

2026-27 ANNUAL BUSINESS PLAN & BUDGET

ADOPTED:

10 June 2026

PROPOSED BY:

District Council of Kimba



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Foreword

Council has delivered a significant pipeline of projects in recent years—driven by careful planning and strong external funding. That momentum matters, and we are determined not to lose it. Our focus is clear, to grow our economy, diversify our opportunities, and build a district that is not just liveable, but one people actively choose and are proud to call home.

But let's be upfront, this is getting harder.



Every budget is a balancing act between progress and affordability, and the pressure on rural councils is intensifying. We know rates matter. We know households and businesses are doing it tough. But Council is facing the same reality of rising costs, shrinking flexibility, and increasing expectations.

For small councils like ours, the numbers are unforgiving. Our rate base is limited. Our ability to absorb cost increases beyond CPI is virtually non-existent. Yet time and again, new responsibilities are pushed down from State and Federal governments without the funding to match.

The latest example is impossible to ignore. Fuel price shocks have driven up not only our direct costs, but the cost of essential materials and contracts. Road and street works in some cases have increased by up to 40%. That is not a marginal shift, that is a structural change. And unlike metropolitan councils, we don't have parking revenue, fines, or large alternative income streams to fall back on. When costs rise, we feel it immediately and completely.

We plan carefully and responsibly. Our Long Term Financial Plan looks ten years ahead to ensure we can maintain and renew assets, deliver major projects, and build organisational capacity. But no plan can fully absorb the impact of drought, floods, global instability, or economic shocks. So we do what rural communities have always done. We adapt, we prioritise, and we get on with the job.

Here's a simple reality. A 1% increase in rates generates approximately \$22,000. That doesn't go far when costs are rising well beyond inflation and in local government, they often are. Despite this, we have a strong track record of delivering results while maintaining discipline. But there are limits. There are no perfect answers, and standing still is not one of them.

At the same time, the role of local government is changing whether we like it or not. As other levels of government step back, councils are stepping in. Childcare, healthcare access, housing and libraries. These are no longer "someone else's problem." If we don't advocate and act, our communities go without.

We can talk about sticking to roads, rates, and rubbish but that mindset belongs to a different time. If we simply repeat what we did last year, we fall behind. Growth is not optional. Improvement is not optional. Investment is not optional and yes, that comes with difficult decisions.

We remain committed to keeping rate increases as low as possible, fully aware of the strain on our community and particularly our farming sector, who are carrying their own significant pressures. But those same pressures are hitting Council. The difference is, we cannot walk away from the services and infrastructure our community depends on.

So, we will continue to manage tightly, operate efficiently, and make considered decisions but we will also continue to push forward. Because the cost of inaction is decline.

Regional communities like ours are critical to this nation's future. But the gap between metropolitan and rural areas is widening, and it cannot be ignored.

We are proud of what we have achieved but we are not complacent. We are determined to keep building, improving, and advocating for our community.

And we need you with us.

Engage with us. Challenge us. Tell us what matters. Because the path forward is not easy but it is one we must shape together if we want a future, we can be proud of.

A handwritten signature in black ink, appearing to read 'D. Johnson', with a stylized flourish at the end.

Dean Johnson
Mayor
District Council of Kimba

1. Introduction

The Annual Business Plan (the Plan) outlines the District Council of Kimba's (Council) planned services, projects and major expenditures for the 2026-27 financial year.

The plan aims to maintain efficient and desired services and facilities for the community, without imposing an unrealistic rate burden on ratepayers. The provision of services by Council reflects both meeting Council's obligations under legislation and making policy choices on behalf of the community to achieve Council's longer-term goals. Council also has taken account of the current economic and seasonal conditions.

2. District Profile

The District Council of Kimba is located on the Eyre Highway, National Highway One, covers an area of approximately 3,500 square kilometres and has an estimated resident population of 1,083. Kimba is 475km from Adelaide, 155km west of Port Augusta and 315km east of Ceduna. Neighbouring towns are Cleve (69km), Kyancutta (90km), Cowell (90km) and Whyalla (145km). The district has an extensive road network, with some 1,716km of roads, 100km of which are sealed.

3. Strategic Direction

Council reviewed its suite of strategic management plans which were adopted during the 2024-25 financial year. Among other things, the strategic management plan considered regional, state and national objectives and strategies relevant to the social, physical, environmental development and management of Council's area of responsibility.

The Strategic Management Plan is a plan for the future operation of the Council that reflects the Vision, Goals, Objectives and Actions of the Kimba Community. The plan states the mission, goals and objectives of the Council and the actions the Council will take to fulfill the mission and achieve the goals and objectives. The plan forms the basis on which Council actions and decisions are taken.

MISSION

The District Council of Kimba is committed to making everyday living in Kimba unique. Our leaders are here to advocate for what matters to you and deliver the services and programs that are equitable which support the wellbeing and prosperity of our community.

VISION

To create a vibrant, sustainable community through leaders who are committed, innovative and who go beyond imagining a better future - they make it happen.

OUR VALUES

Council's values are the core principles and beliefs that guide the behaviour, decision-making, and culture of the organisation. They reflect what Council stands for and influence how we conduct business, interact with employees, customers, and other stakeholders, and achieve our goals.

