



Kangaroo Island Council
Annual Business Plan

2023-2024



Version	Status	Version
Version 1.0	Draft released for Council	9 May 2023
Version 1.0	Draft released for 21 days community consultation	10 May - 8 June 2023
Version 2.0	Endorsed by Council	11 July 2023

Questions?

Members of the community who have questions regarding the 2023-2024 Annual Budget, the 2023-2024 Annual Business Plan or seek further information about Council's finances, are encouraged to contact Council during business hours, or via email.

Contact details for Council

Contact	Director Corporate Services
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Fax:	(08) 8553 2885
Email:	kicouncil@kicouncil.sa.gov.au
Web:	www.kangarooisland.sa.gov.au/contact
Mail:	Kangaroo Island Council, PO Box 121, KINGSCOTE SA 5223

Community consultation

The Kangaroo Island Council Annual Business Plan 2023-2024 will be open to public consultation for 29 days from 10 May 2023.

A report containing all submissions on the draft Annual Business Plan and Budget 2023-2024 will be presented to the Ordinary Meeting of Council held on 11 July 2023.

Council is communicating the consultation period and opportunities to provide feedback on the draft 2023-2024 Annual Business Plan and Budget through advertisements in the local newspaper The Islander, on public notice boards, on Council's website and Facebook page. There will also be an opportunity to attend public consultation meetings to ask questions and submit questions in writing.

Acknowledgment of Country

The Kangaroo Island Council acknowledges the deep spiritual significance of Kangaroo Island to many Indigenous Australian nations. We also acknowledge the care and custodianship of this land by Indigenous Australians over many thousands of years, and pay respect to their cultures, and their Elders past and present.

The Kangaroo Island Council is proud to partner with 100%-owned Aboriginal business We Create Print Deliver to produce this document in support of First Nation businesses and the Indigenous economy.

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Message from the Mayor

Welcome to the Kangaroo Island Council's 2023/24 Annual Business Plan and Budget (ABP).

This plan outlines the Council's proposed priorities and work program for the coming financial year. This year's plan continues Council's investment in the things we know matter most to our community – infrastructure, environment, and quality of life.

While the plan sets out investment for the coming 12 months, it takes its direction from our long-term planning principles. Accordingly, it has been developed in line with our 2020-2024 Strategic Management Plan and aligns with our Long-Term Financial Plan (LTFP) FY2021 – 2030, developed by this Council to ensure the organisation's long-term sustainability.



It is imperative for Council to stick to the LTFP. In consideration of the Annual Business Plan, Council has been very careful not to spend money on frivolous items and continues to concentrate on debt reduction.

Another key element of our strategic approach to financial management is to maximise external funding. Proactively sourcing and acquiring external funding enables Council to continue to invest in new initiatives and infrastructure for our growing visitor and residential population without imposing further costs on the community.

Our community has told us that they want the Island to be safe and accessible with spaces in the public realm that look good and provide opportunities to connect with the outdoors and one another.

This is why Council will focus on renewing roads, footpaths, and kerbs; upgrade playgrounds and continue maintaining our parks and reserves.

These are the things we know will make a positive difference to our community's everyday life – not just for today, but for future generations that will call Kangaroo Island home.

Council acknowledges the recovery process from the 2019/20 bushfires is still occurring. While it has been encouraging to see most farms rebuild and continue to work back to full production, it must be noted that many in our community are still suffering financially, physically, or mentally from the effects of those fires.

Equally encouraging is the return of visitors, from across Australia and the world, to the Island. We've had a record number of cruise ships and overall visitation numbers are at an all-time high.

It is important to note that revenue from our ratepayer base does not cover the expense of infrastructure investment to keep up with population and tourism growth. Therefore, where possible, Council has sought grant funding for projects that improve our infrastructure, environment, and community assets. Council will also seek an income stream from the visitor component.

This business plan continues Council's "Back to Basics" approach.

A handwritten signature in black ink that reads "Michael Pengilly". The signature is stylized and fluid.

Michael Pengilly
MAYOR
Kangaroo Island Council

Message from the CEO

Welcome to the Annual Business Plan and Budget for Kangaroo Council for the 2023-2024 financial year.

This is the first Annual Business Plan and budget developed by the group of Elected Members who took office in November 2022.

The Annual Business Plans and Budgets set out Council's proposed services, programs and projects for that year. It aims to maintain efficient legislated and discretionary services for the community and continue progress towards the longer-term objectives for Kangaroo Island.

This document is critical to delivering our vision of a confident and cohesive community supported to rebuild our unique Island environment, with a strengthening economy led by primary production and tourism.

The annual business plan and budget seeks to deliver on the Kangaroo Island Council Strategic Plan 2020-2024.

The strategic plan focuses Council on five goals:

1. **Infrastructure** – A built environment focussed on essential and community services.
2. **Community** – Communities and individuals empowered to improve the quality of Island life.
3. **Economy** – Re-establish a strong and diverse economy.
4. **Environment** – Our environment is maintained, enhanced, and protected.
5. **Organisation** – Leadership to deliver positive social, financial, and environmental outcomes.

The implementation of this Annual Business Plan and Budget will see Council achieve, or make substantial progress toward achieving, many of the strategies and priorities identified in the strategic plan.

Over past two years, Council has worked hard to develop and refine Infrastructure Asset Management Plans which guides the organisation to the priorities and timing for maintenance, renewal, and upgrades of Council's assets.

These documents demonstrates our ongoing commitment to delivering quality services, maintaining financial accountability, working with our communities, and most importantly, securing a prosperous future for Kangaroo Island.

I look forward to working with staff, Elected Members and the community to deliver the 2023-2024 Annual Business Plan and Budget and strongly encourage everyone to participate in the consultation process for this document.



A handwritten signature in black ink, appearing to read 'Greg G.' followed by a stylized flourish.

Greg Georgopoulos
CEO
Kangaroo Island Council

Your Council

Elected Members

Our Elected Members are collectively responsible for strategy, decisions and policy making that add value to the future of Kangaroo Island, and the lives and livelihoods of the individuals, and the organisations and businesses that operate here.



Mayor
Michael Pengilly



Deputy Mayor
Richard Cotterill



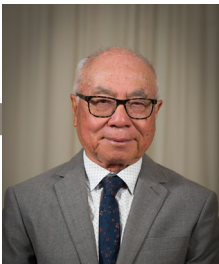
Councillor
Sam Mumford



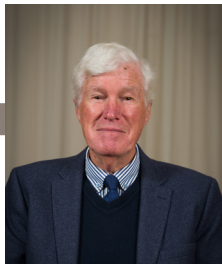
Councillor
Pat Austin



Councillor
Shirley Pledge



Councillor
Ken Liu



Councillor
Bob Teasdale



Councillor
Jeanette Gellard



Councillor
Greg Miller



Councillor
Veronica Bates

The role of your Elected Members is to:

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

Contact details for Elected Members

Mayor Michael Pengilly	M 0419 030 564	E michael.pengilly@kicouncil.sa.gov.au
Deputy Mayor Richard Cotterill	M 0497 322 227	E richard.cotterill@kicouncil.sa.gov.au
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Cr Sam Mumford	M 0427 595 156	E sam.mumford@kicouncil.sa.gov.au
Cr Pat Austin	M 0427 199 987	E patricia.austin@kicouncil.sa.gov.au
Cr Shirley Pledge	M 0427 041 787	E shirley.pledge@kicouncil.sa.gov.au
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Cr Ken Liu	M 0428 322 005	E ken.liu@kicouncil.sa.gov.au
Cr Veronica Bates	M 0488 210 467	E veronica.bates@kicouncil.sa.gov.au
Cr Greg Miller	M 0419 338 139	E greg.miller@kicouncil.sa.gov.au

Contact details for Executive Management Team

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Contact Details for Council

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Email:	kicouncil@kicouncil.sa.gov.au
Web:	www.kangarooisland.sa.gov.au
Mail:	Kangaroo Island Council, PO Box 121, KINGSCOTE SA 5223

Useful Definitions

Average general rate

Council calculates its average general rate by dividing the total revenue to be raised by general rates by the total number of rateable properties.

