Kingston District Council

2023-2024 ANNUAL BUSINESS PLAN

Community. Courage. Respect.

KINGSTON DISTRICT COUNCIL

Acknowledgement of Country

We acknowledge the deep feelings of attachment and relationship of the Meintangk/Moandik people to country and respect and value their past, present and ongoing connection to the land.

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YOUR *Voice*

Council released its 2023-2024 Draft Annual Business Plan at the 23 May 2023 meeting for public consultation, which was undertaken from 24 May to 15 June 2023.

Council offered a variety of engagement and information provision methods, including a newspaper advertisement, media statements, radio interviews, website (including an on-line submission form), social media channels, and circulation e-newsletters which has a subscription rate of over 1,400 email addresses.

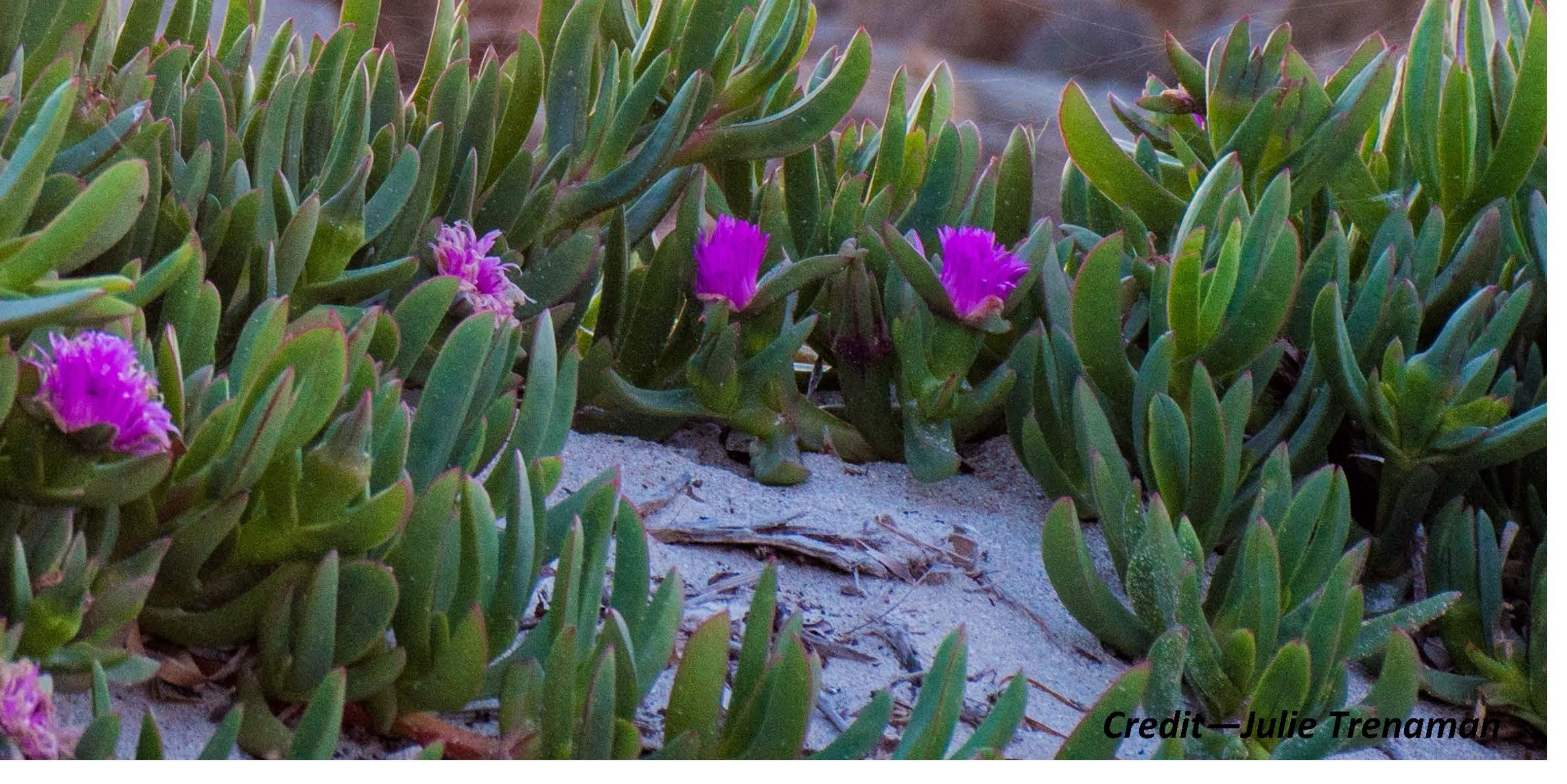
At the conclusion of the consultation period, ten (10) public submissions were received. Within these submissions, some questions were asked, all of which have been answered, with both the questions and answers being made available on Council's website.

Council also held two community information forums, one on-line (which was not attended by any members of the public) and one in person, where eleven (11) people attended.

A further public meeting was held on 20 June 2023, where two (2) people attended and gave verbal presentations to the Council Members who were present.

The community feedback was considered at Council's 27 June Council meeting, where the summary of changes contained in Page 7 were made.

This final version of the 2023-2024 Annual Business Plan was adopted at the Special Council Meeting held on 30 June 2023.



Credit—Julie Trenaman

Changes SINCE ENGAGEMENT

Section 123(6a) of the Local Government Act 1999, provides that:

(6a) *If a council proposes to adopt an annual business plan with amendments, the council must include in the adopted business plan a statement-*

a. setting out any significant amendments from the draft annual business plan; and

b. providing reasons for those amendments.

A number of changes have been made of the Annual Business Plan since engagement, summarised as follows:

(1) Key achievements for 2022-2023 (celebrating our success)

Changed the fourth dot point from;

Securing of $5.3m in Federal and State Government funding for the development of an early learning centre on the grounds of the Kingston Community School

TO

Through our Kingston Early Learning Childcare Services Working Group (KELCS), secured $5.3m in Federal and State Government funding for the development of an early learning centre on the grounds of the Kingston Community School.

(2) An additional $124k was added to the operational budget for the following purposes:

Patrol grading contractual services; $36k

Line marking contractual services; $40k

Roadside spraying and problematic weeds on Council owned land, $18k

Sealed roads maintenance, $30k

(3) Since consultation, Council's general valuation has increased from $2,717,133,060 to $2,728,854,560, resulting in an average valuation increase across the district from 31.72% to 32.29%. The valuations table on page 30 has been updated to reflect valuation changes. This has caused in a reduction in the rate in the dollar to be applied across all land use codes and the contribution of rates from each land use category as outlined on page 31.

(4) Other minor changes to the rating data include:

Increase in the number of properties attracting the minimum rate from 705 to 712 properties (page 32)

Minor change in properties receiving a rate increase over 12%, from 4% to 4.5%

Minor changes to Service Charges (page33)

(5) Statement of Expected Rate Revenue (pages 35-37) updated to reflect rating changes outlined above.

(6) An additional project, being a Strategic Rating Review will be undertaken in the 2023-2024 financial year to address specific issues that were raised during the community engagement period.

(7) Other minor changes to formatting and grammar have been made, which do not change the intent of the document in any way.

(8) The additional budget allocations identified in dot point 2 & 4 have resulted in minor variations to the 2023-2034 budget, impacting on all financial data found on pages 24 – 27 as well as Appendix 1 and Appendix 2 of the Annual Budget & Financial Statements.

Message from the MAYOR & CEO

On behalf of Council Members and staff, we are proud to present to you our 2023-2024 Annual Business Plan. This document essentially expresses our budget in words and is intended to keep our community informed about our vision for the year.

This plan outlines our planned services, projects and major expenditure for the year. Essentially it is the budget in words, with consideration of a fair and responsive rating strategy in the face of a continued upward capital valuation trajectory, particularly in the primary production rating category.

The plan was developed with consideration of the current economic environment and the consequent cost of living pressures on our community. Consequently, there is no change in service levels, including no increase in staffing full-time equivalent numbers, with the budget being determined based on the 2022-2023 operational expenditure, plus known increases in electricity, insurance, and employee enterprise agreement costs only.

Council will seek to address an emerging environmental challenge this year, which has been born by the significant number of bores and their proximity to many residential housing allotments. A new Community Wastewater Management System (CWMS) is imperative for the future growth of Kingston and presents as the largest and most expensive infrastructure project ever delivered by the Council. We will start talking in earnest with our community about this important project during the financial year.

With this in mind, we will remain focused on the immediate priorities in our Coastal Adaptation Strategy, with Stage 2 of the Wyomi Beach Rock Seawall number one on the list. The Council has secured $1.953m from Coastal and Estuarine Risk Mitigation Program to undertake the $2.6m project to construct 170m to the north and 175m to the south of the existing rock seawall.

Roads remain the highest capital expenditure cost, with some 68% of our $1.77m renewal budget being for sealed and unsealed roads, mostly in the rural areas. With anticipated funding support of $495k through the Special Local Roads Program, we are looking at resealing the entire length of the Cape Jaffa Road, which comes at a total cost of $990k.

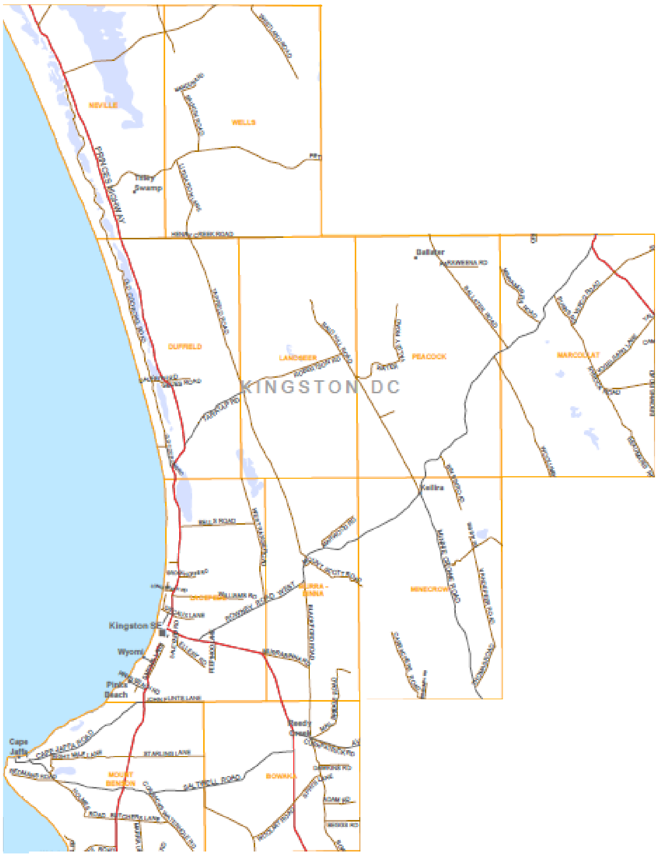
As this plan was being prepared, Council was in the midst of developing a new Strategic Management Plan which will set the recently elected council up for success during their term and beyond. In developing the Strategic Management Plan, the community was asked for feedback, and to rate some of the exciting projects that Council has recently endorsed. These include a new early learning centre on the grounds of the Kingston Community School, and of significant importance to our community, a business proposal submitted by the South Australian Recreational Fishers Association which aims at re-opening the Maria Creek Boat Launching Facility, which has been closed for the last four (4) years.

We look forward to delivering what we have promised and working with our community to achieve the vision for our community as detailed in this plan.

JEFF POPE
Mayor

NAT TRAEGER
Chief Executive Officer

YOUR COUNCIL *Profile*



POPULATION
2,375 *(2021 CENSUS)*

RATEABLE PROPERTIES
2,627

ROAD NETWORK
130KM SEALED
587KM UNSEALED

COASTLINE
100KM *(APPROXIMATELY)*
25KM ACTIVELY MANAGED

COUNCIL AREA SIZE
3,362KM^2

Kingston SE is located on the Limestone Coast of South Australia and is approximately 300 km from Adelaide, South Australia's capital city. Kingston SE offers superb safe beaches, tourist facilities, parks, gardens and extensive sporting and recreational facilities. The district has many national parks including the world recognised Coorong. Kingston SE also boasts a range of quality health and educational services and facilities, which include a modern medical centre, a 26-bed community hospital, aged care facilities, retirement villages and an R-12 community school and library. Prior to European settlement, several groups of Indigenous people occupied the region, with the Meintangk most closely aligned to our district.

Kingston SE is characterised by its prime agricultural land and accessible underground water. It is home to a thriving and vibrant rural economy, featuring cattle and sheep farming for both wool and meat. Commercial fishing is also a significant industry within the district with the local lobster fishing fleet operating out of Cape Jaffa, situated approximately 25km south of Kingston. Kingston is well known for its premium wine production from its Mount Benson Wine Region and is cousin to other well-known winegrowing regions including Coonawarra, Padthaway, Wrattonbully and Penola. The district also supports a thriving forestry industry from its Mount Benson plantations.

The climate can be described as 'Mediterranean' with mild wet winters and hot dry summers. Although there is recognition of four seasons, the principal seasonal contrasts are warm-to-hot, dry summers and cool-to-mild winters. The average annual temperature is 14.8 °C with an average annual rainfall of 562 mm.

The official population count from the 2021 Census is 2,375 (decrease from 2,415 in 2016) with 50.5% male and 49.5% female. This represents a population decrease of -0.33% since 2016. Of the 2,375 residents 16.3% are 0-17 years, 50.9% are 18-64 years and 32.8% are 65+ years.

Note: as this plan was being prepared, the Council was finalizing a new Strategic Plan which will set the strategic direction for the next few years. The 2023-2024 Annual Business Plan has been prepared with a 'business as usual' approach, with no changes to service levels and the projects included have either been foreshadowed in the current Community Plan or have recently been endorsed or supported in principle by the new Council.

