Non-Current Assets (Financial Assets - excluding equity accounted investments in council businesses) The net financial liabilities ratio is: Net financial liabilities ÷ Total Operating Income
OSR	Operating Surplus Ratio The Operating Surplus (Deficit) is defined as: Total Operating Income LESS Total Operating Expenses The Operating Surplus Ratio is defined as: Operating Surplus (Deficit) ÷ Total Operating Income
Regulations	<i>Local Government (Financial Management) Regulations 2011</i>
RBA	Reserve Bank of Australia
SEIFA	Socio-Economic Indexes for Areas
SMP	Strategic management plan
SG	Superannuation Guarantee
The scheme or advice	Local Government Advice Scheme



The Essential Services Commission
Level 1, 151 Pirie Street Adelaide SA 5000
GPO Box 2605 Adelaide SA 5001
T 08 8463 4444

E escosa@escosa.sa.gov.au | W www.escosa.sa.gov.au