



Renmark Paringa Council

CWMS Accounting Practices Review

March 2025



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TABLE OF CONTENTS

1.	BACKGROUND	1
1.1	Overview	1
1.2	Our scope	1
2.	REGULATORY CONTEXT	2
2.1	Local Government Act	2
2.2	Water Industry Act and ESCOSA's role	2
2.3	VTA Framework	2
2.4	Reporting requirements	3
2.5	Pricing / setting of Service Charges	3
2.6	DRAFT CWMS Accounting Principles	4
3.	CURRENT ACCOUNTING PRACTICES	5
3.1	General ledger accounting	5
3.2	CWMS Equity Reserve	5
3.3	Asset Management Planning	6
3.4	Irrigation network	7
3.5	Setting the Service Charge	8
4.	FUTURE SERVICE CHARGE SETTING METHODOLOGY	9
4.1	Operating expenses	9
4.2	Calculating the cost of capital	10
4.3	Allowance for risk	12
4.4	Other income	13
4.5	Other matters	13
5.	CONCLUSION	17



1. BACKGROUND

1.1 Overview

The Renmark Paringa Council (RPC) operates a Community Wastewater Management System (CWMS) covering the townships of Renmark, Paringa as well as the Calperum Industrial Estate. A map of the existing CWMS network is shown in **Figure One**.

Figure One: Renmark and Paringa CWMS Network



3,640 properties are connected to the CWMS network through 70km of underground pipe assets. The network is serviced by two Waste Water Treatment Plants, one in Renmark and the other in Paringa. Customers connected to, or abutting the CWMS network must pay an annual Service Charge to council levied under Section 155 of the Local Government Act 1999.

RPC is seeking a detailed review of the methodology that it uses to account for its CWMS operations and advice on the most appropriate methodology to set annual Service Charges in accordance with the regulatory frameworks and guidance available.

1.2 Our scope

We have been asked to:

1. Summarise the existing regulatory and policy framework in which RPC operates its CWMS;
2. Document and review the existing financial management practices relating to the current CWMS;
3. Assess the extent of cost recovery and the application of the National Water Initiative Pricing Principles in setting current Service Charges; and
4. Make recommendations for enhancements to current accounting and financial practices, to ensure that RPC is recovering the full cost of service delivery for its CWMS service.



2. REGULATORY CONTEXT

2.1 Local Government Act

The Local Government Act (1999) (LG Act) defines CWMS as a Prescribed Service. Section 155 of the LG Act covers how Service Rates and Service Charges for Prescribed Services can be imposed by South Australian councils.

Consistent with Section 155 of the LG Act, RPC has elected to levy a Service Charge on both occupied and vacant allotments within the boundaries of the CWMS network.

The amount recovered by a Service Charge must not exceed the full cost of providing the prescribed service where the full cost includes all direct as well as indirect costs of service delivery.

2.2 Water Industry Act and ESCOSA's role

Section 35 of the Water Industry Act (SA) provides that the Essential Services Commission of South Australia (ESCOSA) has the power to make a Price Determination in relation to the provision of wastewater / sewerage services in South Australia.

Under the regulatory framework, the RPC CWMS is considered a 'Minor and Intermediate' retailer (as a scheme with fewer than 50,000 connections).

ESCOSA has made a Price Determination, as varied on 29 June 2018, that applies to Minor and Intermediate Retailers (including RPC) in setting Service Charges for its CWMS customers.

The Price Determination determines that RPC must comply with selected National Water Initiative (NWI) Pricing Principles¹ in setting prices:

- In relation to the Recovery of Capital Expenditure, Principles 1, 2, 3, 4, 5 and 6 apply; and
- In relation to Setting Prices, Principles 1, 4, 5, 6, 7, 8, 9 and 10 apply.

The NWI Pricing Principles provide detailed guidance on how full cost recovery can be achieved.

2.3 VTA Framework

On 1 July 2022, ESCOSA implemented a new Verified Trust and Accountability (VTA) framework in relation to water and sewerage licensee regulation. This approach sees each retailer assessed, based on their compliance history and sustainability performance, as either Category A (trusted) or Category B (concerns regarding performance).