Budget review

The process of reviewing the budgeted income and expenditure and assessing the budget every quarter.

Consumer Price Index

The Consumer Price Index (CPI) is based on the price of a 'basket' of goods and services and is used to measure change in this price over time. The content of the 'basket' is determined through the Australian Bureau of Statistics: Household Expenditure Survey.

Differential rate

Refers to the rate in the dollar, which is used to calculate the 'actual' rates incurred by individual ratepayers.

Capital expenditure

The investment in the infrastructure and assets that creates a long-term benefit, beyond the current year.

Financial year (FY)

The period from 1 July to the following 30 June.

Growth

Refers to any new developments made to a property e.g. an extension, land divisions and new builds.

Key financial indicators

These assist the reader of financial statements to track Council's financial management performance in identified critical areas.

Key financial indicators are:

- **Operating surplus ratio**

The operating surplus ratio highlights the operating result as a percentage of total revenue (excluding the NRM Levy).

- **Net financial liabilities ratio**

This ratio demonstrates the relative size of Council's net financial liabilities against total operating income.

- **Asset sustainability ratio**

This ratio represents the ratio of new capital expenditure on renewal or replacement of assets, relative to the optimal level of expenditure proposed in Council's Asset Management Plans.

Land use classification

A State-wide property database, linked to the capital valuation process, this is maintained by the Valuer-General. The database is updated annually and includes information on land use classification such as residential, commercial or industrial.

Local Government Price Index

The Local Government Price Index (LGPI) measures price movements faced by Local Government in South Australia in respect of their purchases of goods and services. The LGPI provides Council with a useful reference regarding the inflationary effect of price changes of goods and services consumed by Local Government. The index includes both operating and capital expenditure on a State average basis.

Total revenue

Total revenue is the revenue received by Council from all of its various sources of funding including rates revenue (net of all rebates), fees and charges levied and grants received.

Operating expenditure

The cost related to the running of the Council; it represents the cost of consumption incurred when supplying services in the period.



Vision

A confident and cohesive Community supported to rebuild our unique Island environment, with a strengthening economy led by primary production and tourism.















Mission

To provide our community with leadership and support, and to deliver key council services efficiently and effectively.

Council Services

Kangaroo Island Council provides over 70 services to our community on annual basis. Below is a snapshot of the key services delivered by Council:

 <p>Development Assessment</p>	 <p>Waste Management</p>	 <p>Road Management</p>	 <p>Stormwater</p>
 <p>Ovals and Playgrounds</p>	 <p>Library Services</p>	 <p>Economic Development</p>	 <p>Fire Prevention</p>
 <p>Dog and Cat Management</p>	 <p>Roadside Vegetation</p>	 <p>Boating Facilities</p>	 <p>Parks & Gardens</p>



YOUR COUNCIL

- Strategic Planning
- Risk Management
- Community Engagement
- Financial Planning
- Leadership
- Advocacy



Strategic Plan (2020-2024)

1	2	3	4	5
				
INFRASTRUCTURE	COMMUNITY	ECONOMY	ENVIRONMENT	ORGANISATION
A built environment focused on essential and Community services.	Communities and Individuals empowered to improve the quality of Island life.	Re-establish a strong and diverse economy.	Our environment is maintained, enhanced and protected.	Leadership to deliver positive social, financial and environmental outcomes.
RECOVERY				
1.1 Develop and maintain our roads and physical assets to acceptable standards.	2.1 Enhance community partnerships with Council.	3.1 Facilitate appropriate economic development by providing a supportive environment for local business.	4.1 Best practice waste management.	5.1 Community is supported in its recovery.
1.2 Optimise Island access opportunities and affordability.	2.2 Enrich community culture, health and well-being.	3.2 Optimise land use to grow the Island economy.	4.2 Proactively adapt to environment change.	5.2 Continuous improvement in strategic, financial, risk management and business planning processes.
1.3 Deliver a built environment that responds to community and business needs.	2.3 Improve Island liveability.	3.3 Collaborate with Government and other partners for better Island outcomes.	4.3 Statutory requirements are met for animal, land and vegetation management.	5.3 Good governance.
1.4 Advocate for improved essential services across the Island.			4.4 Support initiatives for a sustainable carbon neutral future.	5.4 Positive organisational culture.

Linking Council's Strategic Plans to the Budget

The Annual Business Plan 2023-24 is driven by fiscal responsibility but also considers long term impacts. It is aligned to the objectives and targets set in Council's 2020-2024 Strategic Plan, our Infrastructure and Asset Management Plans and Council's 2021-2030 Long Term Financial Plan (LTFP).

Asset Management Plans

The aim of Council's Asset Management Plans is to ensure that our assets, such as our roads, buildings, footpaths, playgrounds and marine facilities are renewed and replaced at the optimal rate, to enable us to extend their useful life and prevent them from deteriorating to unusable levels.

Long Term Financial Plan

Kangaroo Island Council remains committed to long-term financial planning and financial sustainability. The information contained within the LTFP is presented at a high level, it is not a detailed budget. Council uses the information within the LTFP to inform decision making of Council, understand the level of financial and interest rate risk exposure, confirm adequacy of spending on assets and capital renewal, allow the ability to track performance against key financial ratios, and inform decisions around service levels and service provision.

The 2021-30 LTFP projects income for FY2024 to be \$20.038M, Council has determined an income of \$20.109M. The difference reflects an increase

in statutory income, increased revenue from user charges, and ongoing reimbursement income. Our expenditure planned for this budget also differs from the LTFP forecast which was \$22.325M. Instead, it is planned to be \$22.588M. This recognises an increase on the LTFP forecast principally in materials, contracts and other expenditure.

Importantly this additional revenue and budgeted expenditure allows Council to progress capital works program, upgrading and renewing assets as well as road maintenance.

To view the Long-Term Financial Plan visit: www.kangarooisland.sa.gov.au/plans

Comparison Table 2023-24 Budget with 2021-2030 LTFP

	2023/24 Budget	LTFP FORECAST
Operating Income	\$20.109M	\$20.038M
Operating Expenses	\$22.588M	\$22.325M
Operating Surplus/(Deficit)	(\$2.479M)	(\$2.287M)
Not Operating	\$2.513M	\$2.513M
Net Surplus/(Deficit)	\$0.033M	\$0.226M

Annual Business Plan and Budget Alignment

Strategic Outcomes and Key Activities for 2023-2024

Infrastructure

A built environment focused on essential and community services.