Integrity – a commitment to honesty, transparency and ethical behaviour

Innovation – fostering creativity and adaptability in an ever-evolving landscape

Inclusion – creating an environment where every voice is heard, every viewpoint is considered and individuals feel safe, included, respected and supported

STRATEGIC OBJECTIVES

To support the development of the Kimba Township and district, Council has identified a range of strategic objectives and principal activities to focus its energies and resources on that will assist in supporting business growth and improving services to the community and its visitors. Three (3) strategic priorities have been identified by the Council, each of which represents an area of focus to guide future policy decisions, objectives and investment decisions for the District Council of Kimba. The principal activities are identified in Council's strategic management plan and are shown on Council's website or are available from the Council office.

1. Sustainable Development

To adopt practices that meet the community's current needs while ensuring that the natural environment and resources are preserved for future generations. This includes implementing eco-friendly infrastructure, maintaining existing Council and Community assets in a responsible manner, promoting sustainable agriculture, and encouraging the conservation of natural assets.

2. Community & Economic Growth & Innovation

To stimulate Kimba's economy through innovative approaches and diversify the economic base by attracting and supporting new and existing businesses, promoting tourism, and encouraging emerging industries while providing, maintaining, and promoting sustainable community services.

3. Progressive & Responsive Leadership

To foster a forward-thinking and inclusive approach to governance, emphasising the importance of transparency, community engagement, and adaptability in decision-making processes. To proactively identify and address community needs, stay informed about current trends, and be open to innovative solutions. To build strong relationships with stakeholders, encourage public participation, and foster community ownership in district initiatives.

4. Significant Influences & Priorities

The 2026-27 financial year, as always, will be another busy period for Council on the back of a busy 12 months, during which many projects have been delivered for the community. A comprehensive list of Council's achievements for the 2025-26 financial year can be found in Appendix C.

Other significant factors have influenced the preparation of the Council's 2026-27 Annual Business Plan & Budget.

These include:

- Council's current financial position and Long Term Financial Management Strategy.
- Consumer Price Index based on the 12 months to March 2026 CPI of 4.9%
- Expectations that Council's cost drivers will increase by more than CPI
- Requirements to maintain and improve infrastructure assets to sustainable standards
- Service delivery needs for the community
- Facilitating the future financial sustainability of Council by ensuring the financial operations remain within policy targets adopted for such purpose
- Provision for sufficiently qualified experienced and trained staff

Council has also included the establishment of a Business Support Officer position. The creation of this role has been identified as necessary in response to the significant increase in administrative workloads experienced across the organisation, driven by heightened compliance obligations, expanded reporting requirements, and ongoing legislative and regulatory changes. The position is intended to strengthen Council's operational capacity and provide additional support to administration staff to ensure the organisation can continue to meet its statutory responsibilities, governance obligations, and service delivery expectations in an effective and timely manner.

The current uncertainty surrounding fuel prices has the potential to continue over an extended period. While some of these increases are reflected within the Consumer Price Index (CPI), it is considered that the March CPI figure adopted in the Annual Business Plan may understate the actual level of inflation likely to be experienced over the next 12 months. This is expected to impact not only fuel-related expenses, but also a range of other operational and service delivery costs associated with local government activities, including materials, contractor services, plant operations, and general supply costs.

5. Continuing Services

The services provided by Council are separated into three categories being Mandatory, Traditional and Elective, with the table illustrating the allocation of services against the three categories.

Mandatory: Services that are either required by legislation or required for operations

Traditional: Services that are traditionally provided by Council to service the community needs

Elective: Services that are provided based on previous community demands or request that over and above the traditional services provided by Council

Function	Mandatory	Traditional	Elective
Administration	Administration general		
	Governance		
	Consultation/Engagement including social media and the website		
	Financial management		
	Payroll		
	WHS and strategic risk		
	Rate administration		
	Asset management		
	Elected Member support		
Community Services	Cemetery	Public conveniences	Community events
			Community Grants
			Advocacy for improved medical services and infrastructure
			Kimba Pioneer Memorial Village (independent living facilities)
Culture		Community library (financial assistance)	
		Kimba Memorial Soldiers Institute	
		Support of cultural events	

Function	Mandatory	Traditional	Elective
Economic Development			Tourism
			Visitor Information Centre
			Community and Economic Development Strategy
			Regional Development
			Childcare Service Planning
			Land for future housing developments
Environment	Fire prevention/hazard management	Waste management facility	
	Storm water and drainage	Weed spraying	
	Sewerage/CWMS	Waste management collection	
		Recycling depot	
		Drum Muster	
		e-waste collection	
		Street Lighting	
		Emergency Services Support	
Recreation		Recreation Reserve	Roora Walking Trail
		Parks and gardens	Whites Knob Lookout
		Playgrounds	
Regulatory Services	Animal management		
	Development		
	Environmental health		

Function	Mandatory	Traditional	Elective
Transport		Roads – Rural sealed maintenance	Community Bus
		Roads – town sealed maintenance	
		Roads – unsealed maintenance and patrol grading	
		Footpaths and kerbing	
		Storm damage	
		Aerodrome	
		Traffic management	
Business Activities			Private works
			Gravel pits/quarries
Plant and Machinery			
Depot and Indirect Expenditure			

5.1 Community Grants Program

As part of its annual budgeting process, Council allocates funding to facilitate its Community Grants Program which is intended to support local community groups to develop local projects of a community, cultural, recreational, environmental or sporting nature which demonstrate benefits to Kimba.