The indicators used to inform this assessment are:

- Reliability of service;
- Operating surplus / deficits;

¹ <https://www.dceew.gov.au/sites/default/files/sitecollectiondocuments/water/national-water-initiative-pricing-principles.pdf>



- Capital expenditure and depreciation; and
- Asset condition.

In June 2022, ESCOSA advised RPC that the CWMS business unit received a provisional rating of Category B. This provisional rating has not changed between June 2022 and the time of writing this advice.

Category B retailers receive more prescriptive regulatory oversight and have additional regulatory reporting requirements.

2.4 Reporting requirements

By 30 November of each year, RPC must provide ESCOSA with:

- a Pricing Schedule showing the fees and charges imposed on CWMS customers each year; and
- a Pricing Policy Statement demonstrating compliance with the National Water Initiatives Pricing Principles listed in 0.

RPC completed the Water Price Monitoring Template for FY2025 and provided it to ESCOSA. Rather than preparing and submitting a Pricing Policy Statement, RPC just referenced the Schedule of Fees and Charges to ESCOSA.

RPC does not have a publicly available CWMS Pricing Policy Statement nor does it have a landing page on the RPC website dedicated to its CWMS where useful information about the network, desludging programs and pricing regimes can be easily accessed.

Recommendation #1:

RPC should develop a landing page on its website and publicly available CWMS Pricing Policy Statement.

2.5 Pricing / setting of Service Charges

In accordance with the regulatory regime, the setting of Service Charges must result in RPC fully recovering its long-term cost of operating the CMWS. In this context, full cost recovery includes:

- Operational costs such as maintenance, utilities and direct labour;
- Indirect labour costs including the costs of accommodating and managing employees / contractors;
- Indirect operational costs, such as billing, customer service, management oversight, which is currently undertaken by various departments within RPC;
- Cost of the consumption of CWMS Assets (i.e. depreciation);
- A return on capital previously invested in the CWMS;



- A cost or provision for any uninsured risk to RPC from operating the CWMS; and
- Offset by any other income generated by the CWMS (i.e. connection charges, the sale of recycled water, desludging reimbursements).

The ability of RPC to demonstrate the achievement of full cost recovery over the long term is required to ensure compliance with the regulatory regime and to ensure that general RPC ratepayers are not unduly subsidising, or profiting from CWMS ratepayers.

2.6 **DRAFT CWMS Accounting Principles**

In January 2024, the Local Government Association of South Australia released an updated draft for consultation of the 'CWMS Accounting Principles' document. This document provides guidance to councils operating CWMS businesses on best practice accounting treatments.

As it is a guideline only, councils are not compelled to follow the principles however application of them would in our view represent a best practice approach.

The previous iteration of the CWMS Accounting Principles dated December 2016 was written prior to the major regulatory changes relating to price setting which led to the 2018 ESCOSA Pricing Determination applicable to Minor and Intermediate Retailers.

This Price Determination and the NWI Pricing Principles have fundamentally changed the way that councils with CWMS should account for their schemes. The high-level premise is that water and wastewater retailers need to be able to demonstrate that they are achieving long-run full cost recovery (including generating a return on investment to council for the provision of the CWMS service) in setting prices.

While the updated January 2024 CWMS Accounting Principles document is still in draft form, the draft has been consulted on with key stakeholders and the LGA have advised us that they do not expect material changes will be made to the document prior to being finalised.



3. CURRENT ACCOUNTING PRACTICES

3.1 General ledger accounting

RPC utilises the SynergySoft IT platform (Synergy) as council's main enterprise management and financial system.

Within Synergy, RPC has created a separate functional ledger for CWMS to capture income and expenditure in relation to CWMS operations and has a separate CWMS Reserve Equity Account (discussed further in Section 3.2) to track annual movements in cash performance of the CWMS business unit.

From an asset management perspective, RPC has invested significant time and resources in ensuring it has a strong understanding of its CWMS assets which has included undertaking a recent asset valuation, CWMS asset condition assessment and updates to the CWMS section of the Asset Management Plan.