STRATEGIC GOAL	STRATEGIC OUTCOME FY24
1.1 ROADS AND ASSETS Develop and maintain our roads and physical assets to acceptable standards.	<ul style="list-style-type: none">• Unsealed road renewal• Sealed road renewal• Footpath and kerbing upgrades• Review the 2005 Kingscote Community Wastewater Management System Extension Plan to prioritise the extension works.
1.2 ACCESS Optimise Island access opportunities and affordability.	<ul style="list-style-type: none">• Advocate for an increase in flight frequency to and from the Island.
1.3 BUILT ENVIRONMENT Deliver a built environment that responds to community and business needs.	<ul style="list-style-type: none">• Implement Council's Five-Year Footpath Program• Negotiate with Federal and State governments to develop the Kangaroo Island Plan.
1.4 ENERGY AND UTILITIES Advocate for improved essential services across the Island.	<ul style="list-style-type: none">• Collaborate with SA Water and other stakeholders to water-proof Kangaroo Island by completing all major components of the SA Water plan by 2024.• DIT Unsealed road upgrades \$2m.

Community

Communities and individuals are empowered to improve the quality of life on Kangaroo Island.

STRATEGIC GOAL	STRATEGIC OUTCOME FY24
2.1 PARTNERSHIPS Enhance community partnerships with Council.	<ul style="list-style-type: none">• Review community grant and sponsorship programs and set funding baselines.• Continue to work with community groups including Progress Associations and Sports Clubs.• Continue the Council trainee program.
2.2 CULTURE, RECREATION, HEALTH AND WELL-BEING Enrich community culture, health and well-being.	<ul style="list-style-type: none">• Continue working with the community on projects including accessible beaches and community gardens.• Continue to deliver the recommendations from the Disability Access and Inclusion Plan.
2.3 LIVABILITY Deliver a built environment that responds to community and business needs.	<ul style="list-style-type: none">• Develop the Kangaroo Island Natural Disaster Mitigation Project to aid mitigation, resilience and recovery.• Implement Council's Tree Planting Program.

Economy

Re-establish a strong and diverse economy

STRATEGIC GOAL	STRATEGIC OUTCOME FY24
3.1 ECONOMIC DEVELOPMENT Facilitate appropriate economic development by providing a supportive environment for local business.	<ul style="list-style-type: none"> • Focus on and optimise grant funding for Council's priority areas. • Finalise Council's Prospectus to attract continued investment and opportunities for our community.
3.2 PLANNING Optimise land use to grow the Island economy.	<ul style="list-style-type: none"> • Review of Urban Design frameworks for townships. • Contribute to the Kangaroo Island Regional Plan.
3.3 COLLABORATION Collaborate with Government and other partners for better outcomes for Kangaroo Island.	<ul style="list-style-type: none"> • Ongoing \$2 million unsealed roads upgrade with Department of Infrastructure and Transport. • Collaborate with Regional Development Australia (RDA) and identify and pursue favourable outcomes for Kangaroo Island.

Environment

Our environment is maintained, enhanced and protected

STRATEGIC GOAL	STRATEGIC OUTCOME FY24
4.1 WASTE MANAGEMENT Best practice waste management.	<ul style="list-style-type: none"> • Reduce waste to landfill on the Island.
4.2 CHANGING CLIMATE Proactively adapt to environment change.	<ul style="list-style-type: none"> • Implement whole-of-island action plan for natural disaster mitigation.
4.3 ANIMAL AND LAND MANAGEMENT Statutory Requirements are met for animal, land and vegetation management.	<ul style="list-style-type: none"> • Responsible dog and cat management • Managing roadside vegetation.
4.4 CARBON NEUTRALITY Support initiatives for a sustainable carbon neutral future.	<ul style="list-style-type: none"> • Working with all levels of Government on achievable and sustainable targets. • Implement Council's tree planning program.

Organisation

Leadership to deliver positive, social, financial and environmental outcomes

STRATEGIC GOAL	STRATEGIC OUTCOME FY24
5.1 RECOVERY Community is supported in its recovery.	<ul style="list-style-type: none"> • Support community and emergency services and collaborate to build preparedness and resilience.
5.2 IMPROVEMENT Continuous improvement in strategic, financial, risk management and business planning processes.	<ul style="list-style-type: none"> • Implement risk management plan to address and manage corporate risk.
5.3 GOVERNANCE Good governance	<ul style="list-style-type: none"> • Delegation and policy review. • External and internal audits of performance.
5.4 CULTURE Positive organisation culture.	<ul style="list-style-type: none"> • WHS reporting • Succession planning • Staff satisfaction survey • Review of the organisation's values

Measuring Overall Performance

To enable Council and the community to assess Council's performance over the 2023-24 financial year, performance reporting tools have been established for a number of activities including:

Audit and Risk committee

- Corporate risk register
- Internal Control Self-Assessment Tool - finance and IT controls, Airport compliance and governance self-assessments
- External and internal audits of financial performance
- Quarterly budget reviews measuring actual performance against budget
- Major project reports outlining status of capital projects undertaken during the financial year
- Treasury and debt management reports

Council

- Works and Infrastructure status reports
- CEO Performance Reports
- Quarterly departmental reports
- Quarterly strategic plan reports measuring the status of strategic actions
- Key financial ratios – these indicators provide a ready assessment of financial performance and sustainability, they need to be interpreted in the context of Council's operating environment. Appendix B contains detailed information about Council's performance against its Key Financial Ratios

KEY FINANCIAL RATIOS	FY 2021/22 ACTUAL	FY 2022/23 BUDGET	FY 2023/24 BUDGET
Operating Surplus / (Deficit) Ratio	3.4%	(6%)	(12%)
Net Financial Liabilities Ratio	97%	115%	116%
Asset Sustainability Ratio	79%	146%	116%

- LTFP reporting and measurement against key financial ratios for the Local Government Sector

Leadership team

- Internal management reports, with traffic lights to show health of individual departmental budgets
- WHS reporting

Other

- ESCOSA reporting to measure compliance with the Water Industries Act
- Grants Commission returns

Looking Back 2022/23 Projects

Town Centres Project Phase 1

Works for Phase 1 of Town Centres Project were completed last year. Phase 1 of the project was funded through the State Government's Open Spaces and Places for People grant and the Federal Government's Building Better Regions Fund Drought Communities grant. Council is seeking funding to fulfill Phase 2 and Phase 3 of the project. Summary of works in the townships below:



Parndana

Phase 1 works included street plantings and the creation of a town square in Cook Street. The installation of vibrant artwork, furniture, reclaimed materials and planting in this space has improved the appeal of the town centre for the farming community in the heartland of Kangaroo Island.



American River

Phase 1 works included improvements the town centre appearance by better definition of pedestrian and vehicle areas along Tangara Drive and around the wharf precinct.



Penneshaw

Phase 1 works included furniture replacement on North Terrace and remodelling Middle Terrace. Additional garden beds on Middle Terrace have created passive speed reduction, a greener and more attractive main street that complement existing plantings while enabling pedestrians and vehicles to move more safely in the precinct.



Kingscote

Phase 1 works included improved pedestrian access on Dauncey Street, through the installation of raised crossings, widened and resurfaced footpaths. The main street was landscaped with seasonal garden beds and street furniture made from reclaimed jetty materials by the local Men's Shed.

Other Capital Works Projects completed during 2022/23 include:

- Installation of new and renewal of footpaths in townships as part of Council's Five-Year Footpath Plan
- Expansion of the Community Wastewater Management System
- Road re-sealing
- Unsealed road patrol grading and re-sheeting
- Installation of playground equipment
- Maintenance of parks, gardens and recreational spaces
- Fleet management and replacement
- Commenced IT upgrade

Key Budget Influences



Inflation

The rising inflation has had a significant impact on the availability of goods and services across all sectors. This together with delays in the global supply chain can hamper Council's ability to deliver its projected projects and deliver levels of services in this year's budget.



