

Community Wastewater Management Systems 2025/26

Background

Mid Murray Council presently has 28 Community Wastewater Management Systems (CWMS), and is responsible for the maintenance, renewal and compliance requirements of SA Health, the Essential Services Commission of South Australia (ESCOSA), and the *Local Government Act and Regulations*.

An annual service fee is raised to maintain the systems. The revenue raised from this charge can only be applied to maintenance, renewal and upgrades of the specific scheme and only to those properties that have the ability to access the service are levied.

In previous years, Council has set the annual service fee based on the balance of accumulated funds (surplus/deficit) of each scheme along with the previous five (5) year's operating costs to project the future year's annual service fee. This fee setting did not include the recovery of internal indirect/overhead costs or the funds necessary to cover all of the future renewal of the system's infrastructure costs, being the annual depreciation expense.

The exception to this is the Truro and Cowirra Schemes that have been constructed in recent years, funded with the support of State Government Grants, that have the requirement that the annual service fee is based on the operating costs of the schemes and to cover the annual depreciation expense. This fee setting did not include the recovery of internal indirect/overhead costs.

As a result of not including indirect/overhead costs in past fee setting, general ratepayers (including those who do not receive the CWMS service) have been subsidising the true cost of providing the service. This cross-subsidisation is not permitted under legislation, which requires that only those who benefit from the service bear its full cost.

In 2024/25, Council elected to only increase CWMS annual service fees by the estimated CPI, being 3.1%, due to the then on-going financial impact of the 2022/23 River Murray Flood.

Comparison to SA Water

In benchmarking the 2024/25 CWMS annual service fee to the current SA Water sewerage charge, Council is charging approximately \$201 less per connection on average. With 28 schemes, each averaging 65 connections (SA Water averaging 13,250 connections) and with a total distance of 111km from Council's most northern scheme, North West Bend to Bolto in the South, SA Water's cost to service each connection would also be lower than Council's due to the economies of scale that SA Water would have by servicing a much larger number of systems. The table below provides a comparison of SA Water to Mid Murray:

	Mid Murray Council	SA Water
Number of schemes	28	42
Total connections	1,826	556,511
Average connections per scheme	65 (with 6 being the smallest connections)	13,250
Annual Service Fee 2024/25	\$367 (54% of SA Water's Fee)	\$568 (if raised by SA Water Fee Structure)

Full Cost Attribution

In response to a recommendation by Council's external auditors and the legislative requirement of the Section 11(3) of the [Local Government \(Financial Management\) Regulations](#) (the Regulations), Council committed to implement a Full Cost Attribution project across the 2024/25 financial year, with the establishment of associated policies and procedures.

The Regulations require councils to report on each function, activity, good or service of the council, on a full cost attribution basis.

A full cost attribution basis means that all direct costs, and appropriate indirect and overhead costs, are allocated to the function, activity, good or service on a reliable and consistent basis.

Indirect and overhead costs are costs that are not directly attributable to a specific service, however are necessary for the overall operation of the organisation.

To comply with the Regulations, Council is now seeking to recover the appropriate proportion of the following internal indirect/overhead costs (that were previously not recovered) for each external service:

- Occupancy
- Information Technology / Records Management
- Customer Service
- Rates / Revenue Collection
- External/Internal Audit
- Finance & Accounting
- Work Health & Safety / Risk Management
- Human Resources / Payroll
- Corporate Services.

Essential Services Commission of South Australia

The Essential Services Commission of South Australia's (ESCOSA) pricing principles guidance requires all councils to set water and sewerage service charges to achieve full cost recovery, including direct operational and maintenance costs, as well as indirect administrative costs, and to recover adequate funds for the future renewal (annual depreciation expense) of the system's infrastructure.

Moving forward

With many of Council's CWMS now entering mid-life (on average 59% being "As New Condition"), the frequency and cost of renewal of capital items will now increase. For the financial sustainability and viability of the schemes, it is important that sufficient funds are raised to ensure that ongoing preventative maintenance and planned renewals are able to occur in a timely manner.

As mentioned above, previously, the CWMS annual service fee for all schemes (except Cowirra and Truro) has principally been set to only recover the direct operational and maintenance cost and have excluded indirect/overhead costs and also excluded the collection of the funds necessary to cover all of the future renewal of the system's infrastructure costs, being the annual depreciation expense.

The table below shows the costs that have been recovered by Council previously from the schemes, compared to the ESCOSA costing principles:

	Direct costs	Indirect costs	Depreciation expenses
ESCOSA costing principles	✓	✓	✓
Cowirra & Truro	✓	✗	✓
All other schemes	✓	✗	✗

The table below shows the costs that Council is proposing to recover from the schemes, compared to the ESCOSA costing principles:

	Direct costs	Indirect costs	Depreciation expenses
ESCOSA costing principles	✓	✓	✓
All other schemes*	✓	✓	✓

* Note – it is proposed that these increased costs would be phased in over five years

Section 155(5) of the [Local Government Act 1999](#) (the Act) restricts the maximum amount that can be charged to a user to ensure that councils do not seek to recover an annual service charge that exceeds the cost to the council of establishing, operating, maintaining, improving and replacing (including future capital works, taking into account the depreciation of any assets) the services provided in its area.