The current CWMS accounting ledger only captures direct costs of providing the CWMS service. It does not include ledger accounts for indirect costs (such as labour and administrative overheads) nor does it capture depreciation directly attributable to CWMS assets.

Recommendation #2:

RPC should enhance its accounting ledger for CWMS to include both direct and indirect costs attributable to providing the CWMS service.

3.2 CWMS Equity Reserve

Many councils who have operated CWMS assets for a long period utilise an accounting method commonly known as Reserve Accounting. Reserve Accounts, captured in the equity section of a Statement of Financial Position, seek to record and quarantine profits or losses from a particular service, with the balance of the Reserve Account moving each year based on actual cash surplus / deficits recorded.

A CWMS Reserve Account is intended to capture the historic cashflows that have been generated from the operations of a CWMS and provide an indication of whether there has historically been an under or over recovery of costs from CWMS ratepayers relating to CWMS operations. A positive reserve balance is intended to show that there is cash available for future asset renewal / investment (a historic over recovery of costs) whereas a negative reserve balance indicates a potential overinvestment in the asset and an under recovery from CWMS customers.

For many reasons, the use of Reserve Accounting is not encouraged by the guidance in the updated CWMS Accounting Principles, most notably because:

- Reserve Accounting generally only recognises the net cash movements in CWMS operations, as opposed to the historical over or under recovery of full cost, noting that some of the costs relating to CWMS operations are non-cash or indirect and that RPC has historically failed to recognise indirect costs;



- Reserves fail to account for the consumption of CWMS assets or large asset renewal or replacement projects which may be required in upcoming financial years;
- Reserve accounts do not recognise RPC's ability under the current regulatory regime to generate a return on capital on historical investments made by the CWMS, and to apply that return to projects either within or outside of the scope of the CWMS business unit at council's discretion

As at 30 June 2024, the existing balance of the RPC's CWMS Equity Reserve is \$6.612 million. We note the recent significant investment in the Renmark Wastewater Treatment Plant which will be capitalised in FY2025, the balance of the reserve is forecast to decrease to approximately \$3.5 million by 30 June 2025.

The RPC's CWMS Equity Reserve is not 'cash backed' meaning there is no cash held in a separate council bank account to fund future CWMS projects.

The CWMS Equity Reserve balance at any point in time is simply a function of the historic accounting entries which have been made against the reserve which are generally based on the CWMS Accounting Principles which were established in 2016 and are not consistent with the current regulatory framework which came into effect in 2017.

Accordingly, the presence of a positive reserve balance does not confirm that RPC has been historically 'over recovering' from its CWMS customers.

The new regulatory pricing regime encourages CWMS retailers to set pricing to achieve the recovery of long-term costs into the future, rather than to consider the historical under or over recovery when setting prices hence is not supportive of the ongoing use of reserve accounting.

Recommendation #3:

RPC should consult with its Audit and Risk Committee, External Auditors and Council about a change in accounting policy to cease operation of its CWMS Reserve Account and adopt the more contemporary Service Charge calculation methodology consistent with the updated CWMS Accounting Principles.

3.3 Asset Management Planning

RPC manages its CWMS assets in the Conquest Asset Management System.

In August 2024, RPC released its latest Asset Management Plan (AMP) covering the period from 2025 to 2034. CWMS has its own separate section within the AMP.

The AMP identifies the average annual cost to deliver the CWMS service (maintenance and depreciation but excluding operational costs) of \$642,002 per annum and a total forecast expenditure (including capital) at an average of \$1,582,817 per annum over the next ten years (noting that a significant upgrade of the Renmark WWTP has just been completed).

New Upgrade Capital Works of \$1.60 million have been identified over the next ten-year period.



Recommendation #4:

The IAMP should state annual costs on a full cost recovery basis, consistent with the Draft CWMS Accounting Principles and include all direct and indirect costs of service provision.

The annual costs and new capital works included within the CWMS IAMP appear to be understated and should be reviewed.

The AMP also confirms that a condition assessment on the entire network was completed in 2022 and has informed the AMP and future decisions about renewal and maintenance.