KEY ACHIEVEMENTS 2022-2023

The past 12 months has been extremely busy and challenging for the Kingston District Council and we are very proud of the following key achievements delivered in 2022-2023

Highlighting our Projects

- Re-sheeted 6.6 km's of unsealed roads, as at May 2023, anticipated 20.5 km's to be completed by 30 June 2023
- New sealing works at Johnson Avenue entrance, Matheson Street
- Patrol graded over 1325 km's of unsealed roads
- Footpath renewal works; Charles Street, Arthur Street, East Terrace & Agnes Street, McFarlane Street, Young Street, MacDonnell Street
- Completed a further Wyomi Beach Sand nourishment campaign, with funding support from Coast Protection Board
- Main Street Entrance Beautification Project
- Airport (Stage 2) helicopter landing, extension and reseal of apron/taxiway (noting that due to contractor demands, the reseal component may not occur until 2023-2024)
- Cape Jaffa Road widening project
- Cape Jaffa irrigation upgrade
- Installation of an innovative digital kiosk at the Council Office which acts as 24/7 emergency, community & visitor information, with an interactive push of a button
- Partnership with volunteer community groups to deliver grass-roots Christmas decorations which were received with overwhelming positivity
- Support of community projects per the Community Assistance Program, with 12 community groups benefiting to deliver a range of event, equipment & facility, community health & well-being and club development projects
- Development of a new Strategic Plan
- THINK! Road Safety Regional Council Administrative Grants to light up Maria Creek Island
- Jetty Precinct Traffic Management Study
- Community Wellbeing & Participation Program
- Free Tree Program

Celebrating our Success

- Announced as finalists in the 2023 Local Government Professional Annual Leadership Excellence Awards: Excellence in People & Culture
- Production of a second workplace wellbeing calendar, which contributed to a silver award recognition through the Safe Work SA, National Safe Work Month initiative
- Navigated our way through the 2022 Local Government Elections, including maintaining a period of stability without a Mayor and undertaking a subsequent successful supplementary election
- Through our Kingston Early Learning Childcare Services Working Group (KELCS), secured $5.3m in Federal and State Government funding for the development of an early learning centre on the grounds of the Kingston Community School.
- Secured Coastal Estuarine Risk Mitigation Program funding of $1.953m for the $2.6m Wyomi Beach Rock Seawall extension project to be completed in 2023-2024
- Completion of a successful annual dredging campaign at the Cape Jaffa Marina, with a review of dredging operations to be finalised in 2023-2024
- Hosting of community events including Fringe on Tour for a second year and the annual Mayoral Christmas Parade
- Proud supporter of the Cape Jaffa Seafood & Wine Festival and Foundation Supporter to establish Parkrun in Kingston

Strategic DIRECTION

The 2023-2024 Annual Business Plan sets out the specific projects that the Kingston District Council will deliver to its community. The Annual Business Plan, as required by Section 123(2)(a) of the Local Government Act 1999, shows the alignment to Council's Strategic Management Plans (known as the 2019-2029 Community Plan).

The 2019-2029 Community Plan sets our vision for the future of the Council area and outlines what we will do to contribute to achieving the vision and strategic directions sought for the Kingston District Council community.

The 2019-2029 Community Plan has five key themes, which will achieve the community's vision. Each theme is supported by a series of outcomes which are as follows:

THEME 1 - **A THRIVING DESTINATION**

- A sought-after visitor and lifestyle destination;
- A vibrant town centre;
- A sustainable and progressive Cape Jaffa Anchorage development;
- A diverse range of prosperous local businesses and primary industries.

THEME 2 - **BEST PRACTICE IN PLANNING**

- Integrated, spaces and places;
- Preserve the rural atmosphere, open spaces, beaches and other natural resources;
- Preserve the heritage and character of the district.

THEME 3 - **EXCELLENCE IN ASSETS & INFRASTRUCTURE**

- Best practice asset and infrastructure management;
- Best practice in procurement and contract management;
- Protect the natural assets and infrastructure of the region by leveraging additional environmental programs that will protect the environment for future generations.

THEME 4 - **STRONG COMMUNITIES**

- A community with a shared sense of pride and common purpose;
- A knowledgeable community that looks beyond its boundaries for inspiration and learning;
- A healthy and resilient community;
- Promote and encourage the arts and increase the diversity of arts and cultural opportunities within the Council area.

THEME 5 - **PROGRESSIVE LEADERSHIP**

- Sustainable community finances and assets;
- Effective delivery of projects and services;
- Engage external stakeholders to leverage local opportunities;
- Organisational excellence;
- Council is an employer of choice.

Our Vision

Kingston SE is recognised as a popular Limestone Coast tourism and lifestyle destination. The main streets, parks and beaches are abuzz with locals and holiday makers, all enjoying our beautiful environment, cafes, restaurants and local produce.

Home-grown businesses and primary producers are thriving and the district is well known for its family friendly atmosphere.

The community share a sense of pride and common purpose.

Strategic PLANNING FRAMEWORK

EXTERNAL STRATEGIES

South Australia Strategic Plan

Limestone Coast Regional Plan

Local Government Association

Limestone Coast Local Government Association

Limestone Coast Destination Marketing Plan

Regional Development Australia Limestone Coast

Limestone Coast Landscape Board

Limestone Coast Bushfire Management Area Plan

Limestone Coast Zone Emergency Management Committee Work Plan

KINGSTON DISTRICT COUNCIL
2019-2029 COMMUNITY PLAN

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STRATEGIC MANAGEMENT PLANS
(POSITIONING PLANS)

- **PLANNING AND DESIGN CODE**
- **INFRASTRUCTURE AND ASSET MANAGEMENT PLAN**
- **LONG TERM FINANCIAL PLAN**
- **COMMUNITY LAND MANAGEMENT PLAN**

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ANNUAL BUSINESS PLAN & BUDGET

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OPERATIONAL PLANS
Regional Public Health & Wellbeing Plan | Risk Management Plan
Animal Management Plan | Work Health Safety & Return To Work Management Plan | Disability Access & Inclusion Plan

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INDIVIDUAL PERFORMANCE
(PEOPLE & CULTURE)

MONITORING AND REPORTING
Annual Report | Internal & External Audits | Monthly & Quarterly Reviews | Financial Ratios
Community Surveys | Individual Performance Reviews

INFLUENCES, PRIORITIES & Challenges

As this plan was being developed, the significant increase in Consumer Price Index (CPI) was a major influence, with the Adelaide March quarter being 7.9%. Council has therefore exercised constraint by increasing its general rates by less than CPI, being 6%

CHALLENGES

- State government owned jetty, the long-term lease, its condition, and anticipated cost to repair
- Climate change & coastal adaptation
- Understanding the condition of our infrastructure assets and having appropriate infrastructure management plans
- Requirements to maintain and improve infrastructure assets to acceptable standards, including roads, footpaths, buildings, stormwater drainage and Community Wastewater Management Scheme (CWMS).
- Balancing community expectations with a small rate base and large marine & coastal issues
- Continuing to reduce the budgeted operating deficit budget in the short term and working towards a balanced budget which is consistent with the Long-Term Financial Plans and its underlying assumptions

PRIORITIES

- A new Community Wastewater Management System (CWMS) is imperative for the future growth of Kingston and presents as the largest and most expensive infrastructure project ever delivered by the Council
- Stage 2 Rock Seawall Extension Project at Wyomi Beach
- Resolution of the well documented childcare shortage for the Kingston community
- An additional project, being a Strategic Rating Review will be undertaken in the 2023-2024 financial year to address specific issues that were raised during the community engagement period of this plan

INFLUENCES

- Commitment and contractual obligations at the Cape Jaffa Marina
- Upward trajectory in capital valuations, particularly in the primary industry land use code.
- Negotiated Enterprise Bargaining Agreements and an increase to 11% for employer Superannuation Guarantee contributions (up from 10.5% in 2022-2023)
- Council faces higher cost increases due to the capital-intensive nature of the goods and services purchased and fuel prices are significantly impacting operating costs
- Impact of Coronavirus and other economic/environment factors including the cost-of-living increase and product and service unavailability

Continuing SERVICES

Like all Councils, Council has mandatory responsibilities under the Local Government Act 1999, and other relevant legislation

These include:

- Regulatory activities e.g. maintaining the voters roll and supporting the elected Council
- Setting rates, preparing an Annual Budget, and determining longer-term strategic management plans for the area
- Management of basic infrastructure including roads, footpaths, parks, public open space, street lighting and storm-water drainage
- Street cleaning and rubbish collection
- Development planning and control, including building safety assessment
- Various environmental health services
- Animal Management.

In response to community needs, Council also provides further services and programs including:

- Library services in-conjunction with the State Government as a shared facility at the Kingston Community School
- School holiday activities
- Childhood and school-based immunisation programs
- Community, recreational and sporting club grants, other assistance, and support
- Gall Park management and facilities support
- Red Cross transport vehicle
- Community Participation & Wellbeing Program
- Arts, culture & entertainment
- Fire prevention services
- Tourist facilities and the Visitor Information Outlet
- Town halls and community buildings

In all services, Council seeks to be responsive to changing needs. Community feedback and surveys undertaken from time to time, check levels of satisfaction and areas for improvement.

Council provides the following facilities on a fee for service (but not necessarily at full cost recovery). These facilities provide important community benefits while also generating revenue for services and projects of benefit to the Kingston community. Services include:

- Medical Centre infrastructure;
- Community Wastewater Management Scheme
- Recreational boating facility;
- Kingston Foreshore Caravan Park;
- Kingston RV Park;
- Waste Transfer Station facility.

Kingston Foreshore CARAVAN & RV PARK

Council purchased the Kingston Caravan Park (the Park) in 2017 based on a strategy that aimed to support Council's vision of creating a 'thriving detitanation' that encourages tourism and life-style living

Council has, until recently, operated the Park through contract managers who were supported by auxiliary casual staff, employed directly by Council. A change in 2022-2023, after the departure of the contract managers, has resulted in the Park currently being operated by a willing and capable team, directly employed by the Council.

When Council made the decision to purchase the Park, the facility was in a state of disrepair, with a reputation that was not in accordance with its aspirations as a 'thriving destination' that encourages tourism and lifestyle living.

Council believes it has now placed the Park in a position for sale, where it can hand the reins over to an experienced operator who can continue its intended development, without the ongoing commitment required by Council to do so.

On this basis, the Council is in the process of developing the appropriate documentation to prepare the Park for sale by a commercial lease, this 2023-2024 Annual Business Plan & Budget has been prepared based on 'business as usual' but with no consideration for any significant operational or capital expenditure.

The Park's 2023-2024 budget includes operating revenue of $695,580 and operating expenses of $695,580, achieving a break-even position.

Following an expression of interest campaign, and subject to Council accepting a suitable offer, the budget will be adjusted through usual financial forecast analysis and reports to Council and the Audit & Risk Committee.

The caravan park ownership is complemented by ownership and operation of the RV Park located adjacent the Lions Park and jetty. This facility was extended at the height of the COVID-19 pandemic in 2020, and its footprint was further increased in late 2022 to accommodate the anticipated influx of visitors as a result of the River Murray flood event.

This was an excellent decision as record numbers occupied the park during the peak summer period. Further, numbers have increased in the cooler months of 2023, with record high occupancy being recorded; this has injected immeasurable economic stimulus to our business community.

The RV Park is expected to operate with minimal expenditure of $9,657 in 2023-2024, and a return of $43,451 in ticket sales.

Given that both of these facilities operate hand in hand, and that the RV Park is considered an incentive when operated by the same owner as the Park, a licence for this facility will also be offered through the expression of interest process.

Capital Projects FOR 2023-2024

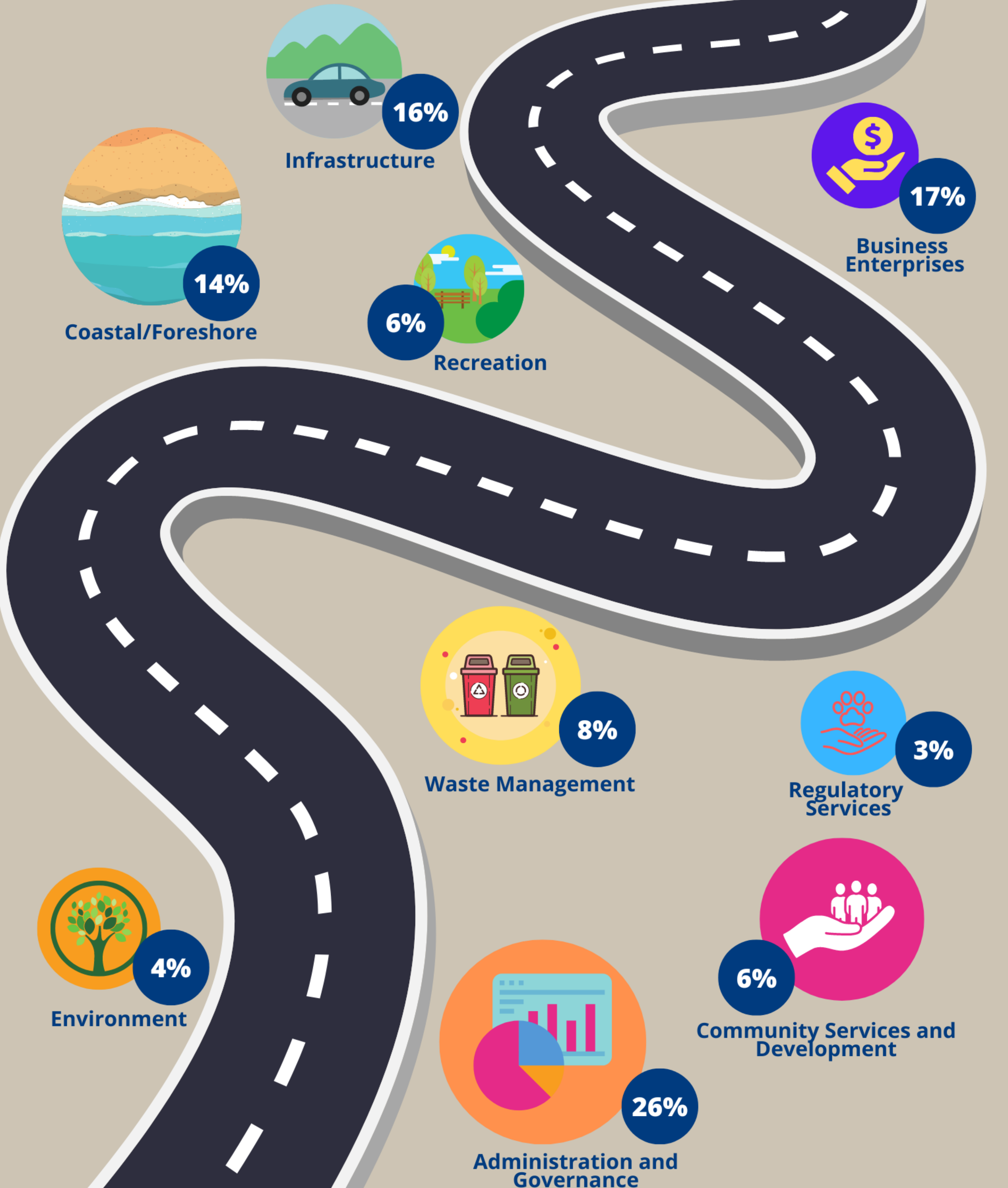
COMMUNITY PLAN OUTCOME	CATE-GORY	NEW OR RENEWAL (N/R)	DESCRIPTION	2023-2024 BUDGET ($)	2023-2024 CAPITAL INCOME ($)	PERFORMANCE MEASURE/S
Integrated spaces & places	Foot-paths	N	MacDonnell Street Pram ramps	20,000		Project to be completed within budget prior to end of June 2024.
Integrated spaces & places	Foot-paths	R	MacDonnell Street	52,400		Tender to commence in July 2023 and works to be completed by end of April 2024.
Integrated spaces & places	Foot-paths	R	Cameron Street (Cnr of Agnes St)	4,500		Tender to commence in July 2023 and works to be completed by end of April 2024.
Integrated spaces & places	Foot-paths	N	Wilhelmina Street Pram ramps	5,000		Project to be completed within budget prior end of June 2024.
Integrated spaces & places	Foot-paths	R	Wilhelmina Street	16,800		Tender to commence in July 2023 and works to be completed by end of April 2024.
Integrated spaces & places	Kerbing	R	MacDonnell Street	12,000		Project to be completed within budget prior end of June 2024.
Integrated spaces & places	Kerbing	R	Agnes Street - North	8,400		Project to be completed within budget prior end of June 2024.
Integrated spaces & places	Kerbing	R	Agnes Street- South	7,200		Project to be completed within budget prior end of June 2024.
Integrated spaces & places	Kerbing	R	Charles Street	6,000		Project to be completed within budget prior end of June 2024.
Best practice asset and infrastructure management	Buildings	R	Old Council Cham-bers (repointing of stonework)	100,000		Tender to commence in July 2023 and works to be completed by end of June 2024.
Best practice asset and infrastructure management	Buildings	N	Roller doors- Ma-chinery Shed (2 of 12)	15,100		Project to be completed within budget prior end of June 2024.
Best practice asset & infrastructure management	Roads Sealed	R	Cape Jaffa Road	990,000	(495,000)	Tender to commence in August 2023 and works to be completed by end of April 2024.
Best practice asset and infrastructure management	Roads Unsealed	R	Beggs Road 3.7km	72,265		Project to be completed within budget prior end of June 2024.

