



Annual Business Plan

2021-2022

Version	Status	Release Date
Version 1.0	Draft released for Council	29 June 2021
Version 1.0	Draft released for 21 days Community Consultation	1 July 2021
Version 2.0	Endorsed by Council	5 August 2021

Questions?

Members of the community who have questions or seek further information regarding the 2021-2022 Annual Budget and Annual Business Plan, or who seek further information regarding the finances of Council, are encouraged to contact Council during business hours, or via email.

Contact Details for Council

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Mail:	Kangaroo Island Council, PO Box 121, KINGSCOTE SA 5223

Community Consultation

The Kangaroo Island Council Annual Business Plan 2021-2022 will be open to public consultation for 21 days from 1 July 2021.

A report containing all submissions on the draft Annual Business Plan and Budget 2021-2022 is planned to be presented to the Ordinary Meeting of Council held on Tuesday 10 August 2021.

Council is communicating the consultation period and opportunities to provide feedback on the draft Annual Business Plan and Budget 2021-2022 through advertisements in the local newspaper The Islander, on public notice boards, on Council's website, on Council's Facebook page, and on Council's Local Spotlight App. There will also be opportunity to attend a public consultation meeting to ask questions and submit questions in writing.

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Message from the Mayor

The Kangaroo Island Council's operations over financial year 2020/21 were heavily influenced by two major events, namely the catastrophic fires of the summer of 2019/20 followed by the worldwide Covid 19 pandemic.

In the best interests of the Islands' residents and ratepayers, Kangaroo Island Council held rates at the same level as the prior year to ease financial pressure on businesses and communities suffering from the impact of these two significant events.

By taking a practical approach to budget matters we were able to maintain service levels and works programs despite also having to accommodate the cost and resourcing impost from the bushfire recovery process.

It was important that confidence remained strong on the Island and also that we delivered a financially responsible budget.

To that end, planned renewal capital works continued with the progression of the following projects:

- Hickmans Road, stage 2
- footpath and kerbing upgrades
- township road re-seals, and
- rural road re-sheeting.

Moving forward, the recovery in the fire affected areas has been profound as community spirit prevailed, and it is important to note that not everyone nor every business has recovered at the same rate. A good season on the land and a strong domestic tourism focus has helped most sectors.

During financial year 2021/22, Council is looking forward to completing the Hickman's Road Project which will bring a fully sealed connector road between Parndana and the South Coast. Other major projects include repairing fire damaged portions of the road seal on Playford Highway, The Lane upgrade and works to improve Jetty Road and Cape Borda Road.

Our Council is focussed on continuing to deliver quality core services within our means, for the benefit of all Islanders.

A handwritten signature in black ink, reading 'Michael Pengilly'.

Michael Pengilly

Mayor



Message from the Chief Executive Officer

Last year, because of the ongoing impact of the bushfires, COVID-19 and the Valuer General's devaluation of all properties across the Island, Council decided to "freeze" the rates to reduce pressure on individuals during one of our most difficult years.

This year however, the Valuer General has increased the value of properties across the island by \$412 million, or 30%, and this will allow us to start reinvesting in our infrastructure for the benefit of the whole community.

We will fund our maintenance, renewal and upgrade programs to ensure optimal safety, useability and lifespan of our assets. These include the unsealed road network, sealed roads, footpaths, buildings, playgrounds and parks among others.

Our aim is to deliver value to the community.

Last year we embarked on a service level review to obtain an accurate position on the type and level of servicing Council offers the community, and whether the services are meeting community expectations. This work will help place us in a better position to provide maximum community benefit with the right level and mix of services, while also paving the way for improved governance. This, together with the Strategic Plan 2020-24, provides us with clear direction for the way ahead.

We also look forward to the beautification of our four main townships as we activate works made possible by two major grants won in the previous financial year namely the State Government's Open Spaces and Places for People grant and the Federal Government's Building Better Regions Fund Drought Communities Grant.

In the coming year, we know there will be ongoing impacts of COVID 19 on our economy, and in particular our tourism and agriculture sectors, however Council is committed to its strategic direction and, through this budget, to helping establish a more sustainable and prosperous future.

A handwritten signature in black ink, appearing to read 'B. J. D.', which is the signature of Greg Georgopoulos.

Greg Georgopoulos
Chief Executive Officer

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.



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
Cr Bob Teasdale, Deputy Mayor	M 0448 635 009	E bob.teasdale@kicouncil.sa.gov.au
Cr Sam Mumford	M 0427 595 156	E sam.mumford@kicouncil.sa.gov.au
Cr Rosalie Chirgwin	M 0490 485 123	E rosalie.chirgwin@kicouncil.sa.gov.au
Cr Shirley Pledge	M 0427 041 787	E shirley.pledge@kicouncil.sa.gov.au
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Cr David Mephram	M 0410 629 035	E david.mephram@kicouncil.sa.gov.au

Executive Management Team

Greg Georgopoulos, Chief Executive Officer	M 0416 181 927	E greg.georgopoulos@kicouncil.sa.gov.au
Nicki Putland, Director Corporate Services	M 0418 879 054	E nicki.putland@kicouncil.sa.gov.au
Pat Austin, Director Community Development	M 0424 199 987	E pat.austin@kicouncil.sa.gov.au
Paul Simpson, Director Works and Infrastructure	M 0467 963 456	E paul.simpson@kicouncil.sa.gov.au

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Useful Definitions

CPI

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.

Growth

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

LGPI

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 reflects, over time, the movement in prices for a number of cost components as well as the aggregate spent on these components. The index includes both operating and capital expenditure on a State average basis.

Budget review

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

Financial year (FY)

The period from 1 July to the following 30 June.

Key financial indicators

These are calculated and provided in accordance with *Information Paper 9 – Local Government Financial Indicators* prepared as part of the Financial Sustainability Program for the Local Government Association of South Australia. They assist the reader 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 Plan.

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.

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.

Average capital value

Council calculates its average capital value by dividing the capital value (set by the VG) of all rateable residential properties by the total number of rateable residential properties.

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.