A CWMS Asset Revaluation was undertaken during the 2024 financial year. Table One shows the impact on the CWMS asset values as a result of the revaluation:

Table One: CWMS asset values pre and post revaluation

Asset class	FY2023 (\$m)	FY2024 (\$m)	Movement (\$m)
Cost	\$19.458	\$34.212	\$14.754
Accumulated Depreciation	(\$8.027)	(\$16.517)	\$8.490
Written down value	\$11.431	\$17.695	\$6.264

The significant increase in the valuation of the CWMS assets will have the impact of increasing the annual depreciation charge and the cost that should be recovered from CWMS ratepayers relating to asset consumption.

It appears that RPC has a good understanding of the condition and value of its CWMS assets.

3.4 Irrigation network

The core disposal path for treated wastewater collected by the CWMS is through an existing irrigation network which connects a number of public and privately owned areas surrounding Renmark.

If it were not for this irrigation network providing a wastewater disposal path, RPC would need to construct specialised evaporation ponds / lagoons to dispose of treated wastewater to remain compliant with public health guidelines, noting such an approach can be a challenge adjacent to a waterway.

The wastewater which is disposed of through the irrigation network has value to customers. From a council perspective, the water helps to keep public reserves green and saves RPC from buying water from other sources (i.e. Renmark Irrigation Trust). And for private customers, most notably the Renmark Golf Course, the water is used for irrigation purposes to support recreation activity. Table Two shows the asset values attributable to the irrigation network.



Table Two: Irrigation network asset values

Irrigation Assets as at 1 July 2024	Cost	Acc Dep	WDV
Lyrup	\$0.469	\$0.273	\$0.196
Paringa	\$2.003	\$0.746	\$1.257
Renmark	\$13.620	\$5.343	\$8.276
Total	\$16.093	\$6.362	\$9.730

While the irrigation network is a key part of the CWMS network, for accounting purposes it is currently included in a separate general ledger, with the costs to maintain the network, the depreciation charge and the revenue generated from water sales not recognised within the CWMS business unit.

Recommendation #5:

RPC should incorporate the costs to maintain the irrigation network (including depreciation), and the revenue generated from the irrigation network into CWMS Accounting Ledger.

3.5 Setting the Service Charge

RPC's current process to set the annual CWMS Service Charge is described below.

- RPC has created a spreadsheet titled 'CWMS Reserve Projection.xlsx'.
- This spreadsheet includes current operating cost and revenue data and inflates these costs over a ten year period using inflation indexes. It also includes new capital works information over the next ten years, informed by the Asset Management Plan.
- Using this information, the spreadsheet calculates the projected CWMS Equity Reserve over a ten year period with the idea being that the Service Charges in the model should ensure that the Equity Reserve stays positive over a long term horizon.

Once this spreadsheet has been populated, a CPI increase is usually applied to the Service Charge and then as long as the spreadsheet shows a long term positive Reserve Balance, the CPI increase to the Service Charge is usually recommended to Council for adoption.

As stated previously, the issue with this methodology is that the costs captured in the spreadsheet do not represent the full cost of service delivery. I.e. cost of capital, risk, asset consumption, and indirect expenses are not being captured and accordingly the method understates the expenses which should be recovered from CWMS customers.

Recommendation #6:

RPC should cease using the CWMS Reserve Projection Spreadsheet as a tool to set Service Charges.