COMMUNITY PLAN OUTCOME	CATEGORY	NEW OR RENEWAL (N/R)	DESCRIPTION	2023-2024 BUDGET ($)	2023-2024 CAPITAL INCOME ($)	PERFORMANCE MEASURE/S
Best practice asset and infrastructure management	Roads Unsealed	R	Starling Lane 5.75km	176,977		Project to be completed within budget prior end of June 2024.
Best practice asset and infrastructure management	Roads Unsealed	R	Hirst Fire track 1.9km	31,360		Project to be completed within budget prior end of June 2024.
Best practice asset and infrastructure management	Roads Unsealed	R	Dawkins Road 1.7km	30,606		Project to be completed within budget prior end of June 2024.
Best practice asset & infrastructure management	Roads Unsealed	R	Bay Road 240m	5,760		Project to be completed within budget prior end of June 2024.
Best practice asset and infrastructure management	Roads Unsealed	R	North Road 240m	5,760		Project to be completed within budget prior end of June 2024.
Best practice asset & infrastructure management	Roads Unsealed	R	Annie Street 427m	10,248		Project to be completed within budget prior end of June 2024.
Best practice asset & infrastructure management	Roads Unsealed	R	Water Valley Road 2.9km	69,912		Project to be completed within budget prior end of June 2024.
Best practice asset & infrastructure management	Roads Unsealed	R	Nyroca Road 3.6km	126,498		Project to be completed within budget prior end of June 2024.
Best practice asset & infrastructure management	Roads Unsealed	R	Burns Road 1.8km	51,474		Project to be completed within budget prior end of June 2024.
Best practice asset & infrastructure management	Roads Unsealed	R	Carrachers Road 3.9km	75,418		Project to be completed within budget prior end of June 2024.
Best practice asset & infrastructure management	Roads Unsealed	R	Adam Road 2.1km	43,580		Project to be completed within budget prior end of June 2024.
Best practice asset & infrastructure management	Road Unsealed	R	Murra Up 3.4km	81,720		Project to be completed within budget prior end of June 2024.
Best practice asset & infrastructure management	CWMS	N	Chlorination ponds upgrade	40,000		Project to be completed within budget prior end of June 2024.
Best practice asset & infrastructure management	Stormwater	N	Janet Street Pump Station	242,650		Tender to commence in July 2023 and works to be completed by end of June 2024.
Best practice asset & infrastructure management	Stormwater	R	Various stormwater pits	15,000		Project to be completed within budget prior end of June 2024.

COMMUNITY PLAN OUTCOME	CATEGORY	NEW OR RENEWAL (N/R)	DESCRIPTION	2023-2024 BUDGET ($)	2023-2024 CAPITAL INCOME ($)	PERFORMANCE MEASURE/S
Best practice Asset & Infrastructure management	Marine Structures	N	Wyomi Rock Seawall	2,605,000	(1,953,000)	Tender to commence in July 2023 and works to be completed by end of June 2024.
Excellence in Assets & Infrastructure	Equipment	R	Grader	420,000	(110,000)	Tender to commence in July 2023 and grader to be purchased by end of June 2024.
Excellence in Assets & Infrastructure	Equipment	R	Light Vehicles (3) CEO, DCS and Mechanic	149,000	(105,000)	Tender to commence in July 2023 and vehi-cles to be purchased by end of June 2024.
Excellence in Assets & Infrastructure	Equipment	N	Faun Trackway deployment attachment	92,018		Quotes sourced in July 2023 and equipment to be purchased by end of June 2024.
Excellence in Assets & Infrastructure	Equipment	N	Skid Steer Loader (Tracked)	120,000		Tender to commence in July 2023 and works to be completed by end of June 2024.
			TOTAL	**5,702,646**	**(2,168,000)**	

Funding the Annual Business Plan

HOW IS THE BUDGET SPENT?
OPERATING EXPENDITURE



This year THE ANNUAL BUSINESS PLAN ALSO PROVIDES COMMENTARY ON THE RECENT ESSENTIAL SERVICES COMMISSION OF SOUTH AUSTRALIA (ESCOSA) STRATEGIC MANAGEMENT PLAN ADVICE REPORT, AS WELL AS OUR RESPONSE TO IT (APPENDIX 3).

BUDGET SUMMARY

In delivering services and programs contained within this Annual Business Plan, Council is targeting an unexpected operating surplus of **$14,571** due to budgeted operating revenues of **$9,694,864** and budgeted operating expenses of **$9,680,293**.

It should be noted that this result is due to one-off Local Roads Community Infrastructure funding (balance of phase 3) of $199,102 and Special Local Roads funding of $495,000 being recorded as operating income to meet accounting standards, even though these are capital renewal and new projects.

Unfortunately, Council is expected to return to deficit in the 2024-2025 year. Large deficits are not sustainable in the long term, and Council's plan projects a return to surplus in year nine (9). Council's financial strategies to return to a break-even position is contained within the Long Term Financial Plan 2024-2033.

This ABP includes a total capital expenditure budget of $5,702,646 which consists of $2,562,878 to renew existing assets and $3,139,768 to be spent on new assets. Largely the ABP does not contemplate any projects that are 'new' to the community – of the $3m new assets, $2.6m is for the Wyomi Beach Rock Seawall project, which has fortunately attracted $1.953m federal government funding, with another anticipated $130k from the state government, which is not yet included in this Plan.

Apart from rate revenue, operating revenue is generated by statutory charges (development and building fees and dog registrations), user charges (Kingston Foreshore Caravan Park and RV Park, hall hire, cemeteries, and waste transfer station fees), investment income and State and Federal Government operating grants.

Council also sources income in the form of non-recurring grants from the State and Federal Governments. Usually this type of grant is for a specific project or initiative of Council.

Council's net cash is expected to decrease from $4,130,380 as at the end of 2022-2023 to $3,083,698 at the end of 2023-2024.

Council will monitor the implementation of the 2023-2024 budget via regular budget updates and reviews in accordance with the Local Government Act 1999 and Local Government (Financial Management) Regulations 2011.

LOAN BORROWINGS

It is not anticipated that any new borrowings will be required for 2023-2024. However Council will consider borrowings if successful in obtaining grant funding for 'shovel ready' infrastructure projects.

LONG TERM FINANCIAL PLAN

Council's Long Term Financial Plan is a key tool to assist with long-term decision making and forecasting while monitoring financial sustainability. It also provides transparency to the community regarding Council's projected financial position.

Council's 2023/24 – 2032/33 LTFP was available for public consultation at the same time as this plan. The reviewed LTFP, which was adopted on 30 June 2023 will be reviewed and updated annually.

Council is facing many challenges in managing infrastructure and other assets due to a range of issues, such as increasing community expectations, replacement of ageing infrastructure, new legislative requirements, and the growing demands of an ageing population. However, the single largest issue is the immense and growing issues Council has in relation to marine infrastructure and coastal management.

Please refer to Appendix 2 for Council's estimated Uniform Presentation of Finances 2024-2033.

KEY FINANCIAL INDICATORS

Local Government in South Australia has adopted a set of Key Financial Indicators which provide an indication of the current financial health of Council and can also demonstrate the trend in Council's financial performance over time.

Operating surplus ratio

The operating surplus ratio highlights the operating surplus/ (deficit) as a percentage of operating income. The Council target range is between -2% and 2% in any one year, 5 year average of 0%.

Council's Operating surplus ratio, 5 year average is projected to be –6.32 % and outside the target range.

Net financial liabilities ratio

The net financial liabilities ratio is calculated by expressing net financial liabilities at the end of a financial year as a percentage of operating income for the year. Councils target range is a maximum of 100% in any single year.

Council's net financial liabilities ratio, 5 year average is projected to be 0.37% and inside the target range.

Asset renewal funding ratio

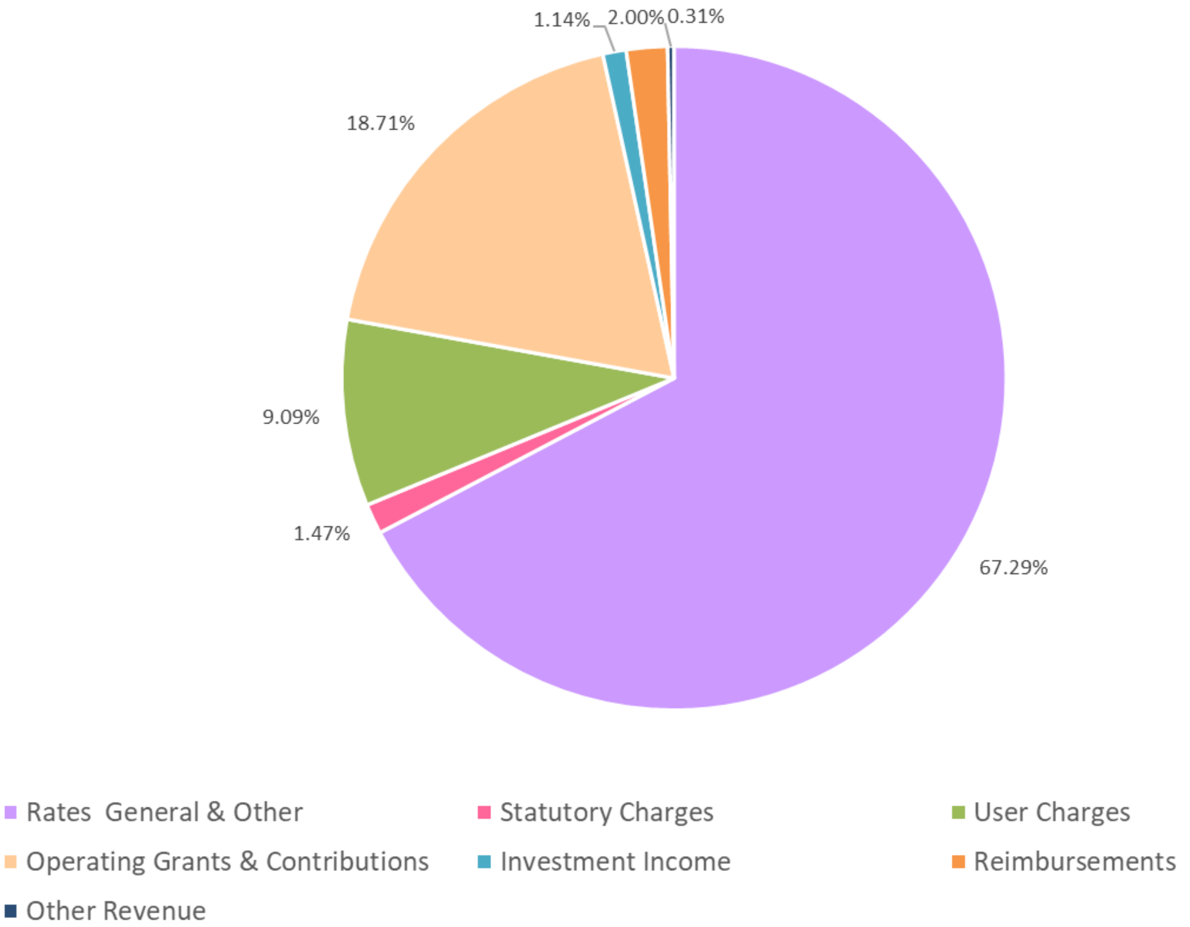
The Asset renewal funding ratio is calculated by measuring capital expenditure on renewal or replacement of assets for a period, divided by the optimal level of such expenditure in the Council's Infrastructure and Asset Management Plan. The Council target range is between 90% to 110%, 5 year average of 100%.

Council's Asset renewal funding ratio, 5 year average is projected to be 100% and is within the target range.