Capital expenditure

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



Vision

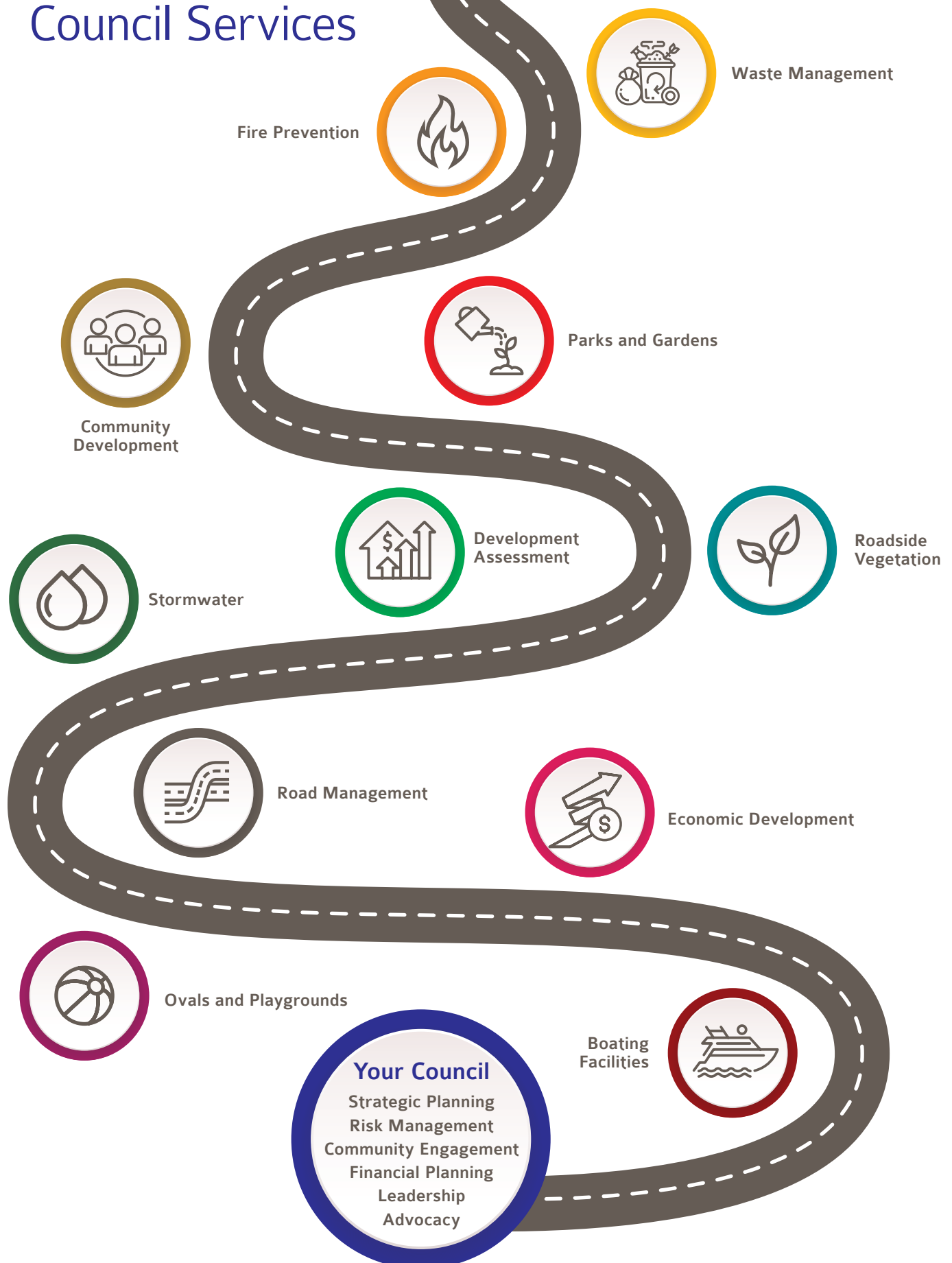
A confident and cohesive Community supported to rebuild our unique Island environment, with a strengthening economy led by primary production and tourism.



Mission

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

Council Services



2020-24 Strategic Plan

Strategic Objectives and Strategic Outcomes

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

This Annual Business Plan 2021-22 is again driven by fiscal responsibility but also considers long term impacts. It is aligned to the objectives and targets set in our 2020-2024 Strategic Plan, our Infrastructure and Asset Management Plans and Council's 2021-2030 Long Term Financial Plan (LTFP).

The aim of the LTFP is to provide information to Council in order to:

- inform future decision making of Council
- understand the level of financial and interest rate risk exposure
- confirm the adequacy of spending on assets and capital renewal
- allow the ability to track performance against key financial ratios and
- inform decisions around future service levels and service provision.

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

Kangaroo Island Council remains committed to long-term financial planning and financial sustainability. Whilst the 2021-30 LTFP projects income for FY2022 to be \$15.717m, Council has determined an income of \$18.225m. The difference reflects an increase in reimbursements, grants and rate income as compared with LTFP forecast figure.

Our expenditure planned for this budget also differs from the LTFP forecast which was 18.213m. Instead it is planned to be \$20.488m. This recognises an increase on the LTFP forecast principally in employee costs, finance costs, and materials, contracts and other expenditure.

Importantly this additional revenue and budgeted expenditure allows Council to progress some of the key recommendations as set out in the Services Review conducted by the consulting firm BDO in 2021. This review was a 2020-21 budget commitment. Some of the key initiatives to come out of the review appear in this budget, including investment in information technology systems and processes, a rate and general ledger review, succession planning and recruitment of key staff.

Please go to our website to view the Long Term Financial Plan:

www.kangarooisland.sa.gov.au/plans

Comparison Table

2021-22 Budget with 2021-2030 LTFP

	2021/22 BUDGET	LTFP FORECAST
Operating Income	18.225m	15.717m
Operating Expenses	20.488m	18.213m
Operating Surplus/(Deficit)	(2.262)m	(2.495)m
Not Operating	7.104m	5.513m
Net Surplus/(Deficit)	4.841m	3.017m

Annual Business Plan and Budget alignment – Strategic Outcomes and Key Activities for 2021 – 2022

Infrastructure

A built environment focussed on essential and community services

1.1 Develop and maintain our roads and physical assets to acceptable standards	1.2 Optimise Island access opportunities and affordability	1.3 Deliver a built environment that responds to community and business needs	1.4 Advocate for improved essential services across the Island
<ul style="list-style-type: none"> • Unsealed Road renewal • Sealed Road renewal • Kerbing upgrades • Improved Council buildings 	<ul style="list-style-type: none"> • Condition audit on local roads 	<ul style="list-style-type: none"> • Main Street upgrade program • CWMS upgrades • Footpath upgrades renewal • Marine facilities renewal 	<ul style="list-style-type: none"> • DIT Unsealed road upgrades \$2m • Repair fire damaged infrastructure

Community

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

2.1 Enhance community partnerships with Council	2.2 Enrich community culture, health and well-being	2.3 Improve Island livability
<ul style="list-style-type: none"> • New position in Council Administration to directly link with community 	<ul style="list-style-type: none"> • Working closely with community to support and develop opportunities • Continuation of building playgrounds, parks and gardens and marine infrastructure renewals • Upgrade and new footpath projects 	<ul style="list-style-type: none"> • Re imagining the main streets reflecting community aspirations

Economy

Re-establish a strong and diverse economy

3.1 Facilitate appropriate economic development by providing a supportive environment for local business	3.2 Optimise land use to grow the Island economy	3.3 Collaborate with Government and other partners for better Island outcomes
<ul style="list-style-type: none"> • Revitalising township main streets • Working closely with local businesses to develop and support opportunities 	<ul style="list-style-type: none"> • Reviewing structure plan and Urban Design frameworks for townships • Undertake rating review 	<ul style="list-style-type: none"> • Ongoing \$2m unsealed roads upgrade with Department of Infrastructure and Transport (DIT)

Environment

Our environment is maintained, enhanced and protected

4.1 Best practice waste management	4.2 Proactively adapt to environment change	4.3 Statutory requirements are met for animal, land and vegetation management	4.4 Support initiatives for a sustainable carbon neutral future
<ul style="list-style-type: none"> • Revised approach to waste management 	<ul style="list-style-type: none"> • Monitor and report on opportunities for adaption and community education 	<ul style="list-style-type: none"> • Ongoing bushfire mitigation works in conjunction with the community • Responsible dog and cat management 	<ul style="list-style-type: none"> • Working with all levels of Government on achievable and sustainable targets