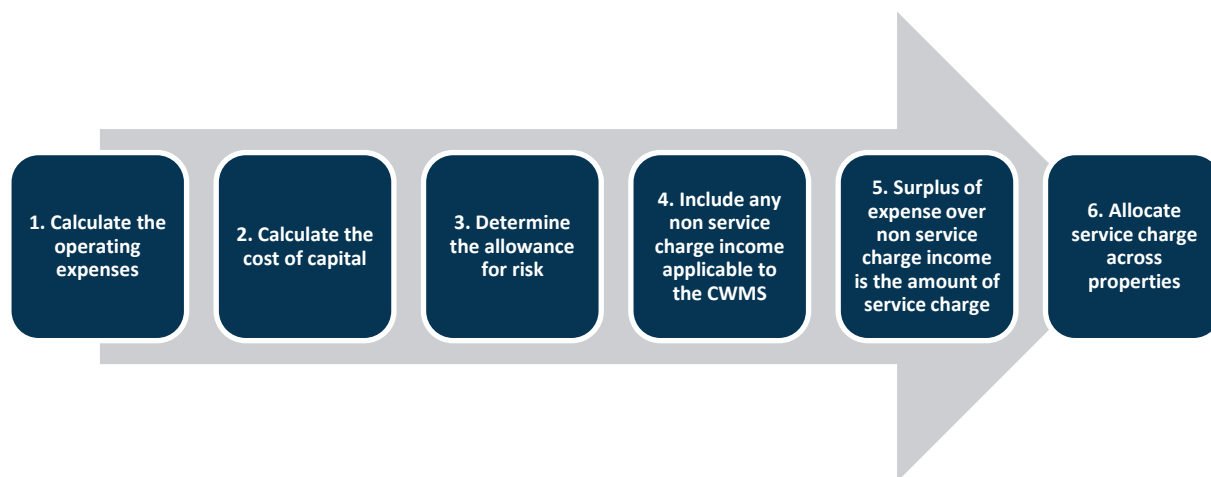


4. FUTURE SERVICE CHARGE SETTING METHODOLOGY

The CWMS Accounting Principles provides guidance to councils on the recommended process to set Service Charges. At the heart of the guidance is the concept that councils should ensure that those ratepayers who have use or access to the CWMS service meet the full cost of the service and that Service Charges are sufficient to recover the forecast long term cost of the service.

The recommended process to calculate the Service Charge is summarised in Figure Two.

Figure Two: Setting the service charge



This section outlines the key considerations for RPC in understanding its full cost of CWMS service provision and how this should transfer into setting the annual service charge.

4.1 Operating expenses

Operating expenses includes both direct and indirect costs of operating the CWMS. Common direct operating costs include:

- Salaries and wages of staff allocated to working on the CWMS
- Maintenance costs to ensure collection and treatment infrastructure runs smoothly;
- Operational costs including utilities to support pumps and other infrastructure;
- Desludging costs for onsite septic tanks and treatment lagoons;
- Water quality testing
- Licensing and other compliance costs
- Repair costs following breakages
- Cost of operating the irrigation network as the only viable disposal path for wastewater
- Depreciation (or the consumption of an asset over time)



Indirect costs relating to a CWMS service commonly include:

- On costs (i.e. superannuation, leave, IT, office accommodation) relating to staff directly allocated to work on the CWMS
- Time spent by managers within council on overseeing the CWMS operation
- Work undertaken by shared service functions within council to support delivery of the service such as customer service, finance, debt collections, rates notices etc.

In determining the full cost of service delivery, RPC should develop robust methodologies to capture all direct and indirect costs of operating the CWMS. While identifying and capturing direct costs is usually straightforward, estimating the indirect costs allocated to a CWMS service can require more effort.

One technique that can be used is to identify each role and business unit within RPC which provides services to the CWMS and to allocate the costs (including on costs) to the CWMS based on a cost driver, for example:

- a customer service officer (or team) may allocate 5% of their total time responding to queries about CWMS; or
- a Team Leader with a broader portfolio of responsibilities may allocate 20% of their time to CWMS oversight; or
- total debt collection costs may be apportioned based on a percentage of collections which relate to CWMS compared to rates.

Using a cost allocation method such as this, RPC would have a justifiable methodology for calculating and allocating indirect costs incurred in managing the CWMS.

Recommendation #7:

RPC should create a methodology for allocating indirect costs to the CWMS Business Unit to more accurately capture the full cost of service delivery.

4.2 Calculating the cost of capital

The NWI Pricing Principles and the CWMS Accounting Principles provide detailed guidance on how a council should calculate its cost of capital. The cost of capital should be calculated with reference to the council contributed asset base at a defined rate of return allowable under the NWI Principles. Both concepts are explained below.

4.2.1 RPC's Contributed Asset Base

Under the NWI, RPC is entitled (and required) to recover a cost of capital allowance from CWMS Ratepayers to recognise the historical investments made by RPC in developing and enhancing the CWMS.