The funding recipients for 2026-27 are:

Recipient Name	Project	Grant Amount
Catholic Diocese of Port Pirie	Kimba Catholic Church house painting	\$3,000.00
Buckleboo Club Inc.	Recreation Reserve Oval Watering Project	\$5,000.00
Buckleboo Farm Improvement Group	Spreader Information Day	\$2,200.00
Kimba Community Development Group	Youth Defensive Driving Training	\$2,217.00
Kimba A H & F Show Society Inc	Onsite Medic and Children's Entertainment*	\$5,000.00

*Kimba AH&F Society Inc. – subject to completion of the 2025-26 acquittal and conditions to be outlined in a Letter of Offer.

5.2 Local Business Grants

As part of its annual budgeting process, Council allocates funding to facilitate its Local Business Grants Program which is intended to support local businesses.

The funding recipients for 2026-27 are:

Recipient Name	Project	Grant Amount
Eyre Business	Eyre Business Centre Facelift	\$5,000.00*
Kimba Café	Gift Shop/Nook Conversions	\$5,000.00**

*Eyre Business – subject to completion of the 2025-26 acquittal.

**Kimba Café – subject to conditions to be outlined in a Letter of Offer.

6. Capital Expenditure – Work Program

Item	\$,000	Comment
Renewal / Replacement		
Road Resheeting	767	In line with updated capital renewal program
Road Resealing	0	Resealing program deferred due to uncertainty of the level of increased bitumen costs
Office Equipment	20	
Minor Plant	10	
Motor Vehicles	155	
Isuzu Tipper with S/H Unit	80	
Auto Baler	80	
Buildings - KPMV	180	Surrounding infrastructure and transport of unit
CWMS	50	Replace remaining 7 manhole lids
Doctors House - West Terrace	85	Landscaping
Total Renewal / Replacement	1,427	
New / Upgraded		
Ferry Street Subdivision	403	Grant funding of \$312,325
Town Stormwater Re-Use	143	
Wombat Crossing	82	
Total New / Upgraded	628	
Total Capital Expenditure	2,055	

7. Financial Sustainability/Financial Performance Measures

All Council's pursuant to the Local Government Act 1999 are required to develop and maintain Long Term Financial Management Plans and Asset Management Plans to ensure sound strategic planning principles to assist with decision making are in place.

Council is committed to ensuring its long term financial sustainability. Council's financial sustainability is dependent on ensuring that, on average over time, its expenses are at least matched by its revenue. In addition, capital expenditure on existing infrastructure and other assets should be optimised in accordance with the Infrastructure and Asset Management Plan to minimise whole-of-life-cycle costs of assets.

7.1 Operating Surplus Ratio (OSR)

"Is Council covering its operating expenditure and depreciation charge from its operating revenue?"

The operating surplus ratio expresses the operating surplus / (deficit) as a percentage of total operating revenue. A result of greater than 0% would indicate that Council is covering its operating expenditure and depreciation charge from its operating revenue.

The operating surplus ratio for the proposed budgeted activity for the year is a deficit of (1.9%). This result arises because operating income is budgeted to be \$107k less than Council's operating expenses for the year.

Management will strive to generate additional income and reduce operating expenditure throughout the year with the intention of creating an operating surplus by 30 June 2027. At this point in time the budget is prepared based on the current data on hand.

7.2 Asset Renewal Funding Ratio (ARFR)

"Is Council replacing its assets at the same rate the assets are wearing out?"

The ARFR indicates whether the Council is renewing or replacing existing non-financial assets at the same rate as its overall stock of assets is wearing out.

The ratio is calculated by measuring capital expenditure on renewal and replacement of existing assets relative to Council's Asset Management Plan.

A result in the range of 90% to 110% would indicate that Council is replacing its assets in a timely manner. The forecast asset sustainability ratio is 100% which indicates that sufficient funds have been allocated to replace assets in the 2026-27 financial year.

7.3 Net Financial Liabilities (NFL) and Net Financial Liabilities Ratio (NFLR)

“Does Council have a manageable level of debt and other liabilities when considering its available revenue and other cash reserves?”

Net financial liabilities are a comprehensive measure of the indebtedness of the Council as they include items such as employee long-service leave entitlements and other amounts payable as well as taking account of the Council’s level of available cash and investments. Specifically, net financial liabilities equal total liabilities minus financial assets, where financial assets for this purpose includes cash, cash equivalents, trade and other receivables, and other financial assets, but excludes equity held in Council businesses, inventories and land held for resale.

The following table sets the budget estimates as of 30 June 2027:

Calculation of Net Financial Liabilities Ratio	\$,000
Trade & Other Payables	429
Provisions	562
Total Liabilities	991
Less Financial Assets:	
Cash & Cash Equivalents	4,188
Trade & Other Receivables	276
Total Financial Assets	4,464
Equals: Net financial liabilities (Total liability minus financial assets)	(3,473)
Operating Income (Opinc)	5,779
Net Financial Liabilities Ratio (NFL divide Opinc) Face value	(60%)

The current estimate of Council’s Net Financial Liabilities on 30 June 2027 is (\$3.5M) the brackets indicate that the level of Council’s financial assets will exceed its liabilities resulting in a NFLR of (60%).