	TARGET RANGE IN ANY ONE YEAR	2022-2023 FORECAST	2023-2024 BUDGET	5 YEAR TARGET RANGE	5 YEAR AVERAGE
Operating surplus ratio	-2%- 2%	-9.31%	0.15%	0%	-6.32%
Net financial liability ratio	Maximum 100%	-22.44%	-10.66%	Maximum 100%	0.37%
Asset renewal funding ratio	90% - 110%	123.36%	100.00%	100%	100.00%

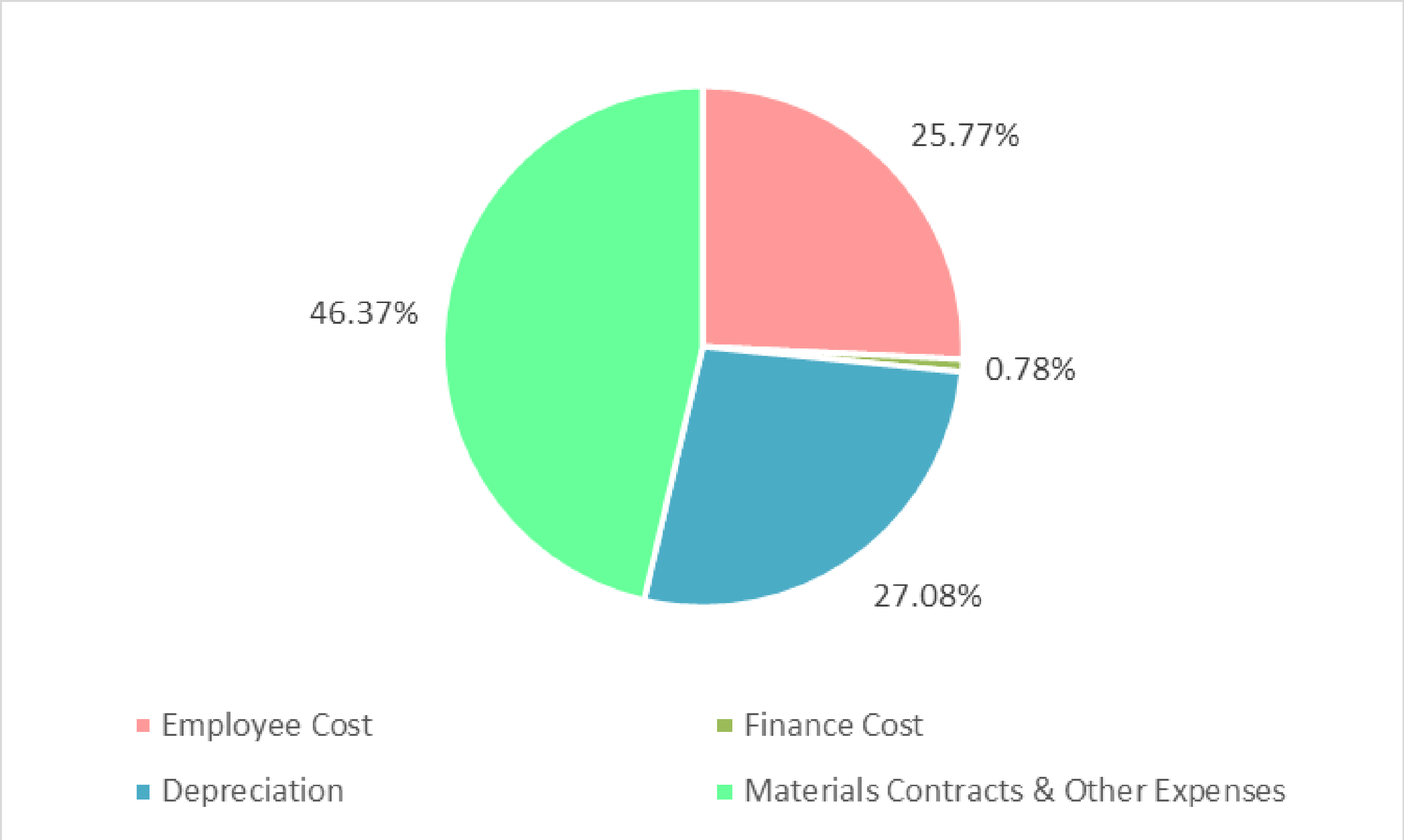
Please refer to Appendix 2 for Council's estimated Key Financial Indicators for 2024-2033.

WHERE WILL COUNCIL SOURCE FUNDS IN 2023-2024



DESCRIPTION	
Rates General & Other	General rates on properties as well as service charges (ie Mobile Garbage Bin, Community Wastewater Management System) and the Regional Landscape levy.
Statutory Charges	Fees and charges set by State Government regulation and received by the Council for regulatory functions undertaken such as assessment of development and building applications and dog control management.
User Charges	Income from the sale of goods and services or rent of a property/ facility, such as Kingston Foreshore Caravan Park, cemeteries, waste transfer station and boat ramp.
Grants, subsidies and contributions	Council seeks to attract as much grant funding from other tiers of government as possible, thereby reducing the reliance on other revenue streams.
Investment Income	Income from financial investments or loans to community groups. It includes interest received from the Local Government Finance Authority, banks and loans to community groups.
Reimbursements	Amounts received as payment from work done by the Council acting as an agent for other government bodies and property owners, organisations and individuals.
Other Income	Other income not classified elsewhere.

WHERE WILL COUNCIL SPEND FUNDS IN 2023-2024



DESCRIPTION	
Employee costs	Total costs of employing the Council employees. Such as wages and salaries, leave expenses, superannuation, Workers compensation, income protection cover.
Materials, Contracts & Other expenses	Payments for physical goods such as water, fuel, road materials, office consumables, insurances, postage.
Depreciation	Annual consumption of Council's fixed assets (e.g. buildings and structures, plant and equipment, transport and infrastructure)
Finance Costs	Costs of financing Council's activities through borrowings or other types of financial accommodation and merchant fees.


Cape Jaffa
CHARTERS

WHAT IT MEANS FOR *Rates and Ratepayers*

WHAT ARE RATES?
Rates are levied as a tax on property in accordance with the provisions of the Local Government Act 1999. Rates are not a fee for service or user charge. For example, not all ratepayers use all services such as libraries, playgrounds, public conveniences and they are unlikely to travel on every walking track, local or rural road. Ratepayers contribute to the costs of all local government services, even if they do not use those services.

Rates are a tax based on the value of property; those with higher valued properties pay more than those with lower valued property.

Rates are the principal source of income for Council and represent approximately 67.29% of Councils total operating revenue.

STRATEGIC FOCUS
Each year the impact of rate increases is reviewed in line with Council's Community Plan and Long Term Financial Plan. In addition, Council considers the current economic climate, specific issues faced by the community, the need to maintain and improve community infrastructure assets and the long-term financial sustainability of the Council.

The 2023-2024 rating strategies which support Council's Community Plan include:

COMMUNITY PLAN STATEMENT	RATING STRATEGY
A sought after visitor and lifestyle destination	Higher vacant land differential to discourage land banking and encourage conversion to housing.
A vibrant town centre	Business support strategy - commercial and industrial businesses have a lower Rate in the Dollar (RID).
A diverse range of prosperous local businesses and primary industries	A lower rate in the dollar for primary production properties, commercial and industrial properties.
Strong Community	Discretionary rebate on general rates for sporting and community groups.
Best practice Assets and Infrastructure management	Raise sufficient rates to maintain and improve community infrastructure and to ensure long-term financial sustainability.
A sustainable and progressive Cape Jaffa Development	Higher vacant land differential to discourage land banking and encourage conversion to housing. Commercial, industrial businesses have a lower RID.

LAND VALUATION METHODOLOGY
All land within a Council area is rateable, except for land specifically exempt, e.g. land owned by the Crown and land occupied by the Council.

Council uses capital value as the basis for valuing land within the Council area. Council deems this method provides the most equitable distribution of rates across all ratepayers because:
- The equity principle of taxation requires that ratepayers of similar wealth pay similar taxes and ratepayers of greater wealth pay more taxes than ratepayers of lesser wealth.
- Property value is a relatively good indicator of market value of a property, providing the fairest method of calculating rates.
- It agrees with the taxation principle that people should contribute to the community social and physical infrastructure, in accordance with their capacity to pay, as measured by property wealth.

Council does not determine property valuations, but chooses to exercise the right under Section 151 of the Local Government Act 1999 to adopt the capital valuations provided through the State Valuation Office on an annual basis.

PROPERTY VALUATIONS FOR THE PURPOSE OF RATING

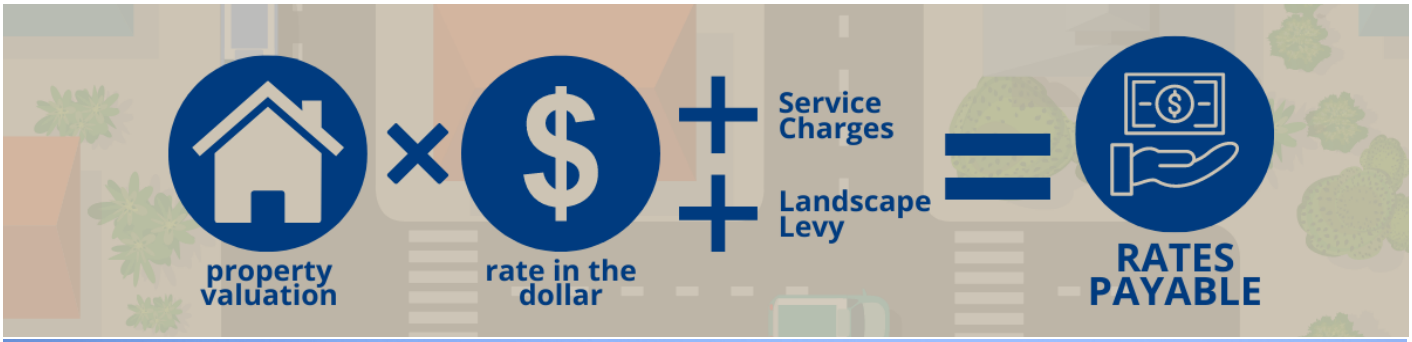
The Valuer General has provided Council with a proposed general revaluation for 2023-2024, being $2,728,854,560 (including current non-rateable properties valuations of $43,054,452).

The table below represents the 2023-2024 capital valuations by land use category and shows the movement in capital valuations when compared to the 2022-2023 year.

	2022-2023		2023-2024		INCREASE	
	Properties	Capital Value	Properties	Capital Value	Capital Value	% CV
Non Rateable	285	55,938,560	286	43,054,452	-12,884,108	-23.03%
Residential	1,353	448,576,000	1,376	556,904,000	108,328,000	24.15%
Commercial	73	31,888,600	75	40,716,508	8,827,908	27.68%
Industrial	27	3,941,500	27	4,653,500	712,000	18.06%
Primary Production	653	1,460,227,200	657	2,011,149,100	550,921,900	37.73%
Vacant Land	485	57,391,000	473	66,789,500	9,398,500	16.38%
Other	20	2,516,000	20	2,974,500	458,500	18.22%
Marina Berths	21	2,276,000	21	2,613,000	337,000	14.81%
	2,917	**2,062,754,860**	**2,935**	**2,728,854,560**	**666,099,700**	**32.29%**

The table indicates that capital valuations have increased significantly across all land use codes over the past year, with an average 32.29% rise across the Council area. Of note is the continued increase in Primary Production capital valuations, which have experienced significant valuation increases over the past 6 years. The decline in the capital valuation of non-rateable land is a result of revaluation of Council owned vacant land.

HOW RATES ARE CALCULATED



DIFFERENTIAL GENERAL RATES (DETERMINING THE RATE IN THE DOLLAR)

Council utilises Differential Rating which allows the application of different rates in the dollar for different land use codes (LUC), in order to achieve its strategic rating objectives and the equitable distribution of rates across the ratepayer base.

In setting the current rating position for the 2023-2024 year, Council carefully considered several different rate models to ensure the most equitable distribution of rates across the ratepayer base. Council considered:

- The increase of general rate income, ranging from 5% to 6.7%, whilst recognising the current cost of living pressures, rising interest rates and CPI, and Councils long term financial sustainability. For the purposes of consultation, Council settled on a 6% increase in general rates, well below the March (Adelaide) CPI figure of 7.9%;
- Counterbalancing valuation increases with a reduction in the rate in the dollar across all LUC's;
- Reducing the Primary Production LUC, considering options ranging from 70% to 63% to minimise the impact of significant and ongoing capital value increases in this sector;
- Increase in the differential rates for Marina Berth land use code (95% to 100%) thus preventing a reduction in average general rates and providing an equitable distribution of the rate responsibility;
- Increase in the differential rates for Vacant Land (125% to 135%) to discourage land banking and encourage conversion to housing;
- Increasing the minimum rate by 6% to $673.20, in line with the increase in general rates;
- Council's rate capping rebate provisions and minimising the number of properties receiving rate increases of more than 12% when compared to rates raised in 2022-2023, and
- Aimed to ensure all properties received an equitable increase in general rates.

To raise the required amount to achieve Council's budget and Community Plan objectives, and to counterbalance the valuation increases of 32.29%, the rate in the dollar for 2023-2024 will reduce across all LUC's. In addition, Council will further reduce the Primary Production differential from 70% in 2022-2023 to 63% in 2023-2024 to minimise the impact of significant and ongoing valuation increases in this sector.

The following table sets out the Differential LUC's and the rates in the dollar for the 2023-2024 year.

LAND USE CODE (LUC)	DIFFERENTIAL BASE RATE	RATE IN DOLLAR
Residential	100%	0.260401
Commercial	95%	0.247381
Industrial	95%	0.247381
Primary Production	63%	0.164053
Vacant Land	135%	0.351541
Other	100%	0.260401
Marina Berth	100%	0.260401

VALUATION VS RATE CONTRIBUTION

The table below represents the portion of the total valuation and corresponding contribution of rates across all land use categories for the 2022-2023 and 2023-2024 years.

Land Use Code	2022-2023			2023-2024		
	Rates %	Valuation %	Gap	Rates %	Valuation %	Gap
Residential	28.06%	22.35%	5.70%	28.19%	20.74%	7.45%
Commercial	1.63%	1.59%	0.05%	1.70%	1.51%	0.19%
Industrial	0.39%	0.20%	0.19%	0.38%	0.17%	0.20%
Primary Production	63.61%	72.76%	-9.15%	63.51%	74.88%	-11.37%
Vacant Land	6.07%	2.86%	3.21%	5.99%	2.49%	3.50%
Other	0.11%	0.13%	0.00%	0.10%	0.11%	0.00%
Marina Berth	0.13%	0.11%	0.00%	0.13%	0.10%	0.00%
Total	**100.00%**	**100.00%**		**100.00%**	**100.00%**	

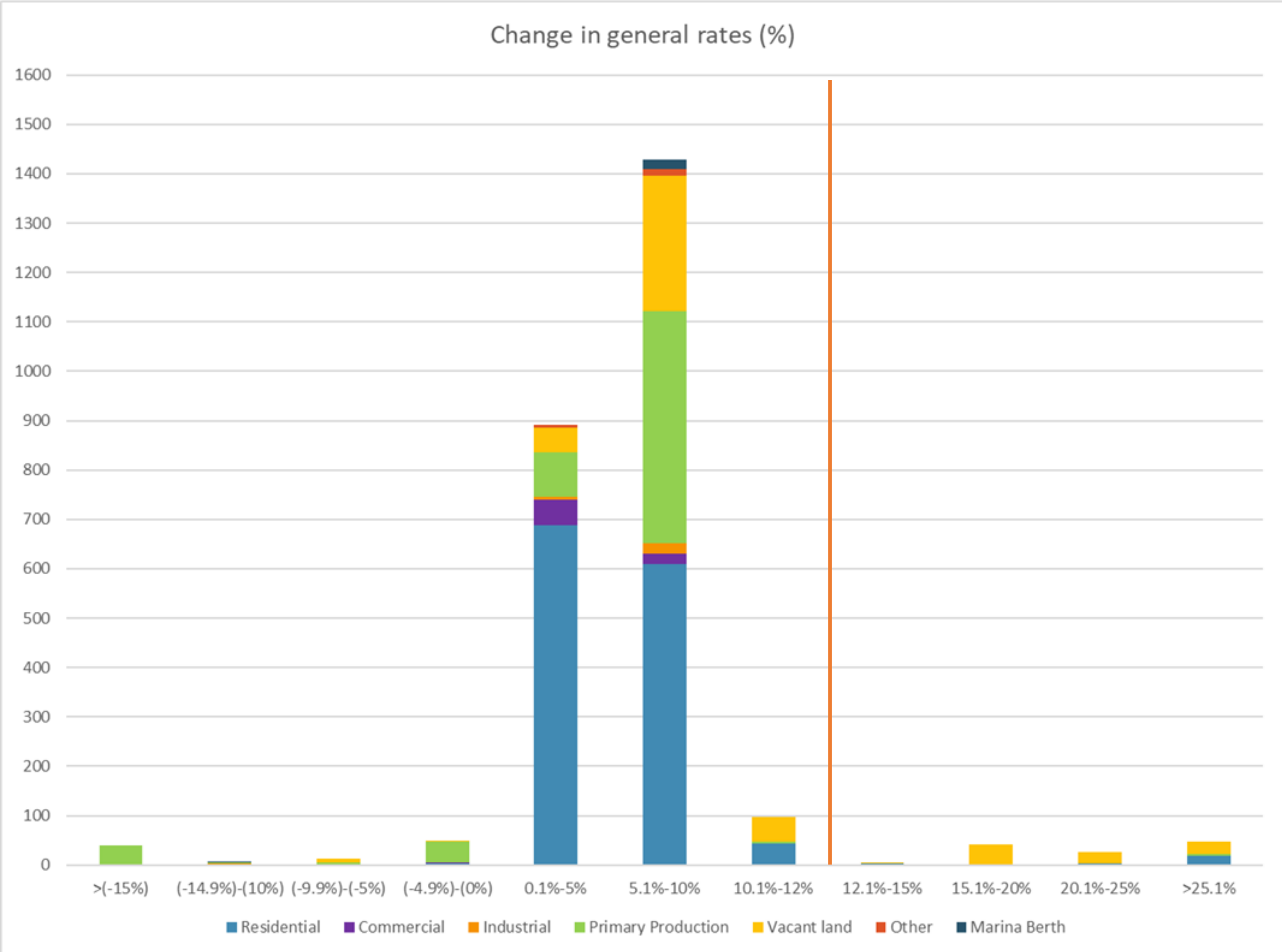
MINIMUM RATE

Council considers it appropriate that all rateable properties make a contribution to Council's costs in providing services and amenities for the community and utilises Section 158 of the Local Government Act 1999, which allows Council to apply a minimum rate. In the 2023-2024 year, the minimum rate will increase by 6% to $673.20, in line with the increase in general rates and will apply to 705 or 25% of properties. In accordance with the Local Government Act 1999, Council may not apply the minimum rate to more than 35% of rateable properties in the Council area.