Organisation

Leadership to deliver positive social, financial and environmental outcomes

5.1 Community is supported in its recovery	5.2 Continuous improvement in strategic, financial, risk management and business planning processes	5.3 Good governance	5.4 Positive organisation culture
<ul style="list-style-type: none"> • New position in Council Administration to directly link with community • Renewal of fire damaged road infrastructure 	<ul style="list-style-type: none"> • Performance reporting tools implemented across the business for reporting to Council and the Community • Review of general ledger structure and systems • Undertake rating review • Investment in IT systems and technologies 	<ul style="list-style-type: none"> • Internal Control Self-Assessment tool implemented • External and internal audits of performance • Delegation and policy review 	<ul style="list-style-type: none"> • Staff satisfaction survey • WHS reporting • Succession planning • Work with KICE and Island Youth

Measuring Overall Performance

To enable Council and the community to assess Council's performance over the 2021-22 year, performance reporting tools have been established for a number of activities including:

Audit and Risk committee

- Corporate risk register and audit committee action plan
- 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
- Freedom Of Information (FOI) requests
- CEO Performance 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	FY2019/20 ACTUAL	FY2020/21 BUDGET	FY2021/22 PROPOSED
Operating Surplus / (Deficit) Ratio	-2%	-5%	-12%
Net Financial Liabilities Ratio	151%	119%	125%
Asset Sustainability Ratio	82%	83%	86%

- 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 2020-21 Projects



Wedgewood Road & Hickmans Road stage 2



Turkey Lane resheeting



Township footpath upgrades



Investigator Avenue kerbing

Other Capital Works Projects completed during 2020/21 include:

Unsealed Roads program	North Coast Road, Turkey Lane - DIT \$2M*
Part re-sheets	Willson River Road, Moores Road, Brownlow Streets, Cape Borda Road, McBrides Road.
Sealed roads	Murray Street, Addison Street, Commercial Street, Buick Street, Hawthorn Street, Failie Court, Warrawee Street and Nelcebe Street
Airport	Upgrade runway lighting

*Unfinished capital expenditure will be carried forward into the 2021-22 budget

Snapshot – key budget influences



Bushfire recovery

Council will continue to spend money on projects to support the reconstruction of infrastructure assets and continue to seek opportunities for further government support to aid recovery. Projects include fire prevention works programs around townships.



Access to government grants

The ability to attract grant revenue to offset expenditure is critical to the financial viability of Council. Council can access a wide range of government grants, including grants to support its status as a tourist destination of significant importance. Council recognises this need and in response has invested in a grants officer to maximise returns in this area.



COVID-19

COVID-19 has had a devastating impact on many businesses on the Island, particularly those who rely on international tourism and export markets. Council has a range of hardship policies which will seek to support those who are struggling.



Enterprise bargaining

Council is currently in negotiations with its employees in relation to the terms of the next enterprise bargaining agreement. The final outcome of these negotiations may have a material impact on the budget.



Rates

The review of property values by the Valuer General for FY2022 resulted in an average increase across all property categories on Kangaroo Island of 30% reflecting a \$412.3m increase however some individual properties have increased more than this. Coming off the back of FY2021 where rates were “frozen” to help our community members recover from the bushfires, Council has this year chosen to increase its rates revenue to invest in its community.



Inflation

The ongoing COVID-19 pandemic is having an impact on the availability of materials and suppliers across a range of markets. This is creating a level of uncertainty in terms of the price for goods and services over the next 12 months. If prices increase, Council may be unable to deliver the level of service it has budgeted for.



Management of debt

Council is committed to managing and monitoring its finances and exposure to debt prudently and effectively. Borrowings support long term capital projects and not the running of the operation. Debt is used as a mechanism to achieve intergenerational equity for ratepayers by borrowing now, when we need it, and not delaying necessary infrastructure spending.



Supply of Water and Sewerage Services

Kangaroo Island Council's charges for water (standpipes) and sewerage (CWMS) is reported against the requirements of Essential Services Commission of South Australia (ESCOSA) who protect the long term interests of South Australian consumers with respect to the price, quality and reliability of essential services.

Looking Forward

FY2022 Budget

For FY2022 a review of **property values** by the Valuer General has resulted in an average increase across all rating categories on Kangaroo Island of 30% reflecting an increase of \$412.3M (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 CODE	CURRENT TOTAL VALUE \$	PROPOSED TOTAL VALUE \$	VALUATION INCREASE \$
CV Residential	604,070,500	717,772,000	113,701,500
CV Commercial	72,909,000	79,975,760	7,066,760
CV Industry	18,364,000	21,471,500	3,107,500
Primary Production	500,408,300	765,617,000	265,208,700
Vacant Land	101,451,000	111,440,800	9,989,800
Other	77,214,380	90,422,620	13,208,240
CV Total	1,374,417,180	1,786,699,680	412,282,500

While Council acknowledges that the Island economy is yet to fully recover following the bushfires and the impact of COVID-19, there are commercial realities of running a council that need to be addressed. To do this a general **rate increase** plus an increase in the fixed charge has been proposed for the 2021/22 financial year.

Council needs to fully recover costs on its **Waste Service Charges** to ensure we are not using other revenue to subsidise the waste expenditure. This will result in a CPI (1%) increase on the waste collection service charge and a 19% increase on the treatment and disposal service charge, amounting to a \$42 increase to households and businesses.

Community Wastewater Management Schemes (CWMS) Service charges allocated to properties that have the capability to be connected to one of the CWMS schemes will increase by CPI.

Kangaroo Island Council is unable to fund its operating costs solely through its ratepayer base and relies heavily on State and Federal Government support by way of **grant income** to provide services as well as to undertake capital works.

In 2021-22 we expect to receive \$1.832m in **Federal Assistance Grants** which are distributed via the State Grants Commission Funding Formula.

Roads to Recovery funding for the FY2022 is budgeted at \$405,712 which is less than FY2021 (\$608,568) where we received a special allocation for drought and COVID-19 this is not available in FY2022.

Council again secured the commitment of the State Government to provide \$2m for the Unsealed Roads Upgrade Program in FY2022 and with this and other capital funding Council expects to deliver \$9.619m of infrastructure **asset upgrades and renewals**.

To meet the needs of the community whilst delivering on our Capital Works Program, Council has opted to **borrow** \$2.392m in FY2022. This is in-line with the forecast in Council's 2021-2030 LTFP. This is a different position to that of the two previous financial years where Council elected not to borrow.

The **Enterprise Bargaining Agreement (EBA)** between Council and staff is, at the time of writing this report, being renegotiated as the current Agreement expired on 30 June 2020. In line with the current EBA guidelines the provisions of the existing Agreement will continue until a new EBA is negotiated.

Key budget assumptions

KEY DRIVERS	FY2022 DRAFT BUDGET
Consumer Price Index (Adelaide All Groups) (Year to Dec 2021)	1.0%
Local Government Price Index (Year to December 2020) ¹	1.0%
Increase in average rates	5.05%
Increase in waste collection charges	CPI 1%, \$2
Increase in waste treatment and disposal charges	To achieve full cost recovery Treatment and Disposal will increase by 19%, to \$42
Increase in CWMS rates	CPI increase only (1%), \$1
Increase in employment wage rates	CPI 1%
Increase in materials, contracts and other expenses	14%
Depreciation	Based on useful life assumptions per asset class
Finance costs	Based on a combination of fixed and floating rate facilities held with the Local government Finance Authority

Summary Budget FY2021/22

	FY2022 PROPOSED BUDGET \$	FY2021 BUDGET \$	YEAR ON YEAR CHANGE \$	YEAR ON YEAR CHANGE (%)
OPERATING BUDGET:				
Operating Revenue	18,225,766	16,703,868	1,521,898	9%
Operating Expenses	20,488,590	18,424,959	2,063,544	11%
OPERATING SURPLUS / DEFICIT	(2,262,824)	(1,721,091)	(541,646)	31%
Not operating items	7,104,083	7,276,084	-172,001	-2%
NET SURPLUS / DEFICIT	4,841,259	5,564,993	-723,647	-13%
CAPITAL BUDGET:				
Renewal / Replacement	4,109,583	3,994,000	115,583	3%
New / Upgraded	5,510,000	3,852,875	1,657,125	43%
TOTAL CAPEX	9,619,583	7,846,875	1,772,708	22%

- 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.