For many years, successive Council’s at Kimba have taken an extremely prudent approach to the use of borrowings. Council is in a financial position to be able to either make more use of borrowings or draw on its cash and investments to fund any future high-cost new capital projects, as well as any outstanding infrastructure spending identified in its Infrastructure & Asset Management Plan. Council has a prudent policy in place of ensuring that net financial liabilities expressed as a percentage of operating revenue do not exceed an upper limit of 50%.

7.4 Overall Assessment of Council's Financial Sustainability (based on the above ratios)

The above ratios indicate that the proposed Annual Business Plan and the associated Budget that underpins it, is in a material sense financially sustainable over the following 12 months, it should be noted that at present the operating deficit (\$107k) is at a manageable level given that Council has cash reserves in excess of \$4M. Management will strive to identify further efficiencies throughout the year to deliver an operating surplus. This will be particularly challenging given the points raised above in section 4 – Significant Influences and Priorities

Council's ongoing financial strategy as identified in the 2027-36 Long Term Financial Plan will ensure that Council achieves an operating surplus on an ongoing basis for the financial years from 2028 to 2036.

The target Asset Sustainability Ratio of 100% is within the target ranges set by Council in the LTFP.

Council's Net Financial Liabilities are within the target ranges set by Council in the LTFP.

8. Objectives, Activities & Non-Financial Performance Measures – 2026-27

Deliver the following projects on time and within budget:

8.1 Operating Expenditure

- Deliver the EP Collaborative Waste and Recycling Project (Strategic Objective 1.4)
- Undertake required maintenance on the Community Wastewater Management Scheme (Strategic Objective 1.6)
- Continue the Small Business Grants Program with a more targeted approach (Strategic Objective 2.1)
- Develop a Community Based Care Workforce Model (Strategic Objective 2.1)
- Undertake a Comprehensive Event Feasibility Study (Strategic Objective 2.3)
- Deliver on an Economic Opportunities Feasibility Study (Strategic Objective 2.5)
- Continue the Community Grants Program (Strategic Objective 3.1)
- Support the delivery of sustainable agriculture workshops (Objective 1.2).
- Partner with relevant stakeholders to maximise opportunities to address the impacts of drought and other seasonal impacts (Objective 1.2).
- Investigate opportunities to deliver small-scale neighbourhood composting programs (Strategic Objective 1.4).
- Conduct an analytical process to assess climate risks to help prioritise actions, budgeting, and community engagement (Objective 1.5).

- Ensure the ongoing involvement with the NEPHA to develop models of sustainable health services by attendance of meetings and engagement with Eyre and Far North Local Health Network. (Objective 2.2).
- Lobby State and Federal Governments for the delivery of sustainable health services to the Kimba Community. (Objective 2.2).
- Contribute to the EP Inland Loop Project (Strategic Objective 2.3).
- Distribute the Community and Economic Development Strategy (Objective 2.5).
- Review the EP Drought Resilience Plan for any opportunities for Council and community (Objective 3.2).
- Deliver the reports that comprise the strategic financial reporting cycle in line with the due dates included in section 1 of the Audit & Risk Committee work program. (Objective 3.4).
- Deliver the Audit & Risk Committee work program items on an annual basis. (Objective 3.4).
- Ensure a work environment where employees feel psychologically and socially secure, including creating a culture where mental health is prioritised, stressors are minimised, and individuals feel respected and supported (Objective 3.6).

8.2 Capital Expenditure- Renewals

- Road resheeting program (Strategic Objective 1.6)
- Deliver on the plant replacement program at a cost of \$325k with trade-ins of \$75k (Strategic Objective 1.6)
- Deliver an additional 2-bedroom unit at the KPMV (Strategic Objective 1.6)
- Upgrade the rear landscaping at the Doctor's House (Strategic Objective 2.3)

8.3 Capital Expenditure – New /Upgraded

- Deliver Town Stormwater Reuse Infrastructure (Strategic Objective 1.4)
- Install a Wombat Crossing adjacent to the school on North Terrace (Strategic Objective 1.6)
- Progress with the Regional Housing Initiatives Program Project delivery (Strategic Objective 2.4)
- Apply for the Community Energy Upgrades Program to provide renewable energy solutions to Council buildings (Objective 1.1).
- Target grant funding with the intention of improving internet and telecommunications services (Objective 1.7).

9. Grant Funding

Council will receive the following grant funding in 2026-27:

- **Financial Assistance Grants**, both General Purpose and Identified Local Roads Grants (sourced from the Federal Government)
Council has complete discretion as to expenditure of funds received.
- **Specific Purpose Grants** (State and Federal Governments)
Which are to be spent on specific projects or programs.
- **Roads to Recovery Grants** (Federal Government)
While funds received are to be spent on road projects, Council has complete discretion on whether funding is applied towards maintaining, renewing or upgrading roads.
- Capital Grants are amounts received by Council specifically to be used for capital purposes.

Operating	\$,000
Financial Assistance Grant – Identified Local Roads	456
Financial Assistance Grant – General Purpose	1,322
Financial Assistance Grant – Supplementary Road Funding	150
Roads to Recovery	583
Library	2
Total Operating Grant Funding	2,513
Capital / Amounts Received specifically for New or Upgraded Assets	
Regional Housing Initiative Funding	312
Total Capital Grant Funding	2,285

10. Funding the Business Plan

A deficit operating result of (\$107k) is forecast for 2026-27. The operating result measures the difference between operating revenue and expenses for the period. The Council's long-term financial sustainability is dependent on ensuring that, on average overtime, its expenses are less than its revenue, as outlined in the LTFP.