In order to calculate an appropriate cost of capital allowance, RPC must first calculate its 'Contributed Asset Base'; that is the written down value of the assets that it has historically contributed to the CWMS.

The Contributed Asset Base should specifically exclude CWMS assets which have been funded by other sources, such as contributions made by developers (for network augmentations) or amounts received from other tiers of government either through grants or contributions from the LGA CWMS Subsidy Scheme.

RPC may find it challenging to identify the funding source for all assets within the asset register. If this is the case, we note the following:

- The NWI establishes a Legacy Date of 1 January 2007 before which all assets acquired prior to the Legacy Date can be assumed to form part of a retailers Contributed Asset Base, if information about the source of the asset is unable to be confirmed.
- If detailed information at the asset level isn't available, RPC can provide an estimate of the percentage of assets likely to be self-funded versus funded from external sources (i.e. utilise a high-level assumption that say 80% of the CWMS assets were council funded).

Research and further interrogation of the CWMS asset base is likely to be required to establish a reasonable basis to calculate the Contributed Asset Base for RPC.

Recommendation #8:

RPC to review its CWMS asset register and develop a methodology to identify its Contributed Asset Base.

4.2.2 Rate of Return

It is generally accepted by ESCOSA that determining a weighted average cost of capital is the most robust methodology to determine an appropriate rate of return on a council's contributed asset base.

However, calculating a WACC can be complex and many assumptions must be made to recognise the difficulties a government authority (like a council) has in calculating a 'cost of equity'.

The Accounting Principles recognise the challenges that government entities face in calculating a cost of equity and accordingly provides guidance on an alternative methodology that can be used.

That methodology is to obtain a long term borrowing rate (a 10 year lending rate from the LGFA is suggested) and to convert this rate into a 'real interest rate' by adjusting for the impact of inflation. The Accounting Principles suggest using the midpoint of the Reserve Bank of Australia's target inflation band of 2.5% for this purpose.



Accordingly, and based on information available as at 25 February 2025, the rate of return can be calculated as follows:

Real Rate of Return = (1 + the ten year cost of borrowings from the LGFA) divided by (1+ middle of the RBA target inflation band) -1.

Real Rate of Return = (1 + 5.79%) divided by (1+ 2.5%) – 1

Real Rate of Return = 3.210%

Recommendation #9:

RPC should agree on a methodology for calculating its cost of capital, consistent with the guidance provided in the draft CWMS Accounting Principles.

4.3 Allowance for risk

An often-overlooked component of the full cost of operating a CWMS is to allocate an allowance for risk. This is the financial cost of responding to issues or impacts not covered by existing mitigation strategies (i.e. insurances) that are ultimately otherwise challenging to factor into the Service Charge setting process.

In practice, typical risks that may be borne by a council as an operator of a CWMS are:

- Unexpected deterioration of infrastructure or changes in asset valuations;
- Major system faults;
- Compliance issues that require remediation;
- Under/overachievement of scheme growth targets;
- Technical or commercial obsolescence; and
- Changes in regulatory environment.

Councils are encouraged to recover an allowance for risk where such allowances have not otherwise been incorporated into other operational expenditure lines (i.e. insurance premiums).

The Draft CMWS Accounting Principles provide guidance that a likely range for an allowance for risk could be in the range of 0.0% to 2.0% of the WDV of the total asset base.

Unlike the cost of capital which can be retained in council's general revenue, the allowance for risk is a provision which should, over the long term, match actual unbudgeted expenditure incurred by RPC. RPC should establish and then regularly review its allowance for risk percentage to ensure that it accurately reflects the long-term risks council faces in operating the CWMS.



Recommendation #10:

RPC should include an allowance for risk, set as a percentage of the WDV of all CWMS assets in its future pricing methodology.

4.4 Other income

4.4.1 Sale of treated wastewater

RPC's treatment facilities in Renmark produce wastewater that is suitable for irrigation purposes.

The ability to dispose of wastewater through an irrigation pathway both helps a retailer by avoiding costs of disposal through other means and can also help to maintain areas of open space.