Grant Funding

The ability for Council to obtain grant revenue to offset expenditure is critical to the organisation's ongoing financial viability. Council can access a wide range of grant funding to support our community, infrastructure investments and economic activity on Kangaroo Island.



Debt Management

Council is committed to managing and monitoring its finances and exposure to debt carefully and effectively. Fixed term borrowings are only used to fund capital projects with long-term benefits.



Visitation

Council has approximately 5,500 rateable properties and also welcomes more than 200,000 visitors to the Island each year. Kangaroo Island has become an established tourism destination however, tourists don't contribute to the upkeep and maintenance of Council owned assets.



Council Services

Kangaroo Island Council provides mandatory and discretionary services. This means Council provides services beyond that which is legislated.

It is mandatory for Council to provide six services: town planning and building assessment, environmental health, fire prevention, dog and cat management, long term financial planning and strategic and business planning. In addition to these services, Council also provides further 68 services including the Kangaroo Island Airport, parks and gardens, roads, waste management, library services and civic events.



Total Value of Assets

The total value of Council owned road assets is approximately \$400 million covering 1,362 kilometres of sealed and unsealed roads across the Island. These roads are used by tourists, freight companies, agriculture businesses, residents and emergency services. Each year, these assets depreciate by approximately \$5 million. Before Council can invest in improving our road assets, we need to pay for the assets that we currently maintain.

Looking Forward

FY2024 Budget

For FY2024 a review of property values by the Valuer General has resulted in an average increase across all rating categories on Kangaroo Island of 26% reflecting an increase of \$566M (see table below). This reflects current market levels, particularly for residential and rural properties and is an important consideration in setting rates.

Valuer General's proposed valuations for Kangaroo Island

LOCAL GOVERNMENT	FY 2022/23 TOTAL	FY 2023/24 TOTAL	VALUATION INCREASE
Residential	\$873,173,990	\$1,036,962,836	\$163,788,846
Commercial	\$80,030,649	\$88,633,729	\$8,603,080
Industry	\$13,111,500	\$14,353,999	\$1,242,499
Primary Production	\$968,514,483	\$1,319,539,493	\$351,025,010
Vacant Land	\$118,239,000	\$146,006,500	\$27,767,500
Other	\$24,008,612	\$25,644,595	\$1,635,983
Other, Non-Rateable	\$103,071,986	\$115,381,408	\$12,309,422
Total	\$2,180,204,220	\$2,746,522,560	\$566,318,340

Rate increase

Council plans to deliver services that meet the needs of our Community, the Island population and economic growth. To fund this, a general rate increase of 6% has been proposed for the 2023/24 Financial Year.

Waste service charges

Council needs to fully recover costs for waste services. To ensure we are not using other revenue to subsidise the waste expenditure a planned budget value from Fleurieu Regional Waste has been used. A waste treatment and disposal charge is applied to all rateable properties, while a collection charge is applied to properties where waste collection services are provided.

Community Wastewater Management Schemes

Community Wastewater Management Schemes (CWMS) Service charges are allocated to properties that have the capability to be connected to one of the CWMS schemes. To enable the maintenance of operations and expansion of the service the cost of the CWMS charge will increase by \$12 per connection.

Grant income

Kangaroo Island Council relies heavily on State and Federal Government support by way of grant income to contribute to services as well as to undertake capital works.

Federal Assistance Grants

In FY2024 Council expects to receive \$1.91million in Federal Assistance Grants which are distributed via the State Grants Commission Funding Formula

Unsealed Roads Upgrade Program

Council again secured the commitment of the State Government to provide \$2 million for the Unsealed Roads Upgrade Program in FY2024, with these funds Council will deliver unsealed road upgrades and renewals.

Borrowings

To meet the needs of the community whilst delivering on our Capital Works Program, Council has opted to borrow \$1.524 million in FY2024. This is lower than the \$3.145M forecast in Council's 2021-2030 LTFP and aligns with the ongoing focus on debt management and reduction.

Key budget assumptions

KEY DRIVERS		FY 2023/24 BUDGET
Consumer Price Index (Year to December 2022 - Adelaide)		8.6%
Local Government Price Index ¹ (Year to December 2022)		Recurrent - 6.5 % Capital - 17 %
Increase in average rates	Increase of total rates collected by 6.0% increase in average rate by \$81 to \$1,451	
Increase in waste-water connection charges	To achieve full cost recovery waste-water connection charges increase by 1.8 % to \$679	
Decrease in waste treatment and disposal charges	To achieve full cost recovery of waste management services including treatment and disposal and road-side collection	
Increase in employment wages	Based on EBA conditions a minimum 4% increase in 2024 FY	
Depreciation	Based on useful life assumptions per asset class	
Financial costs	Based on a combination of fixed and floating rate facilities held with Local Government Finance Authority	

Summary budget FY2023/24

	FY2023 BUDGET \$	FY2024 BUDGET\$	YEAR ON YEAR CHANGE \$	YEAR ON YEAR CHANGE %
OPERATING BUDGET:				
Operating Revenue	19,719,075	20,109,495	390,420	2.0
Operating Expenses	20,940,174	22,587,881	1,647,707	7.9
OPERATING SURPLUS /DEFICIT	(1,221,099)	(2,478,386)	(1,257,287)	103.0
Not operating items	4,150,081	2,512,500	(-1,637,581)	-39.5
NET SURPLUS/DEFICIT	2,928,982	33,160	(2,895,882)	-98.9
CAPITAL BUDGET:				
Renewal/Replacement	7,000,093	5,775,000	(1,255,093)	-17.5
New/Upgrade	1,503,363	1,552,000	48,637	3.2
TOTAL CAPEX	8,503,465	7,237,000	(1,266,465)	-14.9

¹ The Local Government Price Index (LGPI) measures price movements faced by Local Government in South Australia in respect of their purchases of goods and services. As the mix of goods and services purchased by local councils is quite different from that typically consumed by households, overall price movements faced by local councils may differ markedly from those faced by households. Overall price movements indicated by the Consumer Price Index (CPI) - which measures changes in the price of a 'basket' of goods and services which account for a high proportion of expenditure by metropolitan households - may therefore not accurately reflect price movements faced by local councils. The Australian Bureau of Statistics (ABS) developed the LGPI as an independent and reliable measure of price movements faced by Local Government in South Australia. The South Australian Centre for Economic Studies sets the rate each year.

Rates Summary

Pursuant to Section 123 (2)(d & e) of the Local Government Act 1999 and as stipulated in the Local Government (Financial Management) Regulations 2011 Part 2-6, Kangaroo Island Council's Annual Business Plan contains the necessary information relating to general rating.

Council rates are imposed on all rateable properties in the Council area in accordance with the provisions of the Local Government Act, 1999. Council is only able to provide the assets and services expected by the community through the levying and collection of rates, Council's principal source of revenue.

Differential Rates for each Rating Category

	INCOME FOR FY 23	2022/2023 CENTS IN \$\$	INCOME FOR FY 24	2023/2024 CENTS IN \$\$
Residential	\$3,257,578	0.2780	\$3,434,067	0.2689
Commercial	\$302,113	0.2947	\$311,715	0.2850
Industrial	\$54,619	0.2947	\$56,609	0.2850
Primary Production	\$3,028,389	0.2780	\$3,237,820	0.2689
Vacant	\$1,063,925	0.5560	\$1,133,380	0.5378
Other	\$75,782	0.2947	\$76,911	0.2850
TOTAL GENERAL RATE REVENUE	\$7,782,405		\$8,250,502	

Explaining Council's rates position

In the past year there has been an increase in the number of properties that require Council's services and this is reflected in Council's rates position.