Council's revenue in 2026-27 includes \$2.599M proposed to be raised from general and other rates. General Rate revenue has been increased by CPI of 4.9% plus an additional 2%. Other Rate revenue has been increased by CPI only.

Rate Revenue Components	\$,000
Rates	2,288
CWMS	131
Waste Management Levy	115
Natural Resource Management Levy	90
Rates Rebates and discounts	(40)
Rates Fines	15
Total General and Other Rates	2,599

Other sources of proposed revenue for the Council are:

- User charges and commercial revenue
- Statutory charges set by State Government
- Grants
- Other revenue

11. Uniform Presentation of Finances

The Uniform Presentation of Finances together with the results of the Key Financial Indicators provides a summarised report that focuses on Council's finances at a strategic level.

Definitions and examples of the key components of this report are included in the glossary at the end of this document.

The Uniform Presentation of Finances report highlights the operating surplus/ (deficit) measure which is considered the most critical indicator of a Council's financial performance.

The last line, or rather the result of this report, is the movement in Net Financial Liabilities (Net Lending/Borrowing) for the year based on Council's planned capital and operating budgets for that year.

Achieving a zero result on the net lending / (borrowing) measure in any one year essentially means that the Council has met its forecast expenditure from its forecast income.

UNIFORM PRESENTATION OF FINANCES	Forecast 2025-26 \$000	Budget 2026-27 \$000
Operating Revenue	5,464	5,779
less Operating Expense	(5,629)	(5,886)
Operating Surplus / (Deficit) before Capital Amounts	(164)	(107)
less Net Outlays on Existing Assets		
Capital Expenditure on Renewal & Replacement of Existing Assets	1,067	1,427
less Depreciation, Amortisation & Impairment	(1,585)	(1,605)
less Proceeds from Sale of Replaced Assets	(82)	(75)
Total Net Outlays on Existing Assets	(600)	(253)
less Net Outlays on New & Upgraded Assets		
Capital Expenditure on New & Upgraded Assets	497	628
less Amounts specifically for New or Upgraded Assets	(116)	(312)
less Proceeds from Sale of Surplus Assets	-	-
Total Net Outlays on New & Upgraded Assets	380	316
Net Lending/ (Borrowing) for Financial Year	55	(170)

The result of (\$170k) indicates that Council cash reserves will decrease by \$170k.

A full explanation of the components to the above Uniform Presentation of Finances is contained in Appendix A.

12. Rating Arrangements 2026-27

Differential Rating Principals

The 2026-27 Annual Business Plan aims to strike a balance between the level of services for the community and the need to ensure the long-term financial sustainability of Council. Council has limited options to generate the income required to pay for services which it provides to the community. Apart from the Federal and State Government grants mentioned above, some income can be raised through user charges, investment of surplus cash, hire of community facilities and other minor receipts. However, the primary source of income for Council is a property-based tax rate.

Rate income is generated by the broad application of fundamental principles of taxation (fairness and equity, simplicity, ability to pay and efficiency) with a view to achieving an equitable distribution of the rates burden among ratepayers.

In making a final decision about setting rates for the 2026-27 financial year, Council carefully considered the impact of rates on the community, including:

- the equity of the distribution of the rate burden between householders, businesses and primary producers;
- the broad principle that the rate in the dollar should be the same for all properties except where there is clearly a different level of services available to ratepayers or some other circumstance which warrants variation from the broad principle;
- minimising the level of general rates required by levying fees and charges for goods and services on a user pays basis, where that is appropriate to recover the full cost of operating or providing the service or goods, with provision for concessions to those members of the community unable to meet the full cost;
- community feedback on the draft 2026-27 Annual Business Plan & Budget.

General Rate Revenue

Council is budgeting to generate an additional 6.9% (CPI plus 2%) of general rate revenue for the 2026-27 financial year.

Differential Rate	2025-26 Rate in \$	2026-27 Rate in \$	2026-27 Revenue Raised
Residential	0.0037661	0.0035864	275,287
Commercial	0.0037661	0.0035864	77,537
Industrial	0.0037661	0.0035864	654
Vacant Land	0.0188304	0.0179322	44,584
Other	0.0037661	0.0035864	8,727
Primary Production	0.0030129	0.0028692	1,805,822
Silos	0.0088067	0.0083923	76,528
Total Expected revenue from General Rates (excluding rebates and remissions)			2,289,139

Minimum Rate

A Council may impose a minimum amount payable by way of rates, if it has not imposed a fixed charge. 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. Where a Council imposes a minimum rate, it must not apply to more than 35% of properties in the Council area.

Service Charges

Council plans to impose the following services rates and/or charges for the 2026-27 financial year, these have been increased from the 2025-26 financial year by CPI of 4.9%

- All connected properties \$334

- All Township Properties \$277

More detailed aspects of Council's rating structure and the policy currently adopted is shown on Council's website or is available from the Council office. That material includes:

- Method used to value land;
- Council's revenue raising powers;
- Use of Differential rates;
- Pensioner Concessions;
- Other Concessions;
- Remission and Postponement of rates;
- Postponement of rates for State Seniors (as a right);
- Rebate of rates.