IMPACT OF RATES 2023-2024

The rate revenue Council needs to collect for the 2023-2024 year to meet its strategic and long-term objectives is $5,257,969. This is 6.0% more than the general rates raised in 2022-2023.

The following graph highlights the individual changes anticipated per LUC when Council's 2023-2024 rating methodology is applied.



The rating methodology for 2023-2024 results in 87% of all properties receiving a moderate increase in general rates (0.1% to 10%) when compared to rates raised in 2022-2023. A small percentage of ratepayers (4.5%) will experience general rate increases over 12%. These ratepayers can utilise Council's rate capping provisions (refer to page 34) to determine their eligibility for a rate cap on their 2023-2024 rates. As indicated in the graph, properties will experience increases or decreases as a direct reflection of changes in capital valuation.

Council remains mindful of the impact of rates on its ratepayers and is committed to developing options to ease the rate burden, by continuing to look for possibilities to increase funding from other sources (grants) and striving for operational efficiencies.

OVERVIEW OF COUNCIL'S *Service Charges*

COMMUNITY WASTEWATER MANAGEMENT SYSTEM SERVICE CHARGE

Council provides a Community Wastewater Management System (CWMS) to defined properties in the township of Kingston and recovers the cost of operating and maintaining the service through the imposition of a service charge. In 2023-2024 the service charge for CWMS customers will increase from $316 to $337 for each unoccupied property unit and from $473 to $511.30 for each occupied property unit.

MOBILE GARBAGE BIN SERVICE CHARGE

To meet the costs associated with the collection and disposal of domestic and other garbage, Council has a Mobile Garbage Bin (MGB) Service Charge on all properties who receive this service.

The Mobile Garbage Bin Service Charge levied by Council will see a moderate increase from $262.50 to $266 for each service, which consists of a 240 litre fortnightly recycling bin and 140 litre weekly garbage bin service provided to the property.

REGIONAL LANDSCAPE LEVY

Kingston District Council is in the Limestone Coast Landscape Board and is required under the Landscape South Australia Act 2019 to collect the Landscape Levy. In 2023-2024, the Regional Landscape Levy will continue to be based on 'local government land use'. The total amount of $269,159 to be collected has been provided to Council. It is important to note that Council does not retain this revenue or determine how the revenue is spent.

Local Government Land Use Categories	Landscape Levy Per Rateable Property
Residential, Vacant & Other	$86.00
Commercial	$131.20
Industrial	$210.00
Primary Production	$375.00

Assistance AVAILABLE

OBJECTION TO CAPITAL VALUATION

If a property owner is dissatisfied with a property valuation, an objection may be made to the Valuer General in writing, within 60 days of receiving notice of valuation (2023-2024 rates notice received in July 2023), explaining the basis for the objection.

RATE CAPPING REBATE

Council continues to offer a rebate of general rates (rate capping), where the increase in general rates raised exceeds the 2022-2023 general rates raised on that property by more than 12%.

Rate capping will not apply where:

- The land use is vacant land
- The increase in general rates payable is due in whole or part to an increase in valuation of the property attributable to capital improvements (development) on the land
- Change of land use of the land, rezoning of the land, boundary realignment, subdivision or amalgamation has occurred, or
- Change of ownership of the land (since 1 July of the preceding financial year).

Ratepayers will be advised if their rates have increased by more than 12% and provided with the prescribed Rate Capping Application form.

Council's 2023-2024 rating methodology strives to minimise the number of properties receiving an increase of more than 12%. Refer to graph on page **32.**

DISCRETIONARY AND MANDATORY REBATES

Council considers discretionary rebates of up to 100% of Council general rates to not-for-profit, sporting and community organisations upon application and in accordance with legislation and Council's Rate Rebate Policy. Applications must be made on an annual basis on the prescribed form by 30 April each year. Council provides these rebates in recognition and support of local groups and the positive social and community benefits they provide.

Additionally, Council applies mandatory rebates as required by legislation. For further information, please refer to the 'Rate Rebate Policy', which is available at the Council office or on Council's website via the following link www.kingstondc.sa.gov.au/our-council/governance/council-policies.

POSTPONEMENT OF RATES FOR SENIORS

As prescribed by the Local Government Act 1999, state seniors card holders can apply to Council for the postponement of payment of rates on their principal place of residence. If a postponement of the payment of rates occurs, interest will accrue on the amount affected by the postponement and a minimum contribution is still required. Rates charged remain as a charge on the land and must be paid upon sale, transfer or other such transactions that result in the prescribed rate payer and/or owner of the land no longer qualifying to receive a postponement of rates. For further discussion on postponement of rates, please contact the Council office.

ARRANGEMENTS FOR FINANCIAL DIFFICULTY AND HARDSHIP

Council has adopted a 'Rates Hardship Policy' which provides information to ratepayers who may be experiencing difficulty in paying their rates as a result of financial hardship. Ratepayers who may be experiencing financial difficulty are encouraged to contact the Council office for a confidential discussion on what arrangements can be put in place to assist through difficult circumstances.

UNIFORM PRESENTATION OF EXPECTED

Rate Revenue

The following information has been provided as required under Local Government (Financial Management) Regulations 2011 (the Regulations), Regulation 6 as a result of Local Government Reform changes.

EXPECTED RATES REVENUE					
	2022-2023 (AS ADOPTED)	2023-2024 (ESTIMATED)		CHANGE	COMMENTS
General Rates Revenue					
General Rates (existing properties)	$4,921,525	$5,202,086	*(a)*		For 23-24 Council is will increase general rate income by 6%
General Rates (new properties)	$37,290	$55,883	*(b)*		
General Rates (GROSS)	**$4,958,815**	**$5,257,969**	*(c)*		
Less: Mandatory Rebates	($26,247)	($25,475)	*(d)*		
General Rates (NET)	**$4,932,568**	**$5,232,494**	*(e)*	**6.08%**	
	(e)=(c)+(d)				
Service and Other Charges					
Regional Landscape Levy	$246,170	$269,159	*(f)*	The Regional Landscape Levy is a State tax, it is **not retained** by council.	
Mobile Garbage Bin	$453,337	$471,644	*(g)*	Service provided on cost recovery basis. Contractual increase of 6.7%.	
CWMS	$520,694	$564,211	*(h)*	Service provided on cost recovery basis. Contractual increase of 7.9%.	
Less Discretionary Rebates	$17,576	$17,515	*(i)*		
Less Rate Capping Rebates	$20,000	$8,097	*(j)*		
Expected Total Rates Revenue	**$5,869,023**	**$6,242,737**	*(k)*	**6.37%**	Excluding the Regional Landscape Levy and minus Mandatory & Discretionary Rebates

ESTIMATED GROWTH IN NUMBER OF RATEABLE PROPERTIES

Number of rateable properties	**2,632**	**2,649**	*(k)*	**0.65%**
	Actual	*Estimate*		

'Growth' is defined in the regulations as where new properties have been created which has added rateable properties to council's ratepayer base. Growth can also increase the need and expenditure related to infrastructure, services and programs which support these properties and residents.

ESTIMATED AVERAGE GENERAL RATES PER RATEABLE PROPERTY

Average per rateable property	**$1,884**	**$1,985**	*(l)*	**5.4%**

Councils use property valuations to calculate each rateable property’s contribution to the required rate revenue total. Councils do not automatically receive more money because property values increase but this may alter how rates are apportioned (or divided) across each ratepayer (ie. some people may pay more or less rates, this is dependent on the change in value of their property relative to the overall valuation changes across the council area). The total General Rates paid by all rateable properties will equal the amount adopted in the budget.

NOTES

(d) Councils are **required** under the Local Government Act to provide a rebate to qualifying properties under a number of categories:

Health Services - 100 per cent
Community Services - 75 per cent
Religious purposes - 100 per cent
Public Cemeteries - 100 per cent
Royal Zoological Society of SA - 100 per cent
Educational purposes - 75 per cent

The rates which are foregone via Mandatory Rebates are redistributed across the ratepayer base (ie. all other ratepayers are subsidising the rates contribution for those properties who receive the rebate).

(e) Presented as required by the *Local Government (Financial Management) Regulations 2011 reg 6(1)(ea)*

Please Note: The percentage figure in *(e) relates to the change in the total amount of General Rates revenue to be collected from <u>all</u> rateable properties, not from <u>individual</u> rateable properties (ie. individual rates will not necessarily change by this figure).*

(f) 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 levy helps to fund the operations of regional landscape boards who*

(h) Community Wastewater Management Systems

(i) A council **may** grant a rebate of rates or service charges in a number of circumstances. The rates which are foregone via Discretionary Rebates are redistributed across the ratepayer base (ie. all other ratepayers are subsidising the rates contribution for those properties who receive the rebate).

(j) Expected Total Rates Revenue excludes other charges such as penalties for late payment and legal and other costs recovered.

(k) 'Growth' as defined in the *Local Government (Financial Management) Regulations 2011 reg 6(2)*

EXPECTED RATES REVENUE

	TOTAL EXPECTED REVENUE			NO. OF RATEABLE PROPERTIES		AVERAGE PER RATEABLE PROPERTY			CENTS IN THE $
	2022-2023	**2023-24**	**Change**	2022-23	**2023-24**	2022-23	**2023-24**	**Change**	**2023-24**
Land Use (General Rates - GROSS)									
Residential	$1,395,848	**$1,485,354**	**6%**	1353	**1376**	$1032	$1,079 *(m)*	**$48**	**0.260401**
Commercial - Shop, Office, Other	$97,254	**$105,937**	**9%**	73	**75**	$1,332	$1,412 *(m)*	**$80**	**0.247381**
Industry - Light, Other	$18,997	**$19,723**	**4%**	27	**27**	$704	$730 *(m)*	**$27**	**0.247381**
Primary Production	$3,128,402	**$3,313,999**	**6%**	653	**657**	$4,791	$5,044 *(m)*	**$253**	**0.164053**
Vacant Land	$298,637	**$312,418**	**5%**	485	**473**	$616	$661 *(m)*	**$45**	**0.351541**
Other	$13,084	**$13,734**	**5%**	20	**20**	$654	$687 *(m)*	**$33**	**0.260401**
Marina Berth	$6,593	**$6,804**	**3%**	21	**21**	$314	$324 *(m)*	**$10**	**0.260401**
Total Land Use	$4,958,815	**$5,257,969**	**6%**	**2,632**	**2,649**	**$1,884**	**$1,985** *(m)*	**$101**	

MINIMUM RATE

	No. of properties to which rate will apply		Rate		
	2023-24	**% of total rateable properties**	2022-23	**2023-24**	Change
Minimum Rate	**$673.20**	**25.4%**	$635.10	**$673.20** *(n)*	**$38**

ADOPTED VALUATION METHOD

Capital Value/Site Value/Annual Value

Council has the option of adopting one of three valuation methodologies to assess the properties in its area for rating purposes:

1. **Capital Value** – the value of the land and all improvements on the land;
2. **Site Value** – the value of the land and any improvements which predominantly affect the amenity of use of the land, such as drainage works, but excluding the value of buildings and other improvements (Note: Site Value will cease to be an option from 1 Sept 2023); or
3. **Annual Value** – a valuation of the rental potential of the property.

Council continues to use Capital Value as the basis for valuing land in the Council area.

NOTES

(m) Average per rateable property calculated as General Rates for category, including any fixed charge or minimum rate (if applicable) but excluding any separate rates, *divided by number of rateable properties within that category in the relevant financial year.*

(n) Where two or more adjoining properties have the same owner and are occupied by the same occupier, only one minimum rate is payable by the ratepayer.