In addition, Council's rating differential is higher for vacant blocks to encourage development. In FY2024 Council will not increase the fixed charge of \$340. The primary production and residential differentials are now at parity and require no further alignment in FY2024.

The overall rate revenue Council needs to collect in FY2024 to deliver services is \$8.25 million. This comprises of a 6% increase on the total general rates collected in FY2023 of \$7.78 million. The rate rise is applied as per the Valuer General's valuation on individual properties which differs across land use codes and locations across Kangaroo Island. A cap of 6% increase on the general rates charged based on the FY2023 will be applied. For those ratepayers who have not had a change of rating category, or a change of ownership, in the FY2023 year the 6% cap will mean the general rates payable in FY2024 will not be more than 6% increase on the FY2023 rates. Approximately 330 assessments will not be entitled to a 6% capped rate increase.

Valuer General and Council Rates

All land within the Council area, except for land specifically exempt, for example Crown Land and land owned by the Council, is considered subject to rates. Council does not 'decide' on the valuation of properties on Kangaroo Island. Valuations are provided by Valuer-General (State Government). The Valuer General increased the valuation of all properties on Kangaroo Island by an average of 26% or \$565 million for FY2024 with total capital values of all properties on Kangaroo Island of \$2.746 billion.

A property owner may object to the valuation referred to in their rates notice by writing to the Valuer-General within 60 days after the date of service of the rate notice. Council has no role in this process and the lodgement of an objection does not change the due date for payment. Objections forwarded to:

State Valuation Office,
101 Grenfell Street, Adelaide SA 5000.
Phone: 1300 653 345
email: lsgobjections@sa.gov.au.

Rating and Rebate Policy

Kangaroo Island Council's Rating and Rebate Policy (available for download on council's website), which outlines Council's direction for setting and collecting rates from the community, covers the following:

- Methods used to value land
- Business Impact Statement
- General rates
- Fixed charges
- Tenanted property
- KI Landscape Board Levy (formerly NRM)
- Payment of rates
- Remission and postponement of rates
- Sale of land for non-payment of rates
- Adoption of valuations
- Council's revenue raising powers
- Differential rates
- Service rates and charges
- Single farm enterprise
- Rate concessions
- Late payment of rates
- Rebate of rates
- Disclaimer

Payment terms:

The Council has determined that the payment of all rates can be either by full payment – due and payable by 7 September 2023 – or by quarterly instalments due and payable on the following dates:

- 1st payment 7 September 2023
- 2nd payment 7 December 2023
- 3rd payment 7 March 2024
- 4th payment 6 June 2024

Regional Landscape Levy

The Regional Landscape Levy, previously known as the Natural Resources Management (NRM) Levy, is a State Government tax. Councils are required under the *Landscape South Australia Act 2019* to collect the levy on all rateable properties on behalf of the State Government.

The total amount will be payable to the Kangaroo Island Landscape Board less the amount prescribed under the *Landscape South Australia Act 2019* for establishment and collection costs.

The Landscape Levy is distributed evenly throughout the Council area by the imposition on each separate assessment of rateable land in the Council area increased by 6.5% from \$81.40, bringing the total charge to \$86.75 per assessment for FY2024.

Fixed charges:

Council imposes a fixed charge of \$340 on each assessed property. A fixed charge is applied to ensure that all residents/owners contribute towards the provision of basic services at a reasonable level.

Waste Management Service Charge

Council imposes a Waste Management Service Charge in respect of the collection, treatment and disposal (including by recycling) of waste for the whole of Kangaroo Island. This charge is calculated and incurred in line with the Fleurieu Regional Waste Authority Kerbside Collection and Waste Management Policy. Due to the on-going effectiveness of the waste management on Kangaroo Island the treatment and disposal fee is reduced by \$1.50 to \$273.50.

The waste management services are determined as follows:

SERVICE CHARGE	WASTE TREATMENT AND DISPOSAL	WASTE COLLECTION
Applicable to:	All ratable properties	<ul style="list-style-type: none"> Residential properties Commercial properties Industrial properties Primary Production properties

Pursuant to Section 155 of the Local Government Act, 1999 and Regulation 13 of the Local Government (General) Regulations, 2013, waste collection charges are applied on properties that are required to take their waste a distance to be collected. The Waste Collection charges are then charged based on the following tiered rates:

- Collection Charge Rate: Distance less than 500 metres 100%;
- Collection Charge Rate: Distance less than 2 kilometres 75%;
- Collection Charge Rate: Distance less than 5 kilometres 50%;
- Collection Charge Rate: Distance over 5 kilometres 0%.

Community Wastewater Management Scheme

Council provides a Community Wastewater Management Scheme (CWMS) to most properties within the townships of Kingscote, Brownlow, Parndana, American River and Penneshaw, while also maintaining a service at Parndana East. Council must cover the full cost of operating and maintaining the service, inclusive of interest payments on loans raised to upgrade the CWMS systems or to allow for the future capital replacement of the system. The on-going expansion and operation of the CWMS operations requires an increase of \$12.00, with the fee per property \$679 in FY2024.

Summary of charges:

	ADOPTED FY2021	ADOPTED FY2022	ADOPTED FY2023	ADOPTED FY2024
Average rate increases (%)	0%	5.05%	3.9%	6.0%
Fixed rates charge (\$)	\$290.00	\$340.00	\$340.00	\$340.00
Minimum residential rate (\$)	N/A	N/A	N/A	N/A
CWMS fee per connection	\$642.00	\$643.00	\$667.00	\$679.00
Waste management charge – collection	\$117.00	\$119.00	\$124.00	\$124.00
Waste management charge – treatment and disposal	\$225.00	\$265.00	\$275.00	\$273.50
Regional Landscape Levy	\$79.00	\$79.00	\$81.40	\$86.75
Rate capping	20%	20%	N/A	6.0%
Average general rates	\$1,225	\$1,328	\$1,370	\$1,451

Further information about Council rates

Further information about rates including a number of frequently asked questions can be accessed on Council's website at: www.kangarooisland.sa.gov.au/services/rates.



Council Projects

Projects

Each year Council has a range of options in relation to how it will spend money to ensure that its considerable network of assets is maintained to the standards expected by the community. These decisions relate to either renewing or upgrading its existing asset network and/or determining whether new assets are required to better provide the services required by the community.

The decisions made by Council are informed by Council's existing Asset Management Plans, its priorities as documented in its Strategic Plan and community feedback. Equally they are constrained by the outputs of the Long-Term Financial Plan and Council's desire to responsibly manage its levels of debt.

The following section presents a summary of the budgeted renewal projects, operating projects and new and upgrade capital projects that Council is committed to undertaking in FY2024.

Renewal projects

	LINK TO STRATEGIC PLAN	GRANT FUNDING SECURED (\$'000)	TOTAL PROJECT VALUE (\$'000)
Buildings and complexes	1.1.1	-	\$114
Recreation and open spaces	1.1.1	-	\$444
Playgrounds	1.1.1	-	\$26
Unsealed roads	1.1.1	\$2,000	\$2,856
Sealed roads	1.1.1	-	\$967
Plant & Equipment	1.1.1	-	\$919
Storm-water and bridges	1.1.1	-	\$81
CWMS	1.1.1	-	\$267
Airport	1.1.1	-	\$50
Footpath	1.1.1	-	\$51
TOTAL		\$2,000	\$5,775

Strategic Plan references

1.1.1 Deliver the Infrastructure and Asset Management Plan 2019-28

New or upgrade capital projects

	LINK TO STRATEGIC PLAN	TOTAL PROJECT VALUE (\$'000)
Recreation Space Amenities	2.3.3	275
Footpath Program	1.1.1	250
Road Upgrade Engineering	1.1.1	150
CWMS extension	1.1.1	232
Stormwater Management	1.1.1	245
Town Halls and Depot – Electricity and Lighting	1.1.1	400
TOTAL		\$1,552

Strategic Plan references

- 1.1.1 Deliver the Infrastructure and Asset Management Plan 2019-28
- 2.3.3 Enhance the character, amenity, safety and accessibility of the built environment.