The net revenue (income less associated costs) generated through the sale of treated wastewater can help to offset some of the costs of delivering the CWMS and reduce the amount that needs to be collected from CWMS ratepayers through Service Charges.

RPC currently has three external customers:

- Renmark Golf Club with approximate usage of 150ML per annum. As consideration for the annual recycled wastewater usage and the development of the associated infrastructure to bring the water to the golf course, the golf club provides RPC with an annual 50ML River Murray water allocation, of which RPC currently trades to generate revenue.
- Catholic Diocese of Port Pirie (St Francis of Assisi College) with approximate usage of 3ML per annum at a negotiate rate of \$0.32 per k/L
- Minister for Education (Renmark Primary School) with approximate usage of 12ML per annum at a negotiate rate of \$0.28 per k/L

Future sales of treated wastewater will help to offset some of the costs of delivering the CWMS service and should be factored into the service charge setting process in accordance with the CWMS Accounting Principles.

Recommendation #11:

The revenue generated from the sale of treated wastewater should be forecast on an annual basis and included as an offset in RPC's methodology for calculating the Service Charge for CWMS customers.

4.5 Other matters

4.5.1 Connection and augmentation charges



The relevant regulatory framework allows and encourages RPC to recover the costs associated with new connections or network augmentations from the ratepayers who stand to benefit from the new infrastructure.

RPC currently charges \$2,802.50 for a new connection into the CWMS. Table Three shows how this compares to other South Australian councils who operate a CWMS.

Table Three: Connection charge benchmarking data

Retailer	Connection Charge (\$)	Type
Light Regional Council	\$4,400	CWMS or Sewer
City of Onkaparinga	\$6,133	CWMS
Barossa Council	\$4,500	CWMS
Mid Murray Council	\$PoA	Price on application
Adelaide Plains Council	\$4,500	CWMS
Clare and Gilbert Valley Council	N/A	Connection charge not disclosed (if any)
District Council of Loxton Waikerie	\$2,000	CWMS
Berri Barmera Council	\$2,000	CWMS

The CWMS Accounting Principles provides detailed guidance as to how a council should determine its connection fee and augmentation fees. The process to determine and set a policy position for connection and augmentation fees is beyond the scope of this advice.

Recommendation #12:

RPC should consider and adopt a policy position as to how it charges for new connections to the CWMS and on what basis applications for network expansions will be assessed and charged into the future.

4.5.2 Service Charges relating to RPC owned land and buildings

RPC owns land and buildings connected to the existing CWMS including the Council Office, Town Hall, Public Toilets and other sporting ground buildings.

Currently, RPC is not levying a service charge in relation to the property units for council owned buildings on itself, meaning that CWMS ratepayers are effectively subsidising the costs of providing a wastewater service to council owned buildings. As the beneficiary of this service are the general ratepayers of Council, it is more equitable for these costs to be paid by general ratepayers than CWMS ratepayers.



Recommendation #13:

The number of property units attributable to each council owned building should be calculated to allow RPC to levy a Service Charge on each building, payable by general ratepayers.

4.5.3 Vacant vs Occupied Service Charges

The latest draft of the CWMS Accounting Principles provides a level of discretion to a council as to whether it wishes to provide a differential Service Charge to vacant versus occupied allotments connected to a CWMS.

The rationale is based on a user pays philosophy that where a vacant allotment does not produce any wastewater it may be unreasonable for that ratepayer to be levied a charge for capturing and treating wastewater.

While a vacant allotment does not produce wastewater, it still benefits from the overall availability of a wastewater solution (which adds to the value of that property) and hence it is equitable at a minimum to levy a vacant allotment Service Charge which considers all 'non operational' costs (i.e. asset maintenance, depreciation, cost of capital).

RPC currently levies a flat service charge on all properties abutting the CWMS network, whether they are connected to the scheme or not.

Recommendation #14:

RPC should review and communicate its policy position in relation to levying a differential service charge for vacant and occupied allotments.