Appendix 1

2023-2024 ANNUAL BUDGET & FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

$'000	Current Forecast 2022/23	Budget 2023/24
Income		
Investment Income	110	110
Grants, Subsidies and Contributions	1,019	1,814
Other Income	86	30
Rates General & Other	6,109	6,524
Reimbursements	198	194
Statutory Charges	166	142
User Charges	926	881
Total Income	**8,614**	**9,695**
Expenses		
Depreciation, Amortisation & Impairment	2,605	2,622
Employee Costs	2,311	2,495
Finance Costs	86	75
Materials, Contracts & Other Expenses	4,414	4,488
Total Expenses	**9,416**	**9,680**
OPERATING SURPLUS/(DEFICIT)	**(802)**	**15**
Asset Disposal & Fair Value Adjustments		
Amounts Received Specifically for New or Upgraded Assets	769	1,953
Physical Resources Receveid Free of Charge		
NET SURPLUS/(DEFICIT)	**(33)**	**1,968**
Other Comprehensive Income		
Changes in Revaluation Surplus	101	60
TOTAL COMPREHENSIVE INCOME	**68**	**2,028**

UNIFORM PRESENTATION OF FINANCES

$'000	Current Forecast 2022/23	Budget 2023/24
Income	8,614	9,695
Less Expenditure	(9,416)	(9,680)
Operating Surplus/(Deficit)	**(802)**	**15**
Less Net Outlays on Existing Assets		
Capital Expenditure on Renewal/Replacement	3,048	2,563
Less Depreciation, Amortisation and Impairment	(2,605)	(2,622)
Less Proceeds from Sale of Replaced Assets	(327)	(215)
Total Net Outlays on Existing Assets	**116**	**(274)**
Less Net Outlays on New and Upgraded Assets		
Capital Expenditure on New/Upgraded Assets	1,032	3,140
Less Amounts received for New/Upgraded Assets	(769)	(1,953)
Less Proceeds from Sale of Surplus Assets		
Total Net Outlays on New/Upgraded Assets	**263**	**1,187**
Net Lending/(Borrowing) for Financial Year	**(1,181)**	**(898)**

STATEMENT OF CASH FLOW

$'000	Current Forecast 2022/23	Budget 2023/24
Cash Flows from Operating Activities		
Receipts		
Rates Receipts	6,079	6,526
Statutory Charges	164	143
User Charges	914	882
Grants, Subsides and Contributions	1,014	1,761
Investment Receipts	108	110
Reimbursements	194	194
Other Receipts	84	33
Payments		
Payments to Employees	(2,326)	(2,492)
Payments for Materials, Contracts & Other Expenses	(4,580)	(4,477)
Finance Payments	(85)	(76)
Net (increase)/decrease in inventories	1,566	2,604
Net Cash provided by (or used in) Operating Activities	**1,566**	**2,604**
Cash Flows from Investing Activities		
Receipts		
Amounts Received Specifically for New/Upgraded Assets	769	1,953
Sale of Replaced Assets	327	215
Sale of Surplus Assets		-
Repayments of Loans by Community Groups	4	4
Payments		
Expenditure on Renewal/Replacement of Assets	(3,048)	(2,563)
Expenditure on New/Upgraded Assets	(1,032)	(3,140)
Loans Made to Community Groups		
Net Cash provided by (or used in) Investing Activities	**(2,980)**	**(3,531)**
Cash Flows from Financing Activities		
Receipts		
Proceeds from Borrowings	-	0
Payments		
Repayments of Borrowings	(156)	(120)
Repayment of CAD	(421)	
Net Cash provided by (or used in) Financing Activities	**(577)**	**(120)**
Net Increase (Decrease) in Cash Held	**(1,991)**	**(1,047)**
Plus Cash & Cash Equivalents at beginning of period	6,122	4,131
Cash & Cash Equivalents at end of period	**4,131**	**3,084**

STATEMENT OF FINANCIAL POSITION

$'000	Current Forecast 2022/23	Budget 2023/24
ASSETS		
Current Assets		
Cash and Cash Equivalents	4,131	3,084
Trade & Other Receivables	329	384
Inventories	103	105
Total Current Assets	**4,563**	**3,573**
Non-Current Assets		
Financial Assets	2,848	2,846
Infrastructure, Property, Plant & Equipment	140,944	143,871
Total Non-Current Assets	**143,792**	**146,717**
TOTAL ASSETS	**148,355**	**150,290**
LIABILITIES		
Current Liabilities		
Trade & Other Payables	1,117	1,143
Borrowings	156	120
Provisions	383	383
Total Current Liabilities	**1,656**	**1,646**
Non-Current Liabilities		
Borrowings	3,645	3,562
Provisions	73	73
Total Non-current Liabilities	**3,718**	**3,635**
TOTAL LIABILITIES	**5,374**	**5,281**
NET ASSETS	**142,981**	**145,009**
EQUITY		
Accumulated Surplus	24,671	26,638
Asset Revaluation Reserve	115,414	115,475
Other Reserves	2,896	2,896
TOTAL COUNCIL EQUITY	**142,981**	**145,009**

STATEMENT OF CHANGES IN EQUITY

$'000	Accumulated Surplus	Asset Revaluation Reserve	Other Reserves	Total Equity
2023/24				
Opening Balance	**24,671**	**115,414**	**2,896**	**142,981**
Net Surplus / (Deficit) for Year	**1,968**			**1,968**
Gain Loss on revaluation		60		60
Balance at the end of period	**26,639**	**115,474**	**2,896**	**145,009**
2022/23				
Opening Balance	**24,704**	**115,313**	**2,896**	**142,913**
Net Surplus / (Deficit) for Year	**(33)**			**(33)**
Gain Loss on revaluation		101		101
Transfers between Reserves				
Balance at the end of period	**24,671**	**115,414**	**2,896**	**142,981**

Appendix 2

KEY FINANCIAL INDICATORS 2024-2033
UNIFORM PRESENTATION OF FINANCES 2024-2033

ESTIMATED KEY FINANCIAL INDICATORS 2024-2033

ESTIMATED KEY FINANCIAL INDICATORS 2024-2033												
	Target range in any one year	**2022-2023 Forecast**	**2023-2024 Budget**	**2024-2025**	**2025-2026**	**2026-2027**	**2027-2028**	**2028-2029**	**2029-2030**	**2030-2031**	**2031-2032**	**2032-2033**
Operating surplus ratio	-2%- 2%	-9.31%	0.15%	-9.75%	-8.39%	-8.48%	-5.13%	-4.35%	-2.52%	-1.63%	0.53%	1.70%
Net financial liability ratio	Maximum 100%	-22.44%	-10.66%	-12.30%	5.09%	7.98%	11.73%	9.99%	9.19%	9.83%	5.22%	1.00%
Asset renewal funding ratio	90% - 110%	123.36%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

UNIFORM PRESENTATION OF FINANCES 2024-2033

Kingston District Council												
10 Year Financial Plan for the Years ending 30 June 2033		Budget Review 3										
UNIFORM PRESENTATION OF FINANCES - GENERAL FUND	Actuals	Current Year	Projected Years									
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Scenario: Rolled over from V13 (with 21/22 as base year)	$	$	$	$	$	$	$	$	$	$	$	$
Operating Activities												
Income	9,170,000	8,615,267	9,694,864	9,067,716	9,422,793	9,787,811	10,170,843	10,572,446	10,990,436	11,426,130	11,881,754	12,357,056
less Expenses	(8,561,000)	(9,416,928)	(9,680,293)	(9,951,519)	(10,213,498)	(10,617,696)	(10,692,224)	(11,032,097)	(11,267,506)	(11,612,711)	(11,818,854)	(12,147,378)
Operating Surplus / (Deficit)	**609,000**	**(801,661)**	**14,571**	**(883,804)**	**(790,704)**	**(829,885)**	**(521,381)**	**(459,651)**	**(277,070)**	**(186,580)**	**62,900**	**209,678**
Capital Activities												
less (Net Outlays) on Existing Assets												
Capital Expenditure on Renewal and Replacement of Existing Assets	(1,229,000)	(3,048,229)	(2,562,878)	(1,859,040)	(2,444,186)	(2,389,067)	(2,377,923)	(2,229,616)	(2,688,869)	(2,315,714)	(2,384,631)	(2,637,141)
add back Depreciation, Amortisation and Impairment	2,581,000	2,605,981	2,621,699	2,687,832	2,718,670	2,744,098	2,744,102	2,751,132	2,751,133	2,751,137	2,759,073	2,759,074
add back Proceeds from Sale of Replaced Assets	61,000	327,000	215,000	139,860	174,900	179,850	123,200	80,500	265,500	72,600	68,200	171,450
(Net Outlays) on Existing Assets	**1,413,000**	**(115,248)**	**273,821**	**968,652**	**449,384**	**534,881**	**489,379**	**602,016**	**327,764**	**508,023**	**442,642**	**293,383**
less (Net Outlays) on New and Upgraded Assets												
Capital Expenditure on New and Upgraded Assets (including Investment Property & Real Estate Develop-	(1,231,000)	(1,032,500)	(3,139,768)	-	(2,500,000)	-	(379,811)	-	-	(428,812)	-	-
add back Amounts Received Specifically for New and Upgraded Assets	614,000	768,959	1,953,000	-	1,250,000	-	-	-	-	-	-	-
add back Proceeds from Sale of Surplus Assets (including Investment Property & and Real Estate Develop-	8,000	-	-	-	-	-	-	-	-	-	-	-
(Net Outlays) on New and Upgraded Assets	**(609,000)**	**(263,541)**	**(1,186,768)**	**-**	**(1,250,000)**	**-**	**(379,811)**	**-**	**-**	**(428,812)**	**-**	**-**
Net Lending / (Borrowing) for Financial Year	**1,413,000**	**(1,180,450)**	**(898,376)**	**84,848**	**(1,591,320)**	**(295,004)**	**(411,813)**	**142,365**	**50,694**	**(107,369)**	**505,543**	**503,062**

Appendix 3
ESCOSA –SMP ADVICE

ESCOSA Recommendations & Council Response

Recommendation & Response	Implementation Time-line			
	2023-24	2024-25	2025-26	2026-27
Recommendation 1: Consider updating the LTFP from 2023/24 to include projections for: The statement of income in full, and A breakdown of proposed aggregated capital expenditure (including asset renewal expenditure) on different categories of infrastructure.				
Council's LTFP currently meets legislative requirements. Council will include a statement of income in full in future LTFP's. A breakdown of aggregated capital expenditure is included in Council's IAMP.	☺			
Recommendation 2: Consider better coordination of annual updates to LTFP projections with annual business plan and budget preparation to provide more transparency to the community about changes to forward projections, including rate projections, and the longer-term impacts of its short-term decisions.				
Recommendation noted. Future review of LTFP will be undertaken as soon as practicable after adoption of ABP.	☺	✔	✔	✔
Recommendation 3: Ensure that it's LTFP identifies whether it is in nominal or real terms and includes reasonable assumptions of annual inflation and other relevant inputs for its cost and revenue estimates, reflecting an annual review of these assumptions.				
Recommendation noted. Future LTFP's will include nominal terms and reasonable assumptions.	☺			
Recommendation 4: Focus on constraining cost growth more generally in its annual and projected budgeting, including related to employee and other contract related costs.				
Continue to consider and adjust human resource levels in response to adopted service level requirements, taking into account industrial agreements. Continue to responsibly manage cost growth for maintaining service levels and meeting community expectations while minimising the financial impact to ratepayers. There are no changes to employee levels for the life of the current LTFP.	✔	✔	✔	✔
Recommendation 5: Report its actual and projected cost savings in its annual budget, to provide evidence of constraining cost growth and achieving efficiency across its operations and service delivery.				
Continue to report on the progress of actual savings achieved in the Quarterly Performance Reports.	✔	✔	✔	✔
Recommendation 6: Review the estimates of asset lives and valuations feeding into the forecast rate of asset consumption in its LTFP and IAMP				

LEGEND: ☺ **= Complete** ✔ **= Planned/ In Progress**

Continue 5 yearly revaluations of all asset classes and update LTFP and IAMP accordingly.	✔	✔	✔	✔
Recommendation 7: Adhere to the principals underpinning its LTFP projections to provide more funding to the renewal of its assets, rather than prioritizing initiatives which involve new or upgraded infrastructure.				
Continue quarterly review of all financial ratios to monitor target ranges as set out in the Financial Sustainability Targets and Ratios Policy. Annual review of Financial Targets and Ratios Policy in conjunction with review of LTFP. Consider impact of all new projects during Annual Business Plan deliberations.	✔	✔	✔	✔
Recommendation 8: Monitor community priorities regarding desired service levels for different assets and include community engagement outcomes in its IAMP, as appropriate.				
Continue to consider community feedback from annual IAMP community engagement and include relevant comments in IAMP.	✔	✔	✔	✔
Recommendation 9: Ensure that the next review of its IAMP caters for future Community Wastewater Management System infrastructure requirements.				
Recommendation noted. Waiting on costing for future expansion of CWMS. Once known, and if the project proceeds, future CWMS infrastructure requirements will be included in IAMP.	✔	✔	✔	✔
Recommendation 10: Review and consider future increases above inflation on its rate levels, including for its more vulnerable members of the community, to help reduce affordability risk.				
Continue to responsibly manage cost growth for maintaining service levels and meeting community expectations while minimising the financial impact to ratepayers.	✔	✔	✔	✔
Recommendation 11: Focus on constraining cost growth to reduce the pressure on all rate levels, including consideration of the community's desired service levels, and proposed new capital expenditure and associated costs.				
Continue to responsibly manage cost growth for maintaining service levels and meeting community expectations while minimising the financial impact to ratepayers.	✔	✔	✔	✔

LEGEND: ☺ **= Complete** ✔ **= Planned/ In Progress**

ESSENTIAL SERVICES COMMISSION OF SOUTH AUSTRALIA

Advice

Local Government Advice

Kingston District Council

February 2023

Enquiries concerning this advice should be addressed to:

Essential Services Commission
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Glossary of terms

ABS	Australian Bureau of Statistics
AMP	Asset Management Plan (also called an IAMP)
Commission	Essential Services Commission, established under the *Essential Services Commission Act 2002*
CPI	Consumer Price Index (Adelaide, All Groups)
Council	Kingston District Council
ESC Act	*Essential Services Commission Act 2002*
F&A	Local Government Advice: Framework and Approach – Final Report
FTE	Full Time Equivalent
IAMP	Infrastructure and Asset Management Plan (also called an AMP)
LG Act	*Local Government Act 1999*
LGA SA Financial Indicators Paper	Local Government Association of South Australia, Financial Sustainability Information Paper 9 - Financial Indicators Revised May 2019
LGGC	Local Government Grants Commission
LGPI	Local Government Price Index (published by SACES)
LTFP	Long Term Financial Plan
Regulations	*Local Government (Financial Management) Regulations 2011*
RBA	Reserve Bank of Australia
SACES	The South Australian Centre for Economic Studies
SEIFA	Socio-Economic Indexes for Areas
SMP	Strategic Management Plan
SG	Superannuation Guarantee
The scheme or advice	Local Government Advice Scheme or Advice

1 The Commission's key advice findings for the Kingston District Council

The Essential Services Commission (**Commission**) finds the Kingston District Council's (**Council's**) current financial position at risk of being unsustainable based on a history of high-cost growth and forecast operating deficits. However, the Council is projecting more spending constraint and cost efficiency to move into a more sustainable position over time. The Council's eventual projected operating surplus results from forecast rates growth exceeding forecast cost growth, but there remain risks to its projections.

Acknowledging this outlook, the Commission considers that it would be appropriate for the Council to undertake the following steps to ensure that it budgets prudently and transparently, manages its cost base efficiently, plans its asset needs appropriately, renews its asset base to meet sustainable service levels, engages with its community about desired service levels for its asset base, and ultimately, reduces the affordability risk for higher rates among its ratepayers:

Budgeting considerations

1. **Consider** updating the long-term financial plan from 2023-24 to include projections for:
   - the Statement of Income in full, and
   - a breakdown of proposed aggregated capital expenditure (including asset renewal expenditure) on different categories of infrastructure.
2. **Consider** better coordination of annual updates to long-term financial plan projections with annual business plan and budget preparation to provide more transparency to the community about changes to forward projections, including rate projections, and the longer-term impacts of its short-term decisions.
3. **Ensure** that its long-term financial plan identifies whether it is in nominal or real terms and includes reasonable assumptions of annual inflation and other relevant inputs for its cost and revenue estimates, reflecting an annual review of these assumptions.