Key Operating projects

	LINK TO STRATEGIC PLAN	TOTAL PROJECT VALUE (\$'000)
Traineeship program	2.1.3	300
Community Partnerships	2.1.1	30

Strategic Plan references

- 2.1.1 Review Community grant and sponsorship programs and set funding baselines.
- 2.1.3 Create opportunities for a sustainable future for youth on the Island, including implementing a Council work experience and training program.

Capital expenditure by asset type

	(\$000)
Unsealed Roads	2,856
Sealed Roads	1,117
Plant	919
Playgrounds, Recreation, and Open-Space	581
Buildings and Complexes	514
CWMS	499
Stormwater	326
Footpaths	301
Marine Facilities	164
Airport	50
TOTAL	\$ 7,327



Sources of Income and Expenditure

Income

Rates

Income levied under Section 7 of the Local Government Act 1999. Council's Rating and Rebate Policy contains comprehensive information relating to valuations and other information relating to each rate and charge levied, including purposes and rates in the dollar. Rates income includes service charges for waste collection, treatment, disposal, and community wastewater management schemes activities

State Government Statutory Charges

Fees and charges set by regulation and collected by Council on behalf of the State Government for regulatory functions such as assessment of development applications, or penalties for non-compliance with a regulatory requirement. Revenue is generally offset against the cost of the service. However changes to the Planning Code mean that Development Application (DA) are lodged electronically.

User charges set by Council

Charges for Council's fee based facilities and some services are listed in the Schedule of Fees and Charges and can be found at www.kangarooisland.sa.gov.au.

Grants, Subsidies and Contributions

Council aims to secure as much grant funding as possible from other levels of government. Major projects of wider state benefit are usually joint-funded in partnership with State Government and/or other relevant parties.

Investment Income

This reflects income from financial investments or loans to community groups. It includes interest received from LGFA and banks, and interest received on loans to community groups.

Reimbursements

Amounts received as payment for work done by the Council acting as an agent or service provider for other government bodies and property owners, organisations and individuals.

Other income

Income not classified elsewhere.

Expenditure

Employee expenses

All forms of consideration given by Council in exchange for service rendered by employees or for the termination of employment.

Materials, Contracts and other expenses

All expenses that are not employee costs, financial costs, depreciation, amortisation or impairment costs.

Finance costs

The costs of financing Council's activities through borrowings or other types of financial accommodation.

Depreciation, amortisation and impairment

Relates to infrastructure property, plant and equipment to which the Council has title.



Appendix A - Financial Statement

Income Statement

\$	FY2023 BUDGET	FY2024 BUDGET
Rates Revenue	11,644,553	12,338,572
Statutory Charges	242,310	335,407
User Charges	728,563	1,082,912
Grants, Subsidies and Contributions	4,028,574	2,977,700
Investment Income	7,096	13,213
Reimbursements	2,817,757	3,157,307
Other Income	177,773	204,384
Net Gain – Equity Accounted Council Businesses	-	-
TOTAL INCOME	19,552,126	20,109,495
Employee Costs	7,892,518	8,028,219
Less: Capitalised and distributed costs (E)	(2,228,666)	(1,790,559)
Net Employee Costs	5,663,852	6,237,660
Materials, Contracts and Other Expenses	10,107,217	11,320,083
Less: Capitalised and Distributed Costs (M)	(191,174)	(214,115)
Net Material Costs	9,916,043	11,105,968
Depreciation, Amortisation and Impairment	4,971,078	4,996,294
Finance Costs	222,252	248,881
Net Loss – Equity Accounted Council Businesses	-	-
TOTAL EXPENSES	20,773,225	22,588,835
OPERATING SURPLUS / DEFICIT	(1,221,099)	(2,479,340)
Asset Disposal and Fair Value Adjustments	296,081	-
Amounts Received Specifically for New or Upgraded Assets	3,854,000	2,512,500
Physical Resources Received Free of Charge	-	-
Operating Result from Discontinued Operations	-	-
Net Surplus / (Deficit)	2,928,982	33,160
Changes in Revaluation	9,923,976	10,151,958
Impairment (Expense) / Recoupments Offset to Asset Revaluation Reserve	-	-
TOTAL COMPREHENSIVE INCOME	12,852,958	10,185,118

Notes on Income Statement 2023-24

Changes in FY2024 Budget from FY2024 Budget

1. Income

Rates

Changes in rates revenue in 2023/24 are due to changes in:

- The Valuer General's property valuations rising on average by 26% across Kangaroo Island
- Retained vacant land differential of 200%
- Increase of CPI in CWMS service charges

Statutory Charges

- Fees and charges set by regulation, collected by Council for regulatory functions.
- In the 2023/24 budget we expect an increase in incomes collected from rates searches/property transactions, building inspections, planning fees & dog registrations.

User Charges

- Charges for Council's fee-based services.
- Fees and charges from 2022/23 were reviewed by administration and a CPI increase of 8.6% applied and incorporated into the 2023/24 fees and charges schedule.
- The final 2023/24 fees and charges document will be endorsed by Council at the Ordinary Council meeting held on 9 July 2023

Grants, subsidies and Contributions

- Funding from government or other relevant parties.
- Operating Grants included in the 2023/24 budget are based on 2023/24 Financial Assistance Grant & Roads to Recovery grant contribution levels, where an allowance of a prepayment has been incorporated.

Investment Income

- Income from financial investments or loans to community groups.
- The 2023/24 budget is based on the actual income received for 2023/24.

Depreciation and Finance Costs

Depreciation and Finance costs are based on last year's audited actuals and actuals projected forward and do not show any significant deviation from the previous year's budget.

Reimbursements

- Amounts received as payment for work done by the Council acting as an agent for other government bodies, property owners and individuals.
- Includes private works and considers completion of the DIT and SA Water contract projects.
- Ongoing works will be in line with our private works policy.

Other Income

Income not classified elsewhere. The 2023/24 budget includes any employment subsidies payable for trainee or apprenticeship schemes.

2. Expenses

Employee Costs

The increase in employee cost expenditure can be explained by several factors.

- Allowance for replacement of vacant positions – including any changes in salary
- Allocation of all currently employed FTE staff across the operating aspects of the budget, with an aim to deliver greater proportion of operating and maintenance activities.
- Allows for minor change in positions, or grades
- A greater concentration of employee time on maintenance of existing assets rather than on building new assets aligns with the allocation of all staff to conducting the operating and maintenance activities of Council.

Materials, Contracts and Other Expenses –

These have also increased in the FY2024 budget.

- Although it is built on last year's actual costs a large portion of the increase from FY2024 budget is attributable to the increase in capital related costs demonstrated by the 17% capital related growth in the LGPI.
- Provision has also been made to accommodate a number of the BDO service review recommendations, including an ongoing review Council's plant and equipment and provision additional services through several trainees who will not only provide support but will provide some succession planning addressing several of the concerns within Council's Corporate Risk Register.