What the community will see



Reinvestment in rural transport routes for more reliable unsealed road network



Improved quality of footpaths and other infrastructure including inter-sections, buildings, playgrounds, parks



Youth development through training and local jobs creation



Township beautification encouraging tourism and economic growth



Investment in service levels – to meet community need

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 2020/21	2020/21 CENTS IN \$\$	INCOME FOR FY 2021/22	2021/22 CENTS IN \$\$
Residential	\$3,163,194	0.4470	\$3,141,081	0.3235
Commercial	\$332,908	0.4738	\$312,606	0.3429
Industrial	\$52,677	0.4738	\$53,354	0.3429
Primary Production	\$2,289,403	0.4358	\$2,789,179	0.3235
Vacant	\$969,941	0.6750	\$1,118,980	0.6470
Other	\$74,665	0.4738	\$76,122	0.3429
TOTAL GENERAL RATES REVENUE	\$6,882,787		\$7,491,322	

Explaining Council's rates position:

For FY2021 rate increases were essentially frozen. This was in response to concerns for the personal recovery, post-bushfire, of many of our ratepayers.

This year however Council has taken a different position in order to achieve longer term recovery for our community.

That means investing in our assets and delivering on our asset management plans at the right time to meet community expectations. We need to fund maintenance, renewal and upgrade programs, ensuring optimal safety, useability and lifespan of our unsealed roads, sealed roads, footpaths, buildings, playgrounds, parks and marine facilities.

The overall rate revenue Council needs to collect to achieve this is \$7.491m. This comprises a 5.05% increase on the total general rates collected in FY2021, of \$609k, as well as a \$50 increase to the fixed charge, amounting to \$251k, noting that this charge has not been increased for at least 10 years.

In FY2022 Council will increase the primary production differential to equal that of the residential rate, which completes the gradual move towards parity which began in FY2017. Other changes include increasing the fixed charge from \$290 to \$340 per annum, and lifting the differential rates on vacant land to 200% of the residential rate (up from 150% FY2021). This is to encourage investment and development on vacant land.

In another change, Council has removed capping available to individual properties. Removing rate capping on individual properties allows the property value to be a major influencer on the rates contributed by that property.

During FY2022, Council has committed to undertaking a review of its rating structures to help ensure that the current structures are achieving appropriate levels of equity in the community. The outcome of the review may change the basis for rating in the following financial year and beyond.

Valuer General and Council Rates

All land within the Council area, except for land specifically exempt (e.g. Crown Land and land owned by the Council), is considered subject to rates. Council does not 'decide' on the valuation of properties on the 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 30% or \$412m for FY2020

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 or 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 17 September 2021 – or by quarterly instalments due and payable on the following dates:

- 1st payment: 17 September 2021
- 2nd payment: 17 December 2021
- 3rd payment: 17 March 2022
- 4th payment: 17 June 2022

Regional Landscape Levy (formally the NRM Levy)

The Regional Landscape Levy, previously known as the Natural Resources Management (NRM) Levy, is a State 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 for the same amount, that being \$79 for FY2022.

Rate Capping

Rate capping on properties has no bearing on the amount of rate revenue Council collects. What it does affect is the portion of rates paid by each individual ratepayer contributing to the total rate revenue that Council needs to collect – it's different for everyone. This year Council is removing capping on individual properties. This allows the value of the individual property to determine the rates paid on that property (with the exception of the fixed charge component, this is additional but ensures everyone pays at least \$340 for basic Council services).

Fixed charges:

Council imposes a **fixed charge** 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.

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. The waste management services are determined as follows:-

SERVICE CHARGE	WASTE TREATMENT & DISPOSAL	WASTE COLLECTION
Applicable to	All rateable properties	Residential properties Commercial properties Industrial properties, and 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%.

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.

	ADOPTED FY2019	ADOPTED FY2020	ADOPTED FY2021	PROPOSED FY2022
Average rate increases (%)	3.3%	2.6%	0%	5.05%
Fixed rates charge (\$)	\$290.00	\$290.00	\$290.00	\$340.00
Minimum residential rate (\$)	N/A	N/A	N/A	N/A
CWMS fee per connection	\$631.00	\$642.00	\$642.00	\$643.00
Waste management charge – collection	\$115.00	\$117.00	\$117.00	\$119.00
Waste management charge – treatment and disposal	\$221.00	\$225.00	\$225.00	\$265.00
Regional Landscape Levy	\$78.50	\$78.50	\$79.00	\$79.00
Rate capping	20%	20%	20%	removed
Average general rates	\$1,219.25	\$1,242.53	\$1,225.13	\$1,327.74

Summary of Rate Charges

Other information about Council Rates:

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



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 FY2022.

Renewal Projects

	LINK TO STRATEGIC PLAN	GRANT FUNDING SECURED (\$'000)	TOTAL PROJECT VALUE (\$'000)
CWMS renewal (various sites)	1.1.1 & 1.1.5		\$164
Repair fire damaged sealed road	5.1.2	\$858	\$858
Unsealed road renewal	1.1.1		\$465
Sealed road renewal	1.1.1		\$985
Condition audit on local roads and footpaths	1.1.4		\$130
Plant & equipment	1.1.1		\$262
Airport and buildings renewal	1.1.1		\$550
Reserve furniture and playgrounds	1.1.1		\$240
Marine infrastructure inspections and renewal	1.1.1		\$320
Footpath, intersection, stormwater and rail guard renewals	1.1.1		\$135
TOTAL		\$858	\$4,109

Strategic Plan references

- 1.1.1 Deliver the Infrastructure and Asset Management Plan 2019-28
- 1.1.4 Obtain funding to undertake a road safety audit and plan – to achieve national safety standards (including signage) for all Island roads
- 1.1.5 Review the 2005 Kingscote Community Wastewater Management System Extension Plan to prioritise the extensions works
- 5.1.2 Support community and emergency services and collaborate to build preparedness and resilience

Operating Projects

	LINK TO STRATEGIC PLAN	GRANT FUNDING SECURED (\$'000)	TOTAL PROJECT VALUE (\$'000)
Rate & general ledger review	5.2.2		\$ 27
Traineeships	2.1.3		\$180
Bushfire mitigation – action plan & on-ground works	2.3.1 & 2.3.2		\$118
Additional Full Time Employee (Grants officer)	1.3.1		\$94
Delegations review	5.3.2		\$10
Other Operating projects & expenditure		\$3,669	\$2,945
TOTAL (EXCL. DEPRECIATION & FINANCE COSTS)		\$3,669	\$3,374