Should Council refer the debt to a debt collection agency for collection, then any debt collection charges will be recoverable from the ratepayer. When the Council receives a payment in respect of overdue rates Council applies the money received as follows,

- to satisfy any costs awarded in connection with court proceedings to satisfy any interest costs
- payment of any fines imposed, and
- payment of rates, in chronological order, starting with the oldest account first.

Remission and Postponement of Rates

The Local Government Act permits Council, on the application of a ratepayer, to partially or wholly remit Rates or to postpone Rates, based on hardship. Where a Ratepayer is suffering hardship in paying Rates, they are invited to contact the Council to discuss the matter, with all such inquiries being treated confidentially

As part of this Rating Strategy the Council will make available extended payment arrangements by entering into a payment agreement where the payment of Rates will cause a demonstrable ratepayer hardship.

Recovery of Outstanding Rates

The Council has adopted a Debtor Management Policy that provides a policy and procedure approach to the recovering of outstanding rates. The policy is based on the forwarding of reminder notices when a rate installment is unpaid, and a further reminder notice after two rate installments remain unpaid. If the outstanding rate installments remain unpaid after the reminder notice payment date, then the outstanding amount is referred to Council's debt collection agent for recovery action.

Sale of Land for Non-Payment of Rates

The Local Government Act provides that a Council may sell any property where the Rates have been in arrears for three years or more. The Council is required to notify the owner of the land of its intention to sell the land, provide the owner with details of the outstanding amount[s], and advise the owner of its intention to sell the land if payment is not received within one month.

Hardship Policy

The District Council of Kimba is committed to assisting ratepayers who are experiencing financial hardship to manage their payments in a manner that best suits the customer and the Council.

The purpose of this policy is to identify ratepayers who are experiencing payment difficulties due to hardship and assist those customers to better manage their bills on an ongoing basis.

This policy sets out:

- processes to identify ratepayers experiencing payment difficulties due to hardship, including identification by us, self-identification by a ratepayer, identification by an accredited financial counsellor, or welfare agency, and
- an outline of a range of processes or programs that we will use, or apply, to assist our customers who have been identified as experiencing payment difficulties.

Ratepayers who may be identified as experiencing temporary hardship are those who have experienced a short-term change in circumstances, such as serious illness, disability or death in the family, loss or change in income, separation, divorce or other family crisis, a loss arising from an accident, or some other temporary financial difficulty. These customers generally require flexibility and temporary assistance, such as an extension of time to pay or an alternative payment arrangement.

The type of assistance available is covered in the following extract from the hardship policy:

Where a ratepayer has been identified as experiencing financial hardship, we will offer the customer, as soon as is reasonably practicable, flexible and frequent payment options that have regard to the hardship customer's usage, capacity to pay and current financial situation. These options will include the following:

- *an interest and fee free payment plan that complies with the intent of section 182 of the Local Government Act 1999,*
- *other arrangement, under which the customer is given more time to pay a bill or to pay in arrears,*
- *recognising that some ratepayers have a short-term financial hardship issue that may be resolved in the near to medium-term, where others may require a different type of assistance for ongoing financial issues.*

We will engage in discussion with the hardship customer to determine a realistic payment option in line with the customer's capacity to pay.

A full copy of this policy is available on Council's website.

Rebate of Rates

The Local Government Act 1999 requires Council's to rebate the rates payable on some land. Specific provisions are made for land used for health services, community services, religious purposes, public cemeteries and educational institutions. Discretionary rebates may be applied by the Council under Section 166 of the Act. An extract of the Local Government Act 1999 Section 166 is provided at Appendix D.

13. Public Consultation

Council published a notice in the Eyre Peninsula Advocate and on Council's website informing the community of the preparation of the draft 2026-27 Annual Business Plan & Annual Budget and inviting the community to attend the public consultation meeting to give them the opportunity to ask questions and make submissions, in relation to draft plan.

The draft 2026-27 Annual Business Plan & Annual Budget was made available on Council's website, via a link on their Facebook page and upon request at the Council Office prior to the public consultation meeting that took place at:

Venue: The Council Chambers

Date & Time: Wednesday 10th June 2026 from 11am to 1pm

An additional session was held as follows:

Venue: The Kimba Soldiers Memorial Institute Gardens

Date & Time: Thursday 4th June 2026 from 10am to 12noon

As per Council's Public Consultation Policy, the public consultation period commenced on Thursday 14 May 2026 and concluded on Wednesday 10th June 2026 at 12noon after a minimum of 21 days.

Written submissions could be made via email to council@kimba.sa.gov.au or in writing addressed to:

The Chief Executive Officer
District Council of Kimba
PO Box 189
KIMBA SA 5641

14. Amendments Post Public Consultation

Amendments to the Public Consultation Draft Annual Business Plan and Budget post public consultation as per S123(6) of the Local Government Act 1999:

(6a) However, 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.

There have been no material changes to the Draft Annual Business Plan and Budget 2026-27 Public Consultation version to this document as presented and adopted by Council (subject to any additional feedback received prior to this documents adoption at the June 2026 Council Meeting).