Balance Sheet

\$	FY2023 BUDGET	FY2024 BUDGET
Cash and Cash Equivalents	2,165,571	241,230
Trade and Other Receivables	1,124,149	1,258,803
Inventories	682,423	682,423
TOTAL CURRENT ASSETS	3,972,144	2,182,456
Equity Accounted Investments in Council Businesses	-	-
Infrastructure, Property, Plant and Equipment	496,198,806	520,718,946
Other Non-Current Assets	1,843,196	1,843,196
TOTAL NON-CURRENT ASSETS	498,042,002	522,562,142
TOTAL ASSETS	502,014,146	524,744,598
Trade and Other Payables (C)	2,408,502	2,023,410
Borrowings (C)	1,350,519	862,711
Provisions (C)	1,036,865	1,036,865
TOTAL CURRENT LIABILITIES	4,795,885	3,922,986
NON-CURRENT LIABILITIES		
Trade & Other Payables (NC)	9,382,141	8,357,141
Borrowings (NC)	11,694,648	12,183,866
Provisions (NC)	354,456	354,456
TOTAL NON-CURRENT LIABILITIES	21,431,245	20,895,463
TOTAL LIABILITIES	26,227,130	24,818,449
NET ASSETS	475,787,016	499,926,149
Accumulated Surplus	27,533,233	33,408,728
Asset Revaluation Reserves	442,620,959	459,094,027
Other Reserves	5,632,824	7,423,224
TOTAL EQUITY	475,787,016	499,925,979

Cash Flow Statement

\$	FY2023 BUDGET	FY2024 BUDGET
Operating Receipts	21,172,787	19,970,136
Investment Receipts	8,160	8,809
Operating Payments for Suppliers and Employees	(18,564,400)	(15,984,284)
Finance Payments	(384,928)	(246,881)
NET CASH PROVIDED BY (OR USED IN) OPERATING ACTIVITIES	2,231,619	3,747,780
Amounts Received Specifically for New / Upgrade Assets	4,028,574	2,000,000
Sale of Replaced Assets	296,018	-
Sale of Surplus Assets	-	-
Expenditure on Renewal / Replacement of Assets	(7,000,903)	(5,775,000)
Expenditure on New / Upgraded Assets	(1,488,363)	(1,552,100)
NET CASH PROVIDED BY (OR USED IN) INVESTING ACTIVITIES	(4,164,674)	(5,327,100)
Proceeds from Borrowings	1,591,554	2,805,879
Repayment of Borrowings	-	(1,282,146)
NET CASH PROVIDED BY (OR USED) IN FINANCING ACTIVITIES	1,591,554	1,523,733
NET INCREASE (DECREASE) IN CASH HELD	(341,501)	(55,587)
Cash and Cash Equivalents and the Beginning of Period	2,507,072	296,817
CASH AND CASH EQUIVALENTS AND THE END OF PERIOD	2,165,571	241,230

Statement of Changes in Equity

\$	FY2023 BUDGET	FY2024 BUDGET
ACCUMULATED SURPLUS		
Balance at the end of previous reporting period	31,335,650	33,375,568
Net result for the year	2,928,982	33,160
Transfers from other reserves	-	-
BALANCE AT THE END OF THE PERIOD	34,264,632	33,408,728
Balance at the end of previous reporting period	439,018,093	448,942,069
Gain (Loss) on Revaluation of I, PP&E	(3,128,533)	10,151,958
BALANCE AT THE END OF THE PERIOD	435,889,560	459,094,027
Balance at the end of previous reporting period	5,632,824	5,632,824
Transfer from Accumulated Surplus	-	1,790,003
BALANCE AT THE END OF THE PERIOD	5,632,824	7,422,827
TOTAL EQUITY AT TEND OF REPORTING PERIOD	475,787,016	499,925,582

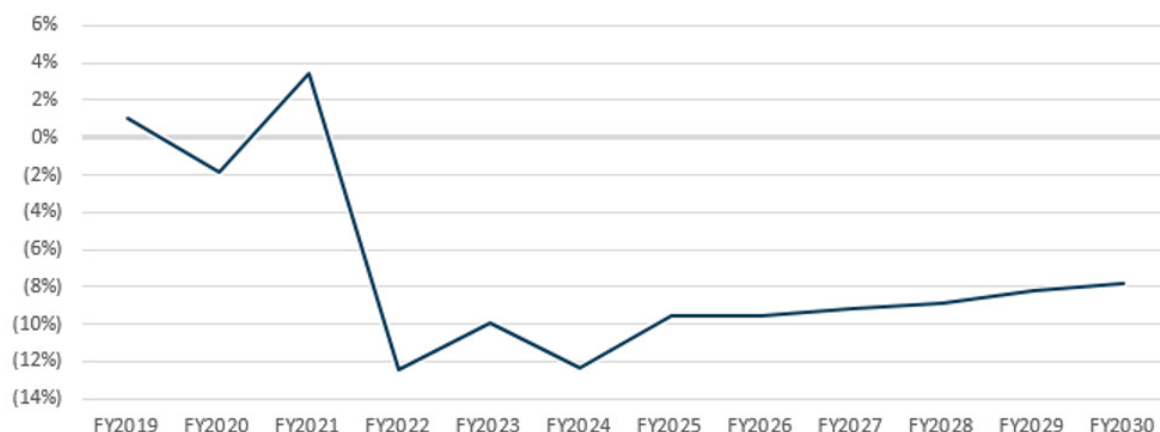
Uniform Presentation of Finances

\$	FY2023 BUDGET	FY2024 BUDGET
Income	19,719,075	20,109,495
Less Expenses	(20,940,174)	(22,588,835)
OPERATING SURPLUS/DEFICIT	(1,221,099)	(2,479,340)
Capital Expenditure on renewal and replacement of Existing Assets	(7,000,903)	(5,775,000)
add back Depreciation, Amortisation and Impairment	4,804,129	4,996,294
add back Proceeds from Sale of Replaced Assets	296,018	-
	(1,900,756)	(778,706)
Capital Expenditure on New and Upgraded Assets	(1,488,363)	(1,552,100)
add back Mounts Received Specifically for New and Upgraded Assets	4,028,574	2,000,000
BALANCE AT THE END OF PERIOD	2,540,211	447,900
NET LENDING /(BORROWING) FOR FINANCIAL YEAR	(581,644)	(2,810,146)



Appendix B - Financial Indicators

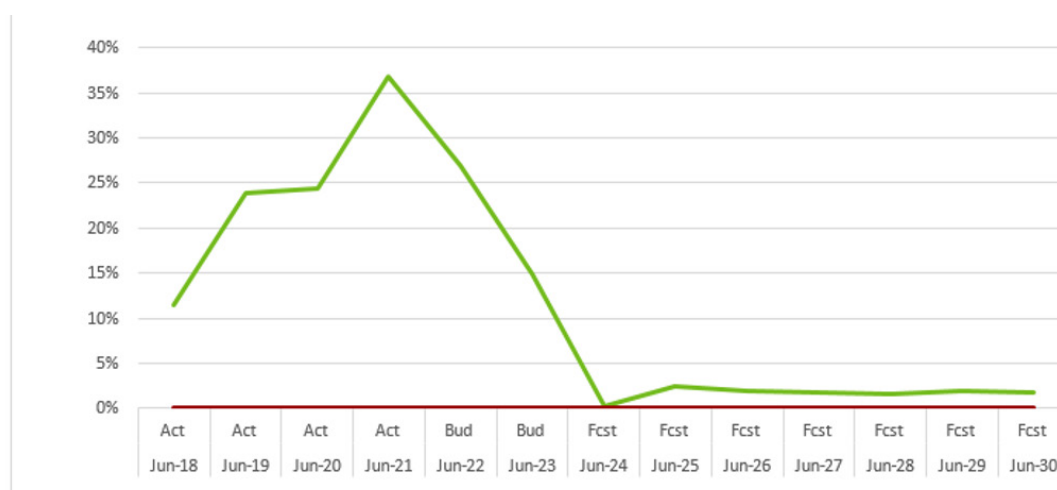
Operating Surplus Ratio



The Operating Surplus Ratio is the operating surplus/(deficit) expressed as a percentage of operating income. A negative ratio indicates the percentage increase in operating income or decrease in operating expenses required to achieve a break-even operating result. The negative ratio is appropriate in the short-term in response to the recent significant economic events and the net surplus results in the subsequent indicator.