Strategic Plan references

- 1.3.1 Source dedicated external funding over the next four years to deliver on Infrastructure Asset Management Plans
- 2.1.3 Create opportunities for a sustainable future for youth on the Island, including implementing a Council work experience and training program
- 2.3.1 Identify fire prevention priorities for the protection and safety of our communities
- 2.3.2 Implement processes, procedures and technology to help mitigate fire risk to Kangaroo Island townships
- 5.2.2 Long Term Financial Management Plan and financial sustainability ratios (as recommended by the Audit and Risk committee)
- 5.3.2 Council and staff will meet legislated reporting requirements of a local government authority

New or Upgrade Capital Projects

	LINK TO STRATEGIC PLAN	GRANT FUNDING SECURED (\$'000)	TOTAL PROJECT VALUE (\$'000)
CWMS infrastructure	1.1.5		\$260
Hickmans Road completion	1.3.1	\$1,100	\$1,650
Information technology system upgrade	5.2.1		\$450
The Lane upgrade	1.1.1	\$533	\$800
Jetty Road and Cape Borda Road resheets	1.1.2	\$2,000	\$2,000
Footpath upgrades	1.1.1		\$350
TOTAL		\$3,633	\$5,510

Strategic Plan references

- 1.1.1 Deliver the Infrastructure and Asset Management Plan 2019-28
- 1.1.2 Secure at least \$2m per annum Local Road Sustainability funding
- 1.1.5 Review the 2005 Kingscote Community Wastewater Management System Extension Plan to prioritise the extensions works
- 5.2.1 Complete an in-depth review of all Council services and staffing levels: prioritise and weight for need, effectiveness and efficiency in provision

Capital expenditure by asset type:

	(\$000)
Unsealed roads	\$2,580
Sealed roads	\$4,293
CWMS	\$423
Footpaths	\$430
Airport	\$50
Plant replacement	\$262
Marine facilities	\$170
Buildings & complexes	\$500
Road infrastructure - guardrails	\$50
IT & systems	\$450
Playgrounds, recreation & open space	\$390
Stormwater	\$21
TOTAL	\$9,619

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) Fees are collected directly by the State Government when DAs 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.

In the event that Council succeeds in achieving a higher level of Grants Commission funding (untied) than that assumed in this Business Plan and Draft 2021-22 Budget, such funds will remain unallocated.

Council will make decisions throughout the year either to allocate any such funds to unforeseen expenditure pressures, or in the absence of such pressures where possible, to retire debt.

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.

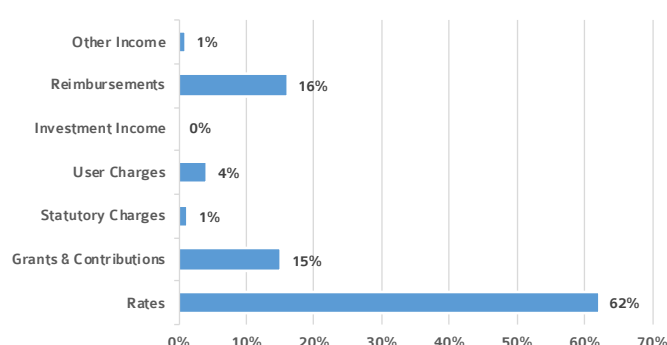
Reimbursements

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.

Sources of Operating Income FY2022



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.

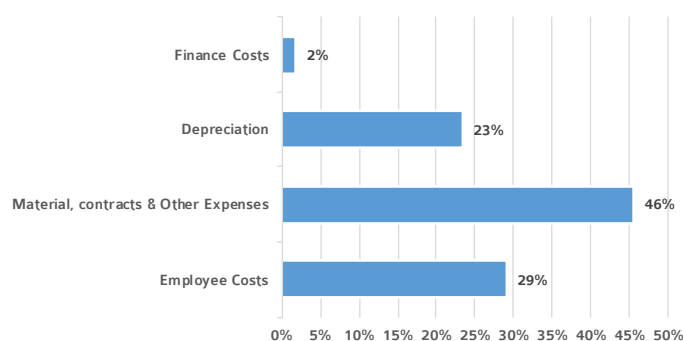
Finance costs

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

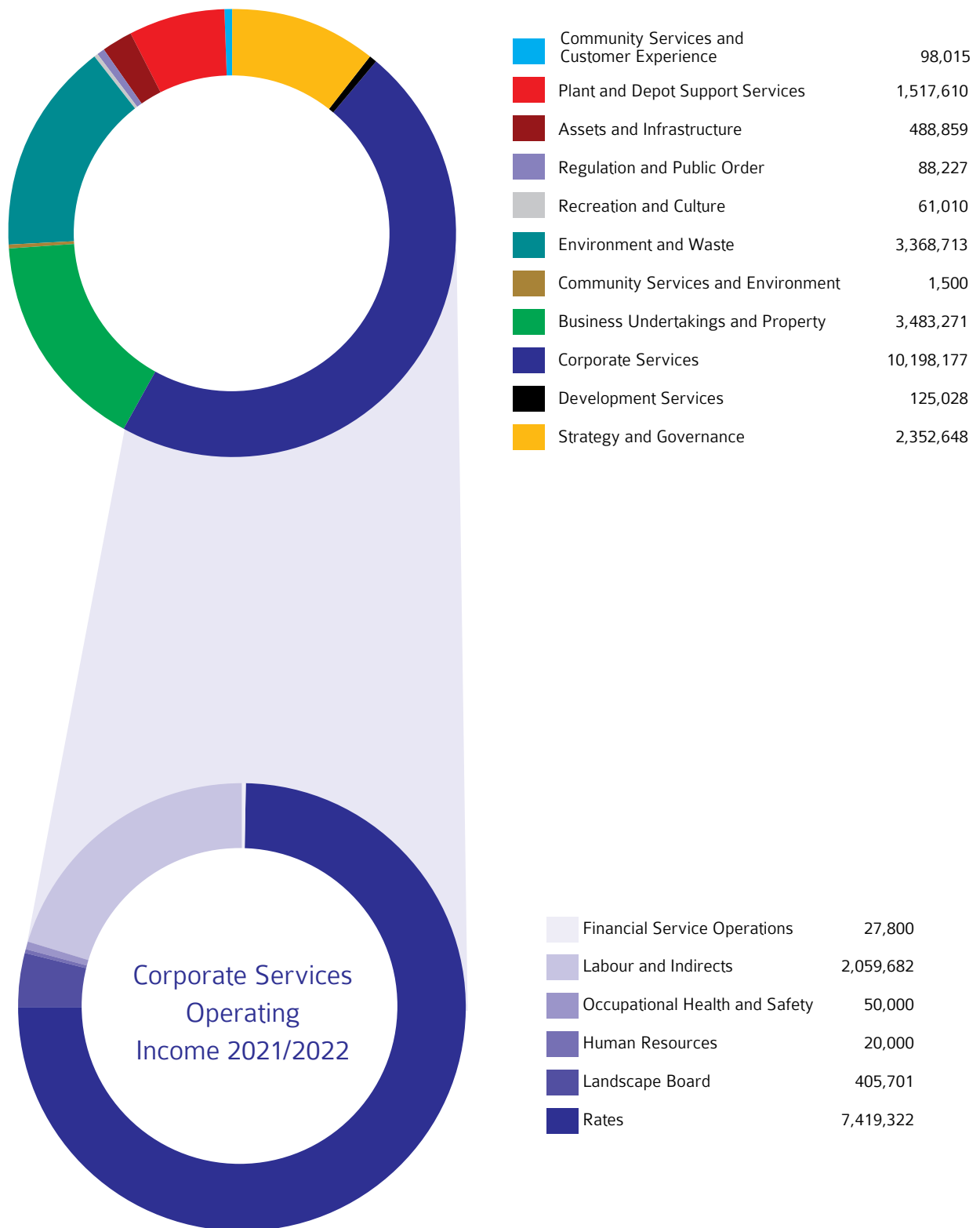
Depreciation, amortisation and impairment