APPENDIX A – EXPLANATION OF UNIFORM PRESENTATION OF FINANCES

(example only for explanation purposes – left blank intentionally)

UNIFORM PRESENTATION OF FINANCES		2025-26 Forecast \$'000	2026-27 Budget \$'000
Income			
less Expenses			
Operating Surplus/ (Deficit)		-	-
Less: Net Outlays on Existing Assets			
Capital Expenditure on Renewal/Replacement of Existing Assets			
less Depreciation, Amortisation and Impairment Expenses			
less Proceeds from Sale of Replaced Assets			
Net Outlays on Existing Assets		-	-
Less: Net Outlays on New and Upgraded Assets			
Capital Expenditure on New/Upgraded Assets			
less Amounts received specifically for New/Upgraded Assets			
less Proceeds from Sale of Surplus Assets			
Net Outlays on New and Upgraded Assets		-	-
Net Lending/ (Borrowing) for Financial Year		-	-

Explanation/Examples of Components of Uniform Presentation of Finances

Operating Revenue and Expenditure: Represent the totals from the relevant lines of the Statement of Comprehensive Income (operating statement) for the year being reported on.

Capital Expenditure on renewal and replacement of Existing Assets: e.g. Roads reseals, replacement tractor, building renovations, replacement computer hardware.

Proceeds from sale of replaced assets: e.g. trade in value of a tractor or motor vehicle being replaced.

Capital Expenditure on New and Upgraded Assets: e.g. constructing a new building, constructing a new catchment pond, purchasing a piece of machinery that was not previously on hand.

Amounts specifically for new or upgraded Assets: e.g. Capital grants to partly fund a new CWMS, funds received to build new footpaths that did not previously exist.

Proceeds from Sale of Surplus Assets: Proceeds from the sale of a council building that was no longer required, sale of surplus land.

New/Upgraded vs Renewal/Replacement of Assets

The following definitions have been obtained from the South Australian Local Government Model Financial Statements.

A *new asset* is additional to Council's previous asset complement (e.g. roads constructed as part of a Council-owned subdivision are new assets. Similarly laying footpaths in areas where they did not previously exist are also new assets).

An *upgraded asset* replaces a previously existing asset with enhanced capability or functionality.

Renewal or replacement of an asset occurs where a previously existing asset is replaced without enhancement of the service capability except where this is incidental and unavoidable.

It is possible for capital expenditure to be a *combination of renewal as well as upgrade*. This is particularly prevalent in this Council region due to the increased volume of B-double traffic experienced in recent times. This has required existing roads to be rebuilt to higher standards (e.g. the replacement of a road that was initially was a 6 metre wide sheeted surface with an 8 metre width sheeted surface can be considered part replacement and part upgrade).

The important point to understand is that if Council cannot replace its existing assets in a timely manner, then new assets should not be built unless essential. By building new assets Council is effectively building new liabilities as the assets usually don't generate revenue (e.g. roads), cannot be sold, and will need to be maintained and eventually replaced.

APPENDIX B - STATUTORY STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME	Forecast 2025-26	Budget 2026-27	Variance
	\$,000	\$,000	\$,000
INCOME			
Rates – General & Other	2,438	2,599	161
Statutory Charges	22	25	4
User Charges	252	163	(89)
Grants, Subsidies & Contributions - Capital	5	0	(5)
Grants, Subsidies & Contributions - Operating	2,353	2,512	159
Investment Income	140	130	(10)
Reimbursements	121	256	135
Other Revenues	133	94	(39)
Total Operating Income	5,464	5,779	315
EXPENDITURE			
Employee Costs	1,859	2,052	193
Materials, Contracts & Other Expenses	2,185	2,230	45
Depreciation, Amortisation & Impairment	1,585	1,604	20
Total Operating Expenditure	5,629	5,886	257
OPERATING SURPLUS/(DEFICIT)	(164)	(107)	58
Amounts Specifically for New or Upgraded Assets	116	312	196
NET SURPLUS / (DEFICIT) transferred to Equity Statement	(48)	205	254

STATEMENT OF FINANCIAL POSITION	Forecast 2025-26	Budget 2026-27
	\$,000	\$,000
ASSETS		
CURRENT ASSETS		
Cash & Cash Equivalents	4,358	4,188
Trade & Other Receivables	245	245
Inventories (Fuel)	31	31
Total Current Assets	4,634	4,464
NON-CURRENT ASSETS		
Infrastructure, Property, Plant & Equipment	49,843	50,218
Other (WIP)	35	35
Total Non-Current Assets	49,878	50,253
TOTAL ASSETS	54,511	54,717
LIABILITIES		
CURRENT LIABILITIES		
Trade & Other Payables	429	429
Provisions	538	538
Total Current Liabilities	967	967
NON-CURRENT LIABILITIES		
Provisions	24	24
Total Non-Current Liabilities	24	24
TOTAL LIABILITIES	991	991
NET ASSETS	53,520	53,726
EQUITY		
Accumulated Surplus	19,189	19,394
Asset Revaluation Reserve	33,733	33,734
Other Reserves	598	598
TOTAL EQUITY	53,520	53,726