2025/26 Draft Annual Business Plan & Budget

For the first time, Council's 2025-26 Budget has been prepared including full cost attribution to provide a true cost of providing individual services, including direct, indirect and overhead costs. This ensures that expenses are fairly assigned to functions, leading to better cost management, informed decision making and where applicable, recovering the appropriate service charge.

As a result, from a total indirect cost amount of \$5.1million across the organisation, an amount of \$354,000 has been distributed to the external service area of CWMS schemes.

In addition, as mentioned above, the ESCOSA pricing principles guidance requires all councils to set water and sewerage service charges to achieve full cost recovery including:

- Operational, maintenance and administrative costs;
- Taxes; and
- Provision for asset consumption (depreciation).

With many of the schemes now entering mid-life, a total amount of \$6.1million of capital renewal has been budgeted across the next 10 years, compared to the current scheme funds of \$773,000.

Across the next five years, Council will now phase in the requirements of the ESCOSA pricing principles guidance (as outlined above) to achieve full cost recovery, including current shortfalls of maintenance costs, CWMS annual depreciation (\$668,000) and full cost attribution related costs (\$355,000).

The following are the budget estimates for 2025/26:

Operational, maintenance cost	\$1,221,000
Indirect administrative costs	\$ 355,000
Future renewal of the systems infrastructure (depreciation)	<u>\$ 668,000</u>
Total	<u>\$2,244,000</u>

The recovery of the annual depreciation will in future years reduce the requirement for Council to charge a capital contribution when Capital renewal works are performed due to the additional income being deposited into each scheme's funds. This ensures that the users are contributing to the future renewal of the schemes assets progressively rather than when the renewal is required.

The financial impact of Council implementing full cost attribution and full cost recovery will be a material increase of 47% for the average CWMS annual service charge in 2025/26.

The Truro and Cowirra Schemes annual service charge have previously been based on the operating cost of the schemes (including depreciation), noting that applying annual service charge has now also increased their annual service charge.

The table below provides details of each scheme's current asset value, and the current and proposed service charge for 2025/26:

Mid Murray Council Community Wastewater Management Systems

Scheme	No. Prop Units as at 27/04/25	Scheme replacement cost (\$)	CWMS annual service charge - 2024/25 (\$)	Proposed CWMS annual service charge - 2025/26 (\$)
Big Bend	25	375,763	\$596	\$797
Blanchetown	238	2,748,859	\$265	\$412
Bolto	44	734,526	\$464	\$605
Bowhill	157	2,596,545	\$289	\$458
Brenda Park/Morphett Flat	133	1,950,021	\$362	\$496
Caloote Landing Area	43	1,183,516	\$377	\$589
Caurnamont	75	1,126,003	\$358	\$520
Five Mile/Kia Marina	13	475,141	\$1,470	\$1,570
Greenways Landing	8	227,122	\$882	\$1,280
Idyll Acres	62	1,112,096	\$483	\$757
Julanker/Younghusband	38	1,106,907	\$742	\$937
Kroehns Landing	6	214,197	\$1,203	\$1,640
Marks Landing	142	1,932,723	\$304	\$443
North West Bend/ Beaumonts	85	1,214,037	\$173	\$357
Old Teal Flat	11	368,651	\$351	\$809
Pelican Point	71	1,187,723	\$292	\$481
Pellaring Flat	24	554,621	\$465	\$708
North Punyelroo	12	89,726	\$221	\$385
Rob Loxton Road/Walker Flat	162	1,913,616	\$177	\$349
Scotts Creek	101	1,492,589	\$359	\$514
Scrubby Flat Area	10	243,621	\$478	\$717
Seven Mile	11	464,618	\$642	\$904
South Punyelroo	100	2,223,933	\$320	\$494
Swan Reach	26	450,633	\$442	\$608
Teal Flat	71	713,439	\$305	\$476
The Rocks	6	232,079	\$978	\$1,232
Truro - Normal Connection	66		\$724	\$874
Truro - Aerobic	20		\$362	\$437
Truro - Private Pumping	11		\$694	\$838
Truro	97	2,766,034		
Cowirra	55	2,641,915	\$660	\$892
TOTAL	1,826	32,340,654		

Consultation

Council is currently undertaking consultation on its [2025/26 Draft Annual Business Plan & Budget](#) and [Draft Long Term Financial Plan 2025/26 to 2034/35](#)

As part of this process, and given the proposed changes as a result of full cost attribution and full cost recovery and the associated financial impact of these changes outlined above to Council's CWMS schemes, Council is seeking specific feedback from users of Council's CWMS.

To provide feedback please complete the form available on Council's website (<https://engagement.mid-murray.sa.gov.au/>), or provide written feedback via postbox@mid-murray.sa.gov.au

Submissions in relation to the 2025/26 Community Wastewater Management Systems annual service charges are to be lodged prior to close of business Monday 23 June 2025.

If you have any questions, please contact Council's Director - Corporate & Financial Services, Clive Hempel, on 8569 0100 or via email postbox@mid-murray.sa.gov.au