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

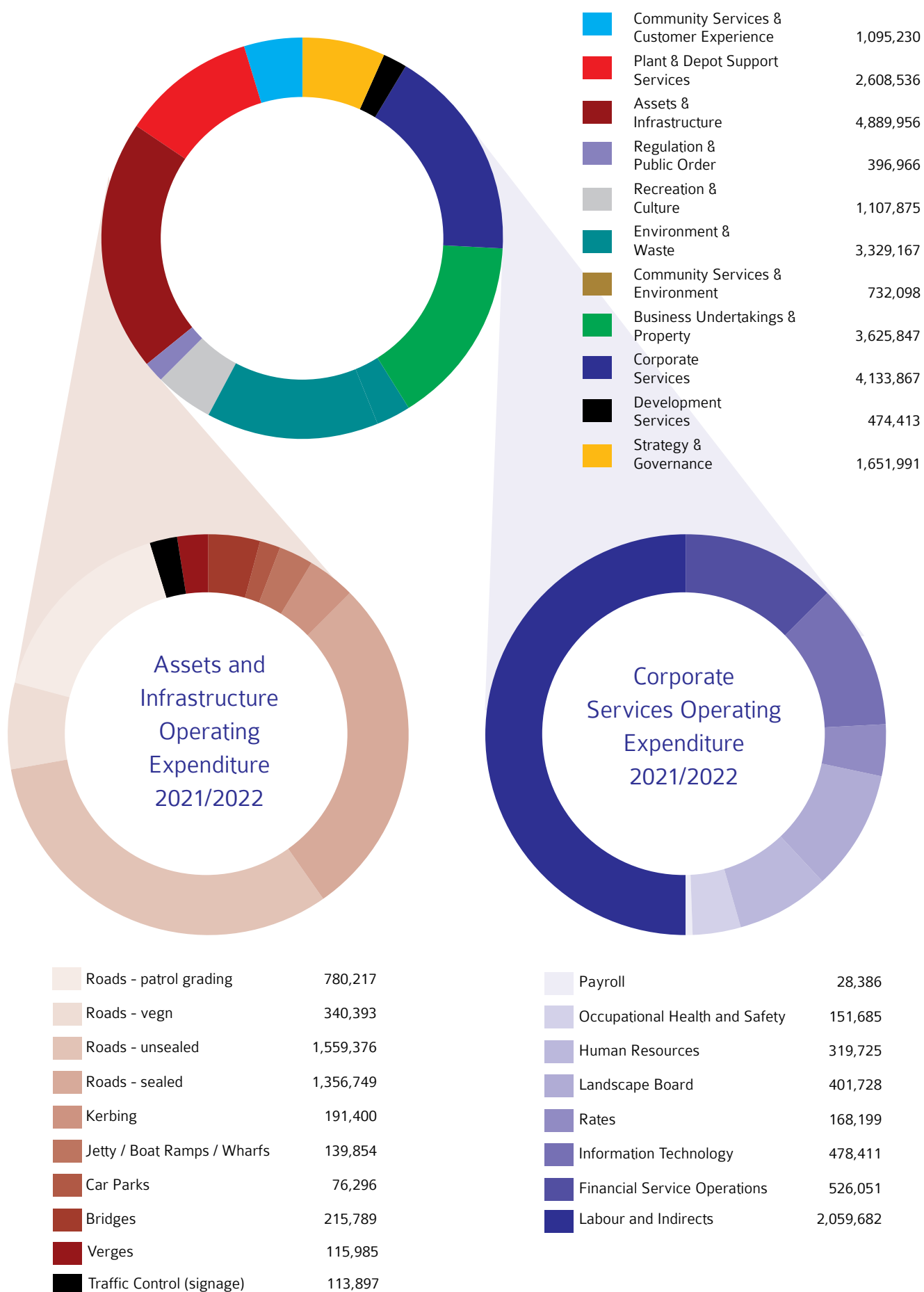
Sources of Operating Expenses 2021/2022



Budgeted Operating Income 2021/2022



Budgeted Operating Expenditure 2021/2022



APPENDIX A – FINANCIAL STATEMENTS

Income Statement

\$	FY2021 ORIGINAL BUDGET	FY2021 CURRENT BUDGET	FY2022 ORIGINAL BUDGET
INCOME			
Rates Revenue	11,000,267	10,559,743	11,320,715
Less: Rates Rebate	(506,187)	(103,013)	-
Statutory Charges	217,842	217,842	248,560
User Charges	796,012	796,012	775,920
Grants, Subsidies and Contributions	3,213,059	3,669,251	2,758,353
Investment Income	4,900	4,900	8,160
Reimbursements	1,921,670	3,998,971	2,924,730
Other Income	56,305	56,305	189,328
Net Gain - Equity Accounted Council Businesses	-	-	-
TOTAL INCOME	16,703,868	19,200,011	18,225,766
EXPENSES			
Employee Costs	6,922,781	6,922,781	8,019,449
Less: Capitalized and distributed costs (E)	(1,910,609)	(1,910,609)	(2,056,682)
Net Employee Costs	5,012,172	5,012,172	5,962,767
Materials, Contracts & Other Expenses	8,577,624	10,606,239	9,465,935
Less: Capitalized and distributed costs (M)	(422,503)	(422,503)	(129,169)
Net Material Costs	8,155,121	10,183,736	9,336,766
Depreciation, Amortisation and Impairment	4,792,695	4,792,695	4,804,129
Finance Costs	464,971	234,936	384,928
Net loss - Equity Accounted Council Businesses	-	-	-
TOTAL EXPENSES	18,424,959	20,223,539	20,488,590
OPERATING SURPLUS / (DEFICIT)	(1,721,091)	(1,023,528)	(2,262,824)
Asset Disposal & Fair Value Adjustments	10,000	10,000	-
Amounts Received Specifically for New or Upgraded Assets	7,276,084	8,076,084	7,104,083
Physical Resources Received Free of Charge	-	-	-
Operating Result from Discontinued Operations	-	-	-
Net Surplus / (Deficit)	5,564,993	7,062,556	4,841,259
OTHER COMPREHENSIVE INCOME			
Changes in Revaluation Surplus - I,PP&E	-	-	-
Impairment (Expense) / Recoupments Offset to Asset Revaluation Reserve	-	-	-
Total Other Comprehensive Income	-	-	-
TOTAL COMPREHENSIVE INCOME	5,564,993	7,062,556	4,841,259

Notes on Income Statement 2021-22 – changes in FY2022 budget from FY2021 budget

1. Income

Rates

Changes in rates revenue in 2021/22 are due to changes in:

- The Valuer General's property valuations rising on average by 30% across the Island
- Increase in primary production differential
- Increase in vacant land differential
- CPI and growth increase incorporated for the equivalent of two years (0.95% +2.1%) and (1% +1%) respectively
- Increase of CPI in CWMS and waste collection service charges
- 19% increase in the treatment and disposal service charge.