Target – We aim to achieve an Operating Surplus Ratio of 0% within 10 years.

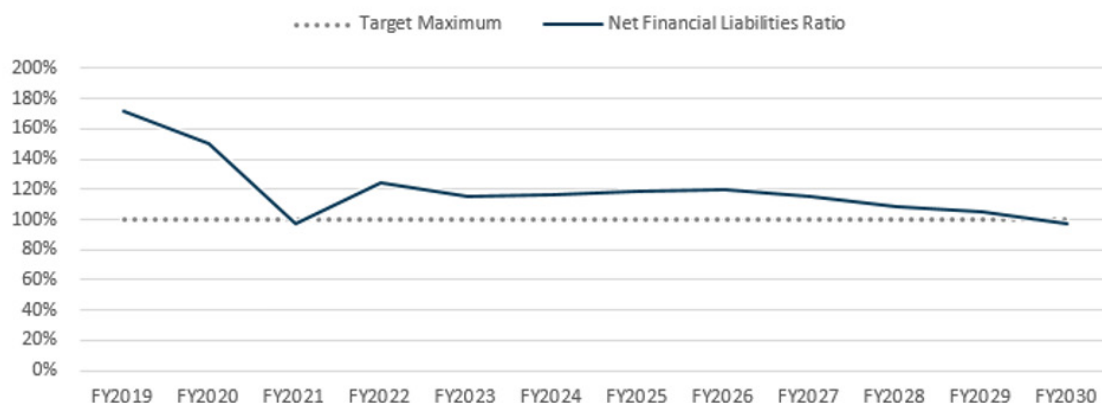
Net Surplus Ratio



The Net Surplus Ratio is the net surplus/(deficit) expressed as a percentage of operating income. This ratio recognises that Amounts received Specifically for New or Upgraded Assets and Physical Resources Received Free of Charge can have a significant influence on the Overall Net Surplus Ratio position.

Target – We aim to achieve a Net Surplus every year.

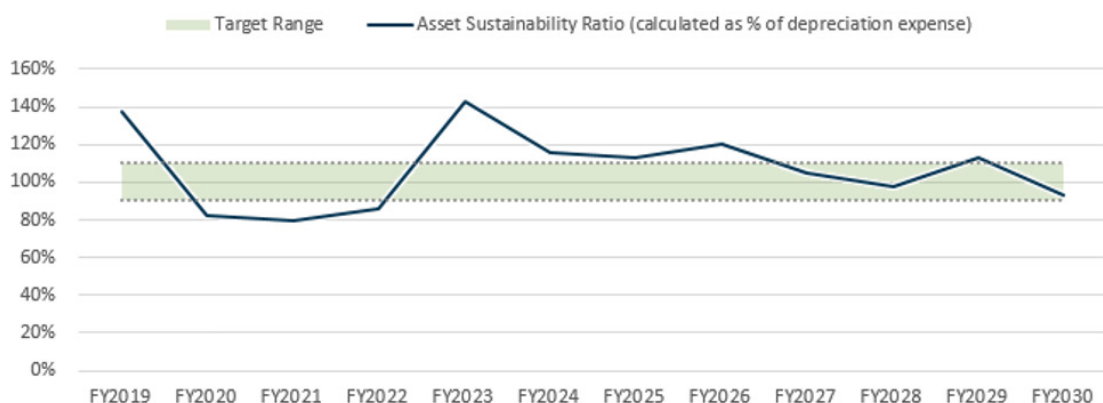
Net Financial Liabilities Ratio



The Net Financial Liabilities Ratio represents Council's net financial liabilities (total liabilities less financial assets) expressed as a percentage of total operating income. If the ratio falls, over time, this indicates that the Council's capacity to meet its financial obligations from operating revenue is strengthening. The ratio remaining above 100% demonstrates the Council's ongoing commitment to funding significant developments.

Target – This Ratio should be greater than zero but less than 120% of Operating Revenue.

Asset Sustainability Ratio



The Asset Sustainability Ratio demonstrates whether assets are being renewed and replaced at the rate they are wearing out. The asset sustainability ratio represents the ratio of new capital expenditure on renewal or replacement of assets, relative to depreciation.

The ratio is calculated by measuring capital expenditure on renewal or replacement of assets over the financial year, divided by the optimal level of expenditure proposed in Council's Infrastructure and Asset Management Plans. However, because we have not had rigorous asset management planning in previous years, we have used depreciation as the measure and have done this again for the 2023-24 budget to demonstrate the trend.

Target – Council's target for this ratio is between 90% and 110% of depreciation

Financial Indicators

Estimates for Council's Operating Surplus Ratio, Net Surplus Ratio, Net Financial Liabilities Ratio and Asset Sustainability Ratio for 2023-24 budget are set out below in a manner consistent with the note in the Model Financial Statements entitled "Financial Indicators".

	ACTUAL 2022	BUDGET 2023	BUDGET 2024
Operating Surplus Ratio	3.4%	-6%	-12%
Net Surplus Ratio	3.4%	15%	0.2%
Net Financial Liabilities Ratio	103%	115%	123%
Asset Sustainability Ratio	76%	146%	116%

Achieving an operating surplus annually is challenging for Kangaroo Island Council, largely due to the high value of assets held, in particular over 1,362 kms of road, together with bridges, kerbs and footpaths valued at in excess of \$195M. With total depreciation of \$5M and general rates revenue of \$8M Council is reliant on grants to support the necessary revenue required to deliver the services expected of a local government. The operating revenue expected to be received by Council in 2023-24 is not sufficient to fund any capital expenditure and this is represented by both our operating position and the **Operating Surplus Ratio**.

The Kangaroo Island Council is expecting to receive a large value (\$2.5M) of grant revenue during 2023-24, however this is provided specifically to Council to provide new or upgraded assets which has a nil effect on the operating surplus ratio position; these grants do assist in Council achieving an overall positive **Net Surplus Ratio position**.

The **Net Financial Liabilities Ratio** sits above the upper target of 100%. The Council's capacity to meet its financial obligations from operating revenue is strengthening as existing facilities continue to be repaid and prudential new borrowings are considered.

Our large expenditure in recent years on new assets has influenced our **Asset Sustainability Ratio**. It is expected the improved trend, demonstrated in 2023-24, will continue as long as the \$2m DPTI unsealed roads contribution continues to be received as income. As Council continues to develop and refine our infrastructure asset management plans and become more sophisticated in real time reporting, the alignment of operating and capital expenditure in our annual budgets on asset renewal will be better informed and our asset sustainability ratio should continue to improve.





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