4.5.4 Ownership models for the irrigation network

RPC operates a significant irrigation network using water captured through the CWMS delivering in the order of 313ML of water per annum through 53 connections, and a network of pipes and pump stations with a written down asset value of \$6.2 million.

The irrigation network assets may have value to the commercial sector and accordingly, it may be worthwhile for RPC to consider the future business model relating to the operations of the irrigation network to investigate if there are opportunities or efficiencies to be gained through an alternative business model (i.e. through a partnership or divestment to the Renmark Irrigation Trust).

Recommendation #15:

RPC consider options and opportunities for alternative ownership and structural models in relation to its distribution network which may create efficiencies, environmental or financial benefits for council and the local community.



5. CONCLUSION

The financial management processes that are being adopted by RPC for the CWMS network are consistent with the previous iterations of the CWMS Accounting Principles from 2016.

The new draft CWMS Accounting Principles have introduced a number of new concepts and methodologies in accounting for CWMS and in determining a compliant Service Charge. With the pending finalisation of the CWMS Accounting Principles, now is an opportune time for RPC to begin to update its current processes and make changes to align processes to the new principles.

In this advice, we have made 15 recommendations. Each recommendation has been provided a priority rating in Table Four, with a high rating corresponding to a recommendation requiring immediate action (to inform the FY2026 Service Charge setting process), medium rating (for action within 12 months), and low rating at the discretion of RPC.

Table Four: Recommendations

Area	Recommendation	Priority (H / M / L)
Pricing Policy and Statement Website	#1 - RPC should develop a landing page on its website and publicly available CWMS Pricing Policy Statement.	Medium
Accounting Ledger	#2 - RPC should enhance its accounting ledger for CWMS to include both direct and indirect costs attributable to providing the CWMS service.	High
Reserve Accounting	#3 - RPC should consult with its Audit and Risk Committee, External Auditors and Council about a change in accounting policy to cease operation of its CWMS Reserve Account and adopt the more contemporary Service Charge calculation methodology consistent with the updated CWMS Accounting Principles.	High
CWMS Asset Management Plan	#4 - The IAMP should state annual costs on a full cost recovery basis, consistent with the Draft CWMS Accounting Principles and include all direct and indirect costs of service provision. The annual costs and new capital works included within the CWMS IAMP appear to be understated and should be reviewed.	Low
Irrigation Network	#5 - RPC should include incorporate the costs to maintain the irrigation network (including depreciation), and the revenue generated from the irrigation network into CWMS Accounting Ledger.	High
Reserve Projection Spreadsheet	#6 - RPC should cease using the CWMS Reserve Projection Spreadsheet as a tool to set Service Charges.	High
Indirect cost allocation methodology	#7 - RPC should create a methodology for allocating indirect costs to the CWMS Business Unit to more accurately capture the full cost of service delivery.	High
Contributed Asset Base	#8 - RPC to review its CWMS asset register and develop a methodology to identify its Contributed Asset Base.	Medium
Cost of capital	#9 - RPC should agree on a methodology for calculating its cost of capital, consistent with the guidance provided in the draft CWMS Accounting Principles.	High



Area	Recommendation	Priority (H / M / L)
Allowance for risk	#10 - RPC should include an allowance for risk, set as a percentage of the WDV of all CWMS assets in its future pricing methodology.	High
Sale of treated wastewater	#11 - The revenue generated from the sale of treated wastewater should be forecast on an annual basis and included as an offset in RPC's methodology for calculating the Service Charge for CWMS customers.	High
Connection / Augmentation charges	#12 - RPC should consider and adopt a policy position as to how it charges for new connections to the CWMS and on what basis applications for network expansions will be assessed and charged into the future.	Low
Council owned buildings connected to CWMS	#13 - The number of property units attributable to each council owned building should be calculated to allow RPC to levy a Service Charge on each building, payable by general ratepayers.	Medium
Differential Service Charges	#14 - RPC should review and communicate its policy position in relation to levying a differential service charge for vacant and occupied allotments.	Low
Irrigation Network structure	#15 - RPC consider options and opportunities for alternative ownership and structural models in relation to its distribution network which may create efficiencies, environmental or financial benefits for council and the local community.	Low