Rate Rebates

- Individual property rates capping has been removed in 2021/22.

Statutory Charges –

- Fees and charges set by regulation, collected by Council for regulatory functions.
- In the 2021/22 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 2020/21 were reviewed by administration and a CPI increase of 1% applied and incorporated into the 2021/22 fees and charges schedule.
- The final 2021/22 fees and charges document was endorsed by Council at the Ordinary Council meeting held on 8 June 2021.

Grants, subsidies and Contributions

- Funding from government or other relevant parties.
- Operating Grants included in the 2021/22 budget are based on 2020/21 Financial Assistance Grant & Roads to Recovery grant contribution levels, where an allowance of a prepayment has been incorporated.
- No COVID or drought bonus has been budgeted within the Roads to Recovery contribution or any other grant scheme.

Investment Income

- Income from financial investments or loans to community groups.
- The 2021/22 budget is based on the actual income received for 2020/21.

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 2021/22 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.

- Allows for additional full-time staff including a grants officer and conversion of contract positions to full time salaried positions.
- 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, and explains the majority of the increase in the employee costs of approx. \$1m over the past 12 months.
- No increase in staff numbers (other than one grants officer) – the change is predominantly one in accounting recognition, (where salaries are recognised in the operating statement rather than the balance sheet).

Materials, Contracts and Other Expenses –

These have also increased in the FY2022 budget.

- Although it is built on last year's actual costs a large portion of the increase from FY2021 budget is attributable to the recognition of plant and equipment expenditure within the operating budget rather than within the capital budget. This reflects the approach to spend more of Council's resources on maintaining our existing assets rather than building new assets.
- Provision has also been made to accommodate a number of the BDO service review recommendations, including a rates review, a general ledger review, and provision of several trainees who will not only provide support but will allow some succession planning addressing several of the concerns within Council's Corporate Risk Register.

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.

Balance Sheet

\$	FY2021 ORIGINAL BUDGET	FY2021 CURRENT BUDGET	FY2022 ORIGINAL BUDGET
CURRENT ASSETS			
Cash and Cash Equivalents	350,511	342,440	2,507,072
Trade and Other Receivables	1,040,000	4,180,081	1,133,258
Inventories	260,000	682,423	682,423
TOTAL CURRENT ASSETS	1,650,511	5,204,943	4,322,754
NON-CURRENT ASSETS			
Equity Accounted Investments in Council Businesses	-	-	-
Infrastructure, Property, Plant & Equipment	219,410,558	479,398,392	496,198,806
Other Non-Current Assets	2,570,692	1,843,196	1,843,196
TOTAL NON-CURRENT ASSETS	221,981,250	481,241,588	498,042,002
TOTAL ASSETS	223,631,761	486,446,532	502,364,756
CURRENT LIABILITIES			
Trade & Other Payables (C)	1,294,478	5,059,109	2,337,084
Borrowings (C)	483,995	1,350,519	1,350,519
Provisions (C)	1,117,165	1,036,865	1,036,865
TOTAL CURRENT LIABILITIES	2,895,638	7,446,493	4,724,467
NON-CURRENT LIABILITIES			
Trade & Other Payables (NC)	12,084,130	9,382,141	9,382,141
Borrowings (NC)	8,735,450	10,103,094	11,917,124
Provisions (NC)	245,582	354,456	354,456
TOTAL NON-CURRENT LIABILITIES	21,065,162	19,839,691	21,653,721
TOTAL LIABILITIES	23,960,800	27,286,184	26,378,189
NET ASSETS	199,670,961	459,160,348	475,986,567
EQUITY			
Accumulated Surplus	23,109,961	26,494,391	31,335,650
Asset Revaluation Reserves	175,019,523	427,033,133	439,018,093
Other Reserves	1,541,477	5,632,824	5,632,824
TOTAL EQUITY	199,670,961	459,160,348	475,986,567

Cash Flow Statement

\$	FY2021 ORIGINAL BUDGET	FY2021 CURRENT BUDGET	FY2022 ORIGINAL BUDGET
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Operating Receipts	16,698,968	16,707,009	21,264,428
Investment Receipts	4,900	4,900	8,160
Payments			
Operating Payments for Suppliers and Employees	(18,889,930)	(18,721,966)	(18,021,558)
Finance Payments	(464,971)	(234,936)	(384,928)
NET CASH PROVIDED BY (OR USED IN) OPERATING ACTIVITIES	(2,651,033)	(2,244,993)	2,866,102
CASH FLOW FROM INVESTING ACTIVITIES			
Receipts			
Amounts Received Specifically for New / Upgraded Assets	7,276,084	8,076,084	7,104,083
Sale of Replaced Assets	10,000	10,000	-
Sale of Surplus Assets	-	-	-
Payments			
Expenditure on Renewal / Replacement of Assets	(3,994,000)	(5,578,446)	(4,109,583)
Expenditure on New / Upgraded Assets	(3,853,000)	(2,263,270)	(5,510,000)
NET CASH PROVIDED BY (OR USED IN) INVESTING ACTIVITIES	(560,916)	244,368	(2,515,500)
CASH FLOW FROM FINANCING ACTIVITIES			
Receipts			
Proceeds from Borrowings	102,091	2,404,740	2,392,000
Payments			
Repayment of Borrowings	-	(3,046,781)	(577,970)
NET CASH PROVIDED BY (OR USED IN) FINANCING ACTIVITIES	102,091	(642,041)	1,814,030
NET INCREASE (DECREASE) IN CASH HELD	(3,109,858)	(2,642,666)	2,164,633
Cash & Cash Equivalents at the Beginning of Period	3,460,369	2,985,105	342,440
CASH & CASH EQUIVALENTS AT THE END OF PERIOD	350,511	342,440	2,507,072

Statement of Changes in Equity

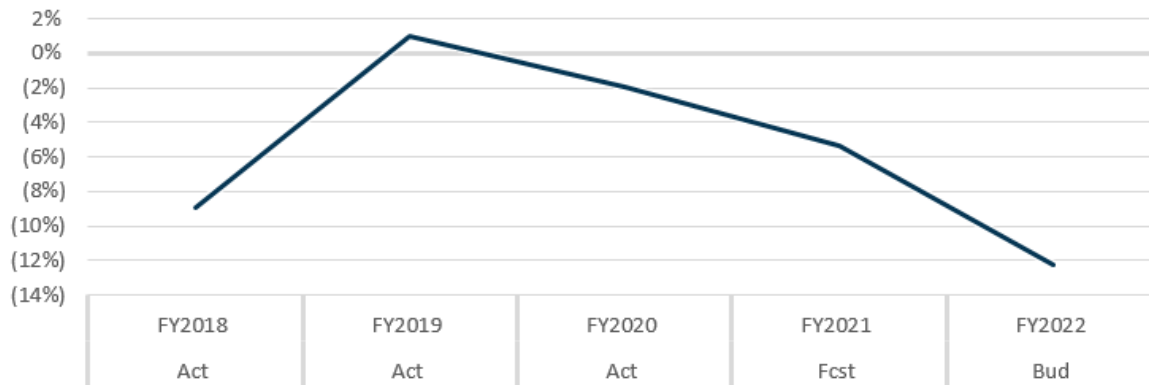
\$	JUN-20 ACT	JUN-21 FCST	JUN-22 BUD
ACCUMULATED SURPLUS			
Balance at the end of previous reporting period	19,738,682	19,431,835	26,494,391
Net result for the year	4,214,153	7,062,556	4,841,259
Transfers from other reserves	(4,521,000)	-	-
BALANCE AT THE END OF THE PERIOD	19,431,835	26,494,391	31,335,650
ASSET REVALUATION RESERVE			
Balance at the end of previous reporting period	168,587,000	427,097,334	427,033,133
Gain (Loss) on Revaluation of I, PP&E	258,510,334	(64,201)	11,984,960
BALANCE AT THE END OF PERIOD	427,097,334	427,033,133	439,018,093
OTHER RESERVES			
Balance at the end of previous reporting period	1,111,000	5,632,824	5,632,824
Transfers from Accumulated Surplus	4,521,824	-	-
BALANCE AT THE END OF PERIOD	5,632,824	5,632,824	5,632,824
TOTAL EQUITY AT END OF REPORTING PERIOD	452,161,993	459,160,348	475,986,567