Providing evidence of ongoing cost efficiencies

4. **Focus** on constraining cost growth more generally in its annual and projected budgeting, including related to employee and other contract-related costs.
5. **Report** its actual and projected cost savings in its annual budget, to provide evidence of constraining cost growth and achieving efficiency across its operations and service delivery.

Refinements to asset management planning

6. **Review** the estimates of asset lives and valuations feeding into the forecast rate of asset consumption in its long-term financial plan and asset management plan.
7. **Adhere** to the principles underpinning its long-term financial plan projections to provide more funding to the renewal of its assets, rather than prioritising initiatives which involve new or upgraded infrastructure.
8. **Monitor** community priorities regarding desired service levels for different assets and include community engagement outcomes in its infrastructure and asset management plan, as appropriate.

9. **Ensure** that the next review of its infrastructure and asset management plan caters for future community wastewater management system infrastructure requirements.

Containing rate levels

10. **Review** and **consider** limiting future increases above inflation on its rate levels, including for its more vulnerable members of the community, to help reduce affordability risk.
11. **Focus** on constraining cost growth to reduce the pressure on all rate levels (as per **Finding 4**), including consideration of the community's desired service levels (as per **Finding 8**), any proposed new capital expenditure and associated costs.

2 About the advice

The Essential Services Commission (**Commission**), South Australia's independent economic regulator and advisory body, has been given a role by the State Government to provide advice on material changes proposed by local councils in relation to elements of their strategic management plans (**SMPs**) and on the proposed revenue sources, including rates, which underpin those plans.[1]

One of the main purposes of the Local Government Advice Scheme (**advice** or **the scheme**) is to support councils to make 'financially sustainable' decisions relating to their annual business plans and budgets in the context of their long-term financial plans (**LTFPs**) and infrastructure and asset management plans (**IAMPs**)[2] – both required as part of a council's SMP.[3] Financial sustainability is considered to encompass intergenerational equity,[4] as well as program (service level) and rates stability in this context.[5] The other main purpose is for the Commission to consider ratepayer contributions in the context of revenue sources, outlined in the LTFP.[6] In addition, the Commission has discretion to provide advice on any other aspect of a council's LTFP or IAMP it considers appropriate, having regard to the circumstances of that council.[7]

The first cycle of the scheme extends over four years from 2022-23 to 2025-26, and the Commission has selected 15 councils for advice in the first scheme year (2022-23), including the Kingston District Council (**Council**).

This report provides the Local Government Advice for the Kingston District Council in 2022-23.

The Council is obliged under the *Local Government Act 1999* (**LG Act**) to publish this advice and its response, if applicable, in its 2023-24 Annual Business Plan (including any draft Annual Business Plan) and subsequent plans until the next cycle of the scheme.[8] It does not need to publish the attachment to the advice (these will be available with the advice on the Commission's website[9]), nor is it compelled under the LG Act to follow the advice. The Commission thanks the Kingston District Council for providing relevant information to assist the Commission in preparing this advice.

2.1 Summary of advice

In general, the Commission finds the Kingston District Council's current financial position at risk of being unsustainable with forecast operating deficits resulting from its revenue base, including rates revenue, being stretched to meet the extent of recent infrastructure and cost growth.

The Council's operating cost growth has been significant, particularly related to its employee expense growth (despite limited additional staffing numbers) but also related to its other contract-related expenses. The Council has also received higher levels of grant funding in recent years but, with only a

1 Amendments to the *Local Government Act 1999* (s122(1c) to (1k) and (9)) specify the responsibilities for the Commission and local councils for the Local Government Scheme Advice. The Commission must provide advice to each council in accordance with the matters outlined in s122(1e), (1f) and (1g).
2 Commonly referred to as asset management plans.
3 The objectives of the advice with reference to a council's LTFP and IAMPs are presented under LG Act, s122(1g). LG Act s122(1) specifies the requirements of a council's SMP, including the LTFP and IAMPs.
4 'Intergenerational equity' relates to fairly sharing services and the revenue generated to fund the services between current and future ratepayers.
5 Commission, *Framework and Approach – Final Report*, August 2022, pp. 2-3, available at www.escosa.sa.gov.au/advice/advice-to-local-government.
6 LG Act s122(1f)(a) and (1g)(a)(ii).
7 LG Act s122(1f)(b) and (1g)(b).
8 LG Act s122(1h).
9 The Commission must publish its advice under LG Act s122(1i)(a).

small rates base, persistent cost growth has put pressure on ratepayers to help achieve its sustainability.

Over the next 10 years, the Council has projected a shift from past trends and has forecast a period of service consolidation, incorporating below-inflation level cost growth, including for its employee expenses, and operational efficiencies in its dredging responsibilities. It is also demonstrating a cautious approach to new capital spending and is only including those initiatives in its financial projections for which it has secured grant or other funding to help deliver. Its forward projections otherwise prioritise asset spending towards renewal and rehabilitation works.

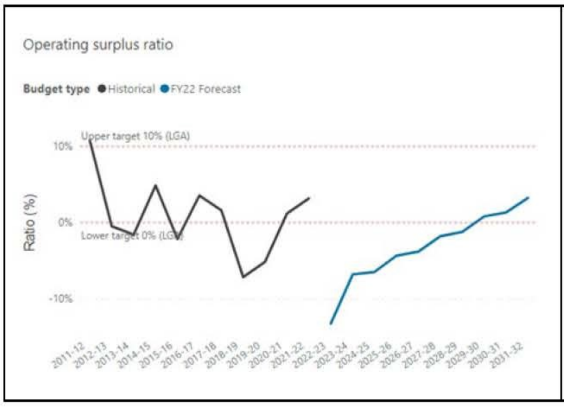
The Commission has some queries in relation to the Council's financial projections in its LTFP given the extent of the difference between estimates, including for rates, in its annual business plan for 2022-23, and the inflation forecasts that it has adopted. The Commission encourages the Council to reconsider the timing of when it adopts its LTFP to avoid these types of issues in the future.

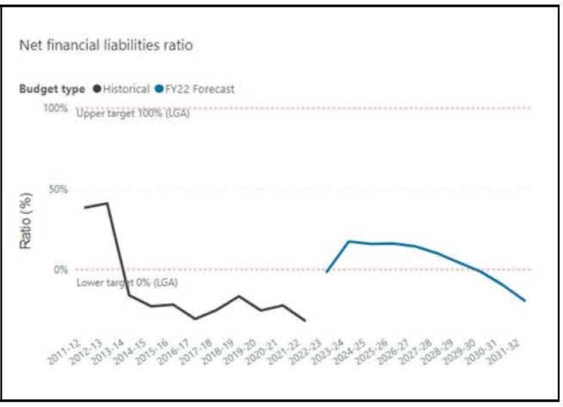
The Commission further encourages the Council to:

- engage its community about desired service levels for different assets and service priorities, with reference to costs and rate levels, as appropriate, and
- integrate these outcomes into its asset management and financial planning.

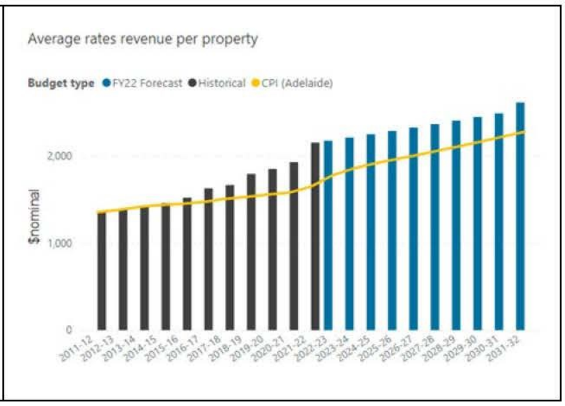
The charts below of the Council's past and projected operating surplus ratio, net financial liabilities ratio, asset renewal funding ratio, and average rate revenue per property, together support the Commission's findings.

The 'heat map' diagram over the page summarises the Commission's findings with reference to whether the Council has met the suggested Local Government Association (**LGA**) target ranges for the three main financial sustainability indicators[10] and the level of cost control and affordability risk identified for the Council over time.





10 The suggested LGA target range for the ratios are discussed in more detail in the attachment.



Summary of the Kingston District Council's financial sustainability performance and the Commission's risk assessment

Financial sustainability indicators:	Last 10 years from 2011-12 (Actual performance)		2021-22 estimate	Next 10 years from 2022-23 (Council forecasts)	
Operating surplus ratio (target 0-10%)	Ratio generally met the target ——>			Forecast operating deficits with ratio target range not met ——>	Surpluses forecast from 2029-30 ——>
Net financial liabilities ratio (target 0-100%)	Target met first 2 years	Ratio below the target ——>		Ratio forecast to meet the target	Ratio forecast below target from 2029-30
Asset renewal funding ratio (target 90-110%)	Ratio marginally below the target on average			Ratio to meet target range in projections ——>	
Identified Risks:					
Cost control risk	Operating expenses per property average growth 5.0% p.a. to 2020-21 (CPI 1.7% p.a.) ——>			Operating expenses per property average growth projeced flat to 2031-32 (low Council inflation forecast 1.2% p.a.) ——>	
Affordability risk	Rate revenue per property average growth 4.0% p.a. to 2020-21 ——>			Rate revenue per property average growth projected 2.1% p.a. (with low inflation forecast) ——>	

- Red: Ratio outside suggested target range or higher risk
- Yellow: Ratio close to suggested target range or medium risk
- Green: Ratio within suggested target range or lower risk

The extent of rate increases historically by the Council presents an affordability risk which could be addressed:

- in part, by sharing the rate revenue requirement more equitably and charging larger increases on rates categories where the affordability risk is lower (based on lower comparative rate levels and the Council's own assessment)
- more comprehensively, through a greater focus by the Council on cost control and achieving tangible savings - this could then reduce the pressure on all rate levels.

2.2 Detailed advice findings

The next sections summarise the Commission's more detailed advice findings regarding the Council's material changes to its 2022-23 plans (compared with the previous year's plans), its financial sustainability (in the context of its long-term operating performance, net financial liabilities, and asset renewals expenditure) and its current and projected rate levels.

In providing this advice, the Commission has followed the approach it previously explained in the *Framework and Approach – Final Report* (**F&A**). The attachment explores these matters further.[11]

2.2.1 Advice on material plan amendments in 2022-23

The Commission has compared the Kingston District Council's projections in its 2022-23 LTFP with those from its 2021-22 LTFP and focused on the aggregate of the nine overlapping years' statistics: 2022-23 to 2030-31 to ensure a comparable analysis of material amendments.

The Council proposed relatively minor increases to its operating income and expenses (of 4 and 5 percent respectively) between its 2021-22 and 2022-23 LTFP estimates. These changes could be accounted for by some minor revisions to inflation, as well as other minor adjustments.

The Council does not publish its projections for its Income Statement, only for total income and expenses. While this meets its legislative requirements, it is not possible to determine the individual cost items such as employee expenses and rate revenue projections over time.

The Council has made other capital expenditure related amendments to its 2022-23 LTFP forward projections, compared with the 2021-22 LTFP forecasts,[12] including an increase of $6.8 million for estimated capital expenditure on renewal of assets (for revaluations) and a reduction of $1.3 million on new and upgraded asset expenditure (for lower grant funding and spending reallocations).[13]

However, the Council's LTFP does not provide a breakdown of its capital expenditure into specific asset classes (for example, buildings, roads, stormwater). To provide greater visibility to stakeholders on where the Council is spending its money, as well as trends in its expenditure, the Commission considers that it would be appropriate for the Council to:

1. **Consider** updating the long-term financial plan from 2023-24 to include projections for:
   - the Statement of Income in full, and
   - a breakdown of proposed aggregated capital expenditure (including asset renewal expenditure) on different categories of infrastructure.

The Kingston District Council adopted its annual business plan in June 2022, two months after it adopted its LTFP 2022-23 in April 2022. The Council proposed further material amendments to its 2022-23 estimates for the financial year, from those proposed in its LTFP (including a rates revenue increase of 8.9 percent, compared with 2.0 percent in its 2022-23 LTFP).[14]

While the outlook for inflation worsened from April to June 2022, the extent of the amendments to the budget for 2022-23, which is also the base year of the LTFP projections over 10 years, suggests that the financial projections published for its community and provided to the Commission to formulate the

[11] The attachment will be available on the Commission's website with the Advice.
[12] The overlapping forecast period in both LTFPs.
[13] As provided by the Council in the returned financial template.
[14] Applies to 'general rates and other' revenue as per the annual business plan. More specifically, general rates plus service charges (Mobile Garbage Bin charge, Regional Landscape Levy and community wastewater management system charge).

Council's advice from, may be inconsistent. For this reason, the Commission considers that it would be appropriate for the Council to:

2. **Consider** better coordination of annual updates to long-term financial plan projections with annual business plan and budget preparation to provide more transparency to the community about changes to forward projections, including rate projections, and the longer-term impacts of its short-term decisions.

The Council's 2022-23 LTFP is presented in nominal terms, however the Council has not published the inflation assumptions that underpin its LTFP. Further, while the 2022-23 and 2021-22 LTFPs both state that '*The content of the LTFP is based on real dollars values for all future years to make it easier to compare between years.*'[15] the Council has confirmed with Commission staff that the forecast financial items in the LTFPs are in nominal terms, not real terms.

The Council has informed the Commission that its inflation forecast in the 10 projected years is 1.2 percent per annum, but it adjusted its Consumer Price Index (**CPI**) forecast to 4.7 percent for 2022-23 in its annual business plan.[16] The Reserve Bank of Australia (**RBA**) currently forecasts the CPI (Australia-wide) to increase by 6.7 percent in the year to the June 2023 quarter, by 3.6 percent in the year to the June 2024 quarter and by 3.0 percent in the year to June 2025 quarter, with an anticipated return to long-run average from 2025-26 (with growth of 2.5 percent per annum).[17]

Notwithstanding the need for the Council to endeavour to find savings in real terms to reduce any inflationary impact on its community, it would be appropriate for it to:

3. **Ensure** that its long-term financial plan identifies whether it is in nominal or real terms and includes reasonable assumptions of annual inflation and other relevant inputs for its cost and revenue estimates, reflecting an annual review of these assumptions.

2.2.2 Advice on financial sustainability

Operating performance

For the past 10 years, the Council's operating surplus ratio[18] has displayed an underlying decreasing trend, from 11 percent in 2011-12 to 3 percent in 2021-22. It averaged a small surplus over the period, with the ratio averaging 0.6 percent. The Council's operating expense growth (which averaged 5.4 percent per annum) exceeded its operating income growth (which averaged 3.8 percent per annum), while both were substantially higher than CPI inflation growth (which averaged 1.7 percent per annum). Costs were driven largely by employee, contract-related and depreciation expenses, consistent with a period of service expansion, while rates growth led income growth.