STATEMENT OF CASH FLOWS	Forecast 2025-26	Budget 2026-27
	\$,000	\$,000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		
Operating Receipts	5,908	5,649
Investment Receipts	140	130
Payments		
Operating Payments to Suppliers & Employees	3,833	4,281
Finance Payments	0	0
Net Cash provided by (or used in) Operating Activities	2,215	1,498
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts		
Amounts Specifically for New or Upgraded Assets	116	312
Sale of Replaced Assets	82	75
Sale of Surplus Assets	0	0
Payments		
Expenditure on Renewal/Replaced Assets	1,067	1,427
Expenditure on New/Upgraded Assets	497	628
Net cash provided by (used in) Investing Activities	(1,365)	(1,667)
Net Increase / Decrease in Cash	850	(170)
Cash and Cash Equivalents at start of reporting period	3,508	4,358
Cash & Cash Equivalents at the end of the reporting period	4,358	4,187

STATEMENT OF CHANGES IN EQUITY	Forecast 2025-26	Budget 2026-27
	\$,000	\$,000
ACCUMULATED SURPLUS		
Balance at end of previous reporting period	19,237	19,189
Net result for year	(48)	205
Balance at end of period	19,189	19,394
ASSET REVALUATION RESERVE		
Balance at end of previous reporting period	33,733	33,734
Balance at end of period	33,733	33,734
OTHER RESERVES		
Balance at end of previous reporting period	598	598
Balance at end of period	598	598
TOTAL EQUITY AT END OF REPORTING PERIOD	53,520	53,726

Appendix C – Annual Business Plan Achievements for 2025-26

Council considers it important that this draft Annual Business Plan for 2026-27 takes the opportunity to provide an assessment of the extent to which Council's objectives for 2025-26 are being attained. The following provides a progress report on the more significant items identified in the 2025-26 Annual Business Plan and Budget:

Objective / Project	Status at time of preparing 2026-27 ABP
Road resealing program (Strategic Objective 2.1)	Project completed as required within budgetary constraints.
Deliver on the plant replacement program at a cost of \$350,000 with trade-ins of \$45,000 (Strategic Objective 2.1)	All plant has been purchased and delivered with the exception of the Isuzu work ute which has been deferred to the 2026-27 year as a result of supply issues.
Progress with the Development of designs for a Childcare Centre (Strategic Objective 2.2)	This project is no longer required following the announcement of \$330,000 in combined State and Federal Government funding for 20 new long daycare places at Kimba Community Kindergarten. This outcome was the direct result of three years of strategic advocacy by Council, in partnership with CELA and the Regional Childcare Desert Advocacy Project.
Upgrade of Main Street Plans (Strategic Objective 1.6)	This project was delayed waiting on the on the finalization of the Kimba Urban Design Framework and Masterplan. It will now be deferred until the Powerline Undergrounding Project has been considered.
Completion of the Dog Park (Strategic Objective 2.1)	This project is complete.
Deliver an additional 2-bedroom unit at the KPMV (Strategic Objective 1.6)	The unit build is nearing completion however; delivery and surrounding infrastructure will be deferred to the 2026-27 financial year.
Continue the Small Business Grants Program with a more targeted approach (Strategic Objective 2.1)	Grant program reviewed and rolled out. One New Ventures grant was awarded, providing \$5,000 for the establishment of a new business in the holistic medicine space.

Objective / Project	Status at time of preparing 2026-27 ABP
Progress with the Regional Housing Initiatives Program Project delivery (Objective 2.4)	Progressing on time and within budget with completion scheduled 30 months from commencement.
Continue the Community Grants Program (Strategic Objective 3.1)	Complete.
Apply for the Community Energy Upgrades Program to provide renewable energy solutions to Council buildings (Strategic Objective 1.1)	This project is shovel ready however timelines did not allow for a submission to this program. Future programs will be considered.
Support the delivery of sustainable agriculture workshops (Objective 1.2)	Council has entered into a partnership with BFIG to support delivery of an AgTech Spreader Workshop for local producers, as part of its commitment to supporting sustainable and innovative agriculture in the region.
Partner with relevant stakeholders to maximise opportunities to address the impacts of drought and other seasonal impacts (Strategic Objective 1.2)	EPLGA representative on the Drought Advisory Committee and working closely with this group to implement projects relevant to funding available.
Investigate opportunities to deliver small-scale neighbourhood composting programs (Strategic Objective 1.4)	Kitchen Caddies were distributed as part of the Annual Business Plan 2025-26 consultation process, with distribution to be concluded by 30 June 2026. This initiative represents the first stage of a broader community composting program, with scope to evolve into a more comprehensive neighbourhood composting project in future years.
Conduct an analytical process to assess climate risks to help prioritise actions, budgeting, and community engagement (Strategic Objective 1.5)	Working with LGA of SA as part of the Climate Ready Regions Program to deliver this objective.
Target grant funding with the intention of improving internet and telecommunications services (Strategic Objective 1.7)	Working with Telstra on improved telecommunication and internet services and investigating additional grant funding opportunities. Upgrading Office internet to better serve the administration needs. Scheduled completion May 2026.

Objective / Project	Status at time of preparing 2026-27 ABP
Undertaking a review of the Disability Access & Inclusion Plan (Strategic Objective 2.2)	Review in progress and scheduled for completion by 30 th June 2026.
Ensure the ongoing involvement with NEPHA to develop models of sustainable health services by attendance at meetings and engagement with Eyre and Far North Local Health Network. (Strategic Objective