Uniform Presentation of Finances

\$	FY2021 ORIGINAL BUDGET	FY2021 CURRENT BUDGET	FY2022 ORIGINAL BUDGET
Income	16,703,868	19,200,011	18,225,766
less Expenses	(18,424,959)	(20,223,539)	(20,488,590)
OPERATING SURPLUS / (DEFICIT)	(1,721,091)	(1,023,528)	(2,262,824)
NET OUTLAYS ON EXISTING ASSETS			
Capital Expenditure on renewal and replacement of Existing Assets	(3,994,000)	(5,578,446)	(4,109,583)
add back Depreciation, Amortisation and Impairment	4,793,000	4,792,695	4,804,129
add back Proceeds from Sale of Replaced Assets	10,000	10,000	-
	809,000	(775,751)	694,546
NET OUTLAYS ON NEW AND UPGRADED ASSETS			
Capital Expenditure on New and Upgraded Assets	(3,853,000)	(2,263,270)	(5,510,000)
add back Amounts Received Specifically for New and Upgraded Assets	4,663,000	8,076,084	7,104,083
add back Proceeds from Sale of Surplus Assets	-	-	-
	810,000	5,812,814	1,594,083
NET LENDING / (BORROWING) FOR FINANCIAL YEAR	(102,091)	4,013,535	25,805

APPENDIX B – FINANCIAL INDICATORS

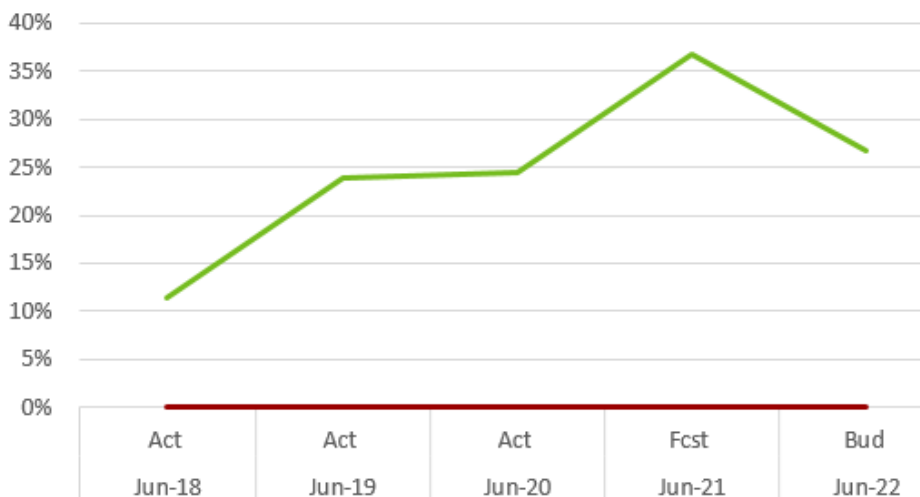
Operating Surplus Ratio



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.

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

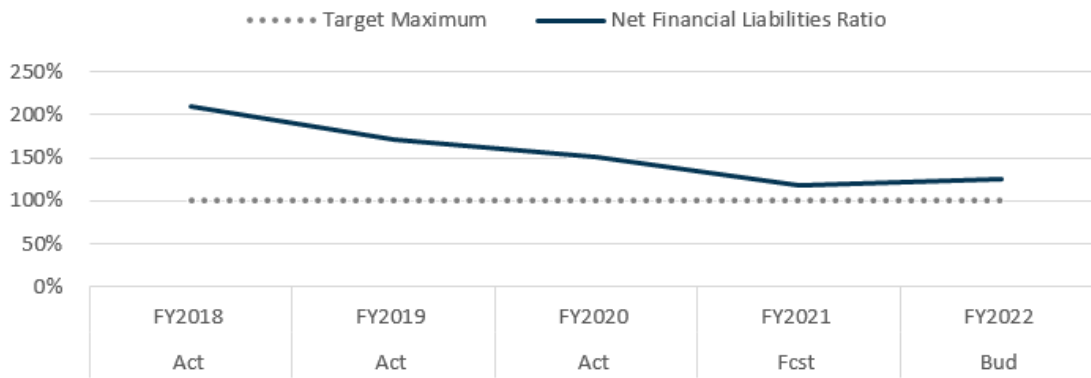
Net Surplus Ratio



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.

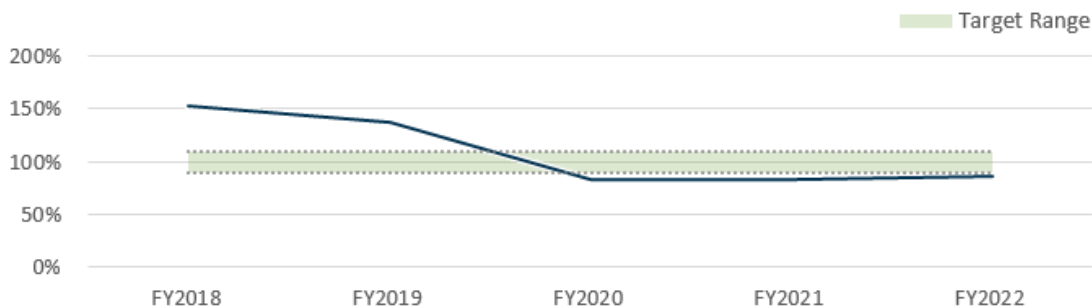
Net Financial Liabilities Ratio



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 2022-22 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 **2021-22** budget are set out below in a manner consistent with the note in the Model Financial Statements entitled "*Financial Indicators*".

	ACTUAL 2020	BUDGET 2021	BUDGET 2022
Operating Surplus Ratio	-2%	-5%	-12%
Net Surplus Ratio	24%	37%	27%
Net Financial Liabilities Ratio	151%	119%	125%
Asset Sustainability Ratio	82%	83%	86%

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 \$4.8M and general rates revenue of \$7.49M 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 2021-22 is not sufficient to fund any capital expenditure and this is represented by both our operating position and our **operating surplus ratio**.

The Kangaroo Island Council is expecting to receive a large proportion of grant revenue during 2021-22 however this is provided specifically to Council to provide new or upgraded assets which has a nil effect on the operating surplus ratio position, but assists 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 2020-21, will continue as long as the \$2m DPTI contribution continues to be received as income. As Council continues to develop 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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