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15 District Council of Kingston District Council, *2022-32 Long Term Financial Plan 2022 - 2032*, April 2022, p. 7, available at https://www.kingstondc.sa.gov.au/__data/assets/pdf_file/0025/1139425/ADOPTED-Long-Term-Financial-Plan-2022-to-2032.pdf.

16 Kingston District Council, *Annual Business Plan 2022 - 2023*, June 2022, p. 7, available at https://www.kingstondc.sa.gov.au/__data/assets/pdf_file/0020/1170434/2022-23-Annual-Business-Plan-and-Budget-FINAL-ADOPTED.pdf.

17 RBA, Forecast Table - February 2023, available at https://www.rba.gov.au/publications/smp/2023/feb/forecasts.html.

18 The operating surplus ratio is defined as: Operating Surplus (Deficit) ÷ Total Operating Income. The general target is to achieve, on average over time, an operating surplus ratio of between zero and 10 percent (Local Government Association of South Australia, *Financial Sustainability Information Paper 9 - Financial Indicators Revised,* May 2019 (**LGA SA Financial Indicators Paper**, p. 6).

In the forward years, the Council is projecting a negative operating surplus ratio averaging negative 3 percent to 2031-32, with the ratio not forecast to be positive again until 2029-30. This is outside the suggested LGA target range for the ratio.

In the projected years in its LTFP, lower average operating income growth of 1.3 percent per annum and average expense growth of 0.6 percent per annum[19] are below the RBA-based average inflation forecast (2.8 percent).[20] This marks a shift from the Council's past operating performance when its employee expenses increased by 7.3 percent per annum (with net growth in staffing numbers from 18 to 19) and its 'materials, contracts and other' expenses increased by 4.9 percent per annum.[21]

Given the Council's inflation forecast is 1.2 percent per annum, it is effectively forecasting stable or reducing costs in real terms, although there are clear risks to the inflation forecasts, as was discussed in the previous section.

The Council has factored in future efficiencies from lower dredging costs at Cape Jaffa to be achieved from the 'dredge out of water' survey being completed (a one-off project in 2022-23), such that there will be a decrease of 8.7 percent in 'materials, contract and other' expenses in 2023-24. It is also assuming stable employee numbers.

Returning to a surplus position for the Kingston District Council relies on fiscal constraint and greater cost efficiency than the Council has achieved in the past, and the Commission encourages it to:

4. **Focus** on constraining cost growth more generally in its annual and projected budgeting, including related to employee and other contract-related costs.
5. **Report** its actual and projected cost savings in its annual budget, to provide evidence of constraining cost growth and achieving efficiency across its operations and service delivery.

Net financial liabilities

The Council has recorded a negative net financial liabilities ratio[22] with the 10-year average being negative 10 percent (from 2011-12 to 2020-21), and this is below the suggested LGA minimum target. The negative ratio has been largely due to an increase of $2.8 million for the Council's non-current financial assets[23] from 2013-14.

Cash and cash equivalents gradually increased from $2.2 million to $6.2 million between 2011-12 and 2021-22[24] but are projected to decrease to $1.5 million at the end of year 2022-23,[25] and remain on average at this level until 2031-32.

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19 Based on the compound average annual growth rate formula (which is the adopted approach to calculating average annual growth rates throughout the Commission's advice). From 2023-24, the Council's operating expense growth is forecast to average 1.1 percent per annum (noting the unreliability of the 2022-23 estimate).

20 The forecast average annual growth in the CPI from 2022-23 to 2031-32 is estimated to be 2.8 percent based on the RBA forecasts for the CPI (Australia-wide) to June 2025 (and the Commission's calculations of average annual percentage growth) and the midpoint of the RBA's target range (2.5 percent) from 2025-26.

21 The Commission notes the impact of the increase in the solid waste levy on councils' waste management costs over this period.

22 The net financial liabilities ratio is defined as: Net financial liabilities ÷ Total operating income. This ratio measures the extent to which a council's total operating income covers, or otherwise, its net financial liabilities. The LGA target range is between zero and 100 percent of total operating income, but possibly higher in some circumstances (LGA SA Financial Indicators Paper, pp. 7-8).

23 This can include long-term investments and other non-current financial assets.

24 The reason for accumulating cash, as explained by the Council, is that '*historically we have had a very conservative Council, with belief in intergenerational equity for significant and ongoing coastal Issues.*'

25 Please see attachment for the rationale of this sharp decrease.

The Council has estimated that its net financial liabilities ratio will become positive from 2023-24 but then decline and continue to be negative again from 2029-30. The projected 10-year average for the ratio is 5 percent, which is at the lower end of the suggested LGA target range and suggests that the Council might have further income capacity for higher borrowing levels in future years (if needed for yet to be defined projects), although further borrowing costs would also add to its operating expenses.

The Council has not disclosed the assumptions underpinning its borrowing forecasts in its LTFP (such as interest rates and loan facilities and/or terms, if applicable),[26] and the Commission recommends greater transparency to the community regarding its LTFP assumptions, as in **Finding 2**. The Commission notes that, with continued operating deficits, if the Council's financial projections are not achieved (for example, because interest rates are higher than anticipated), the Council's financial sustainability could be further impacted, creating a need for more rate increases. This risk should be monitored by the Council in its LTFP reviews each year.

Asset renewals expenditure

Between 2012-13 and 2021-22, the asset renewal funding ratio[27] (under the 'IAMP-based' approach) varied between 60 and 103 percent, with the average being 87 percent, which is close to but below the lower end of the suggested LGA target range. From 2022-23 to 2031-32, the ratio is forecast to be 100 percent and remain consistently within the LGA target range. Average annual spending on renewal or rehabilitation of assets is projected to increase from $1.3 million to $2.3 million. Annual spending on new or upgraded capital projects is forecast to average $250,000 to 2031-32 with a single allocation of $2.5 million for foreshore development works in 2023-24.

The Council has forecast that its depreciation expenses, which should represent the average rate of asset consumption over time, will continue to exceed spending on the renewal or rehabilitation of assets across the forward projections.[28] There can be legitimate reasons why depreciation expenses will exceed asset renewal expenditure at various times, but if depreciation expenses are overstated (perhaps because assets have longer lives than assumed), then this will result in higher than necessary operating expense estimates. In turn, this can create further pressure on the need for rate increases or worsen the operating position.

To ensure a closer alignment between depreciation expenses and asset renewals expenditure over the longer term, it would be appropriate for the Council to:

6. **Review** the estimates of asset lives and valuations feeding into the forecast rate of asset consumption in its long-term financial plan and asset management plan.

Considering the extent of continued operating deficits already forecast in its forward budgets and the potential for new assets to add to its operating requirements, the Commission considers it appropriate for the Council to:

7. **Adhere** to the principles underpinning its long-term financial plan projections to provide more funding to the renewal of its assets, rather than prioritising initiatives which involve new or upgraded infrastructure.

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[26] The Council has provided the assumptions to the Commission in correspondence.

[27] The IAMP-based method is the current industry standard whereby asset renewal/replacement expenditure is divided by the recommended expenditure in the IAMP (or AMP). Ideally, this will show the extent to which a council's renewal or replacement expenditure matches the need for this expenditure, as recommended by the plan. The suggested LGA target range for the ratio is 90 to 110 percent (LGA SA Financial Indicators Paper, p. 9).

[28] Annual asset renewal/replacement expenditure is forecast to average 82 percent of annual depreciation expenses from 2022-23 to 2031-32.

The Council has indicated it did not have access to the predictor module from its asset management system when it drafted the most recent IAMP, but its renewal program does reflect its 30 June 2021 revaluation.[29] In the IAMP, the Council plans to conduct a condition assessment of 'unsealed road depths' for the next four years from 2022-23. The Commission otherwise observes that there is limited information in the Council's IAMP regarding desired services by the community for different assets. The Commission encourages the Kingston District Council to:

8. **Monitor** community priorities regarding desired service levels for different assets and include community engagement outcomes in its infrastructure and asset management plan, as appropriate.

New assets expenditure

From 2011-12 to 2020-21, the expenditure on new/upgraded assets averaged around $0.9 million each year but, in its future projections, the Council has allocated $2.5 million in expenditure for the 'foreshore development project' (which is subject to 50 percent grant funding).

There are two new capital projects – Wyomi Beach Seawall and community wastewater management system (**CWMS**) ponds that have not been incorporated in the 2022-23 LTFP projected figures but may result in an increase in capital expenditure in the short to medium term.

Further, the Council identified in May 2022 an issue with onsite wastewater systems (**OWS**) within its area. In response, the Council has stated '*Council can effectively consider that the only viable solution is an extension to the existing CWMS in Kingston and that this is vital to encourage and support new residential development.*'[30] It is estimating the issue could affect 80 to 90 percent of the 525 allotments in the Kingston township not currently connected to the existing CWMS.[31]

The Council's IAMP includes the Wyomi Beach Seawall project indicative cost estimate[32] and identifies that it will need to engage engineers to undertake a condition assessment of the CWMS ponds,[33] although it does not yet include requirements for the additional allotments due to the OWS issue. To this end, it would be appropriate for the Council to:

9. **Ensure** that the next review of its infrastructure and asset management plan caters for future community waste management system infrastructure requirements.

2.2.3 Advice on current and projected rate levels

The Council's rate revenue growth has averaged 4.0 percent, or $54 per annum for each property over the past 10 years,[34] compared with average annual CPI growth of 1.7 percent over this period.

The Council has budgeted for an average rates revenue increase of 5.3 percent or $95 per property in 2022-23. The rates increase reflects higher short-term inflation (anticipated by the Council to be 4.7 percent in 2022-23), and an additional 0.6 percent rate increase. The estimated growth in rates revenue

29 Kingston District Council, *Infrastructure & Asset Management Plan 2022/23 - 2031/32*, April 2022, p. 9, available at https://www.kingstondc.sa.gov.au/__data/assets/pdf_file/0026/1139426/ADOPTED-Infrastructure-Asset-Management-Plan-2022-23-2031-32.pdf.

30 Kingston District Council, *Special Council Meeting Agenda – 9 August 2022*, p. 6, available at https://www.kingstondc.sa.gov.au/__data/assets/pdf_file/0023/1191434/9-August-2022-SCM-Agenda-PRESS-COPY-FULL.pdf.

31 Kingston District Council, *Special Council Meeting Agenda – 9 August 2022*, p. 32.

32 Kingston District Council, *Infrastructure & Asset Management Plan 2022/23 - 2031/32*, April 2022, p. 10.

33 Kingston District Council, *Infrastructure & Asset Management Plan 2022/23 - 2031/32*, April 2022, p. 12.

34 From 2011-12 to 2020-21.

(6.1 percent) also incorporates 0.8 percent growth in rateable properties.[35] Minimum rates, which are often paid by the more vulnerable members of the community, will increase by 6.2 percent or $37 (to $635).[36]

To 2031-32, the Council's average projected growth in rates revenue is 2.7 percent per annum, which was intended to comprise 1.5 percent growth in real terms (the Council assumed CPI inflation to average 1.2 percent per annum,[37] whereas RBA-based forecast inflation is now 2.8 percent from 2022-23 to 2031-32).[38]

Affordability risk among the community for the further rate increases exists based on a range of factors, including the existing rate levels,[39] current forecasts of inflation, an assessment of the economic resources available to the community[40] and the community concerns expressed about the past proposed increases.[41]

Ultimately, it will be the balance of rates revenue required to fund any gaps in grants income for the major seawall (planned but not yet allocated), and any additional projects, which will present further risk to ratepayers, especially given the Kingston District Council's relatively small rates base and limited alternative revenue-raising options.

To minimise the affordability risk to the Council's ratepayers and in the context of the period of service consolidation it has now forecast, it would be appropriate for the Council to:

10. **Review** and **consider** limiting future increases above inflation on its rate levels, including for its more vulnerable members of the community, to help reduce affordability risk.
11. **Focus** on constraining cost growth to reduce the pressure on all rate levels (as per **Finding 4**), including consideration of the community's desired service levels (as per **Finding 8**), any proposed new capital expenditure and associated costs.

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35 Kingston District Council, *Annual Business Plan 2022 - 2023*, June 2022, p. 34. Individual rate level changes may be higher or lower depending on the rates category and property value.

36 Kingston District Council, Annual Business Plan 2022- 2023, June 2022, p. 39.

37 The Council's inflation forecast in the projected years of 1.2 percent annually is based on the South Australian Centre for Economic Studies forecast in March 2021.

38 See footnote 20.

39 Average residential rates (which incorporates the discretionary rate and average property values) are relatively low whereas average 'non-residential' rates (including primary production rates) are relatively high. (Refer to Councils in Focus rates data for 2019-20 by rate category available at https://councilsinfocus.sa.gov.au/councils/kingston_district_council.) On the other hand, Kingston District Council's discretionary rates (the rate in the dollar by land-use category) are such that 'residential' and 'other' categories of land use have the highest rates while 'primary production' have the lowest. In general, the historical and projected rate increases by the Council has primarily guided the Commission in its advice.

40 The Kingston District Council area is ranked 39 among 71 South Australian '*local government areas*' (including Anangu Pitjantjatjara and Maralinga Tjarutja Aboriginal community areas and 'unincorporated SA') on the Australian Bureau of Statistics Socio-Economic Indexes for Areas Index of Economic Resources (2016), where a lower ranking (eg, 1) denotes relatively lower access to economic resources in general, compared with other areas, available at https://www.abs.gov.au/ausstats/subscriber.nsf/log?openagent&2033055001%20-%20lga%20indexes.xls&2033.0.55.001&Data%20Cubes&5604C75C214CD3D0CA25825D000F91AE&0&2016&27.03.2018&Latest.

41 The Council has demonstrated its willingness to establish community engagement and act upon stakeholders' feedback. In the draft 2022-23 annual business plan, the Council proposed to decrease the differential base rate of primary production ratepayers from 75 percent in 2021-22 (the residential rate is 100 percent) to 73 percent in 2022-23. After receiving 50 written submissions that expressed concerns about the proposed increase in the differential rate on primary production, the Council revised this rate to 70 percent in the finalised budget. (Kingston District Council, *Special Council Meeting Agenda – 16 June 2022*, p. 6, available at https://www.kingstondc.sa.gov.au/__data/assets/pdf_file/0028/1162099/16-June-2022-SCM-Agenda-FULL-COPY.pdf).

2.3 The Commission's next advice and focus areas

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

- assumptions in its LTFP projections and ongoing performance against its LTFP estimates
- general demonstration of the focus on cost constraints
- achievement and reporting of specific cost savings and efficiencies (including operational savings), and its reporting of these achievements
- actions to address any misalignment between the capital expenditure and depreciation estimates in its LTFP and IAMP
- its expenditure on the renewal of its asset base and inclusion of relevant CWMS infrastructure in its IAMP
- monitoring and reporting of the desired levels of service by the community for its various service assets in its IAMP, and
- how it has sought to address affordability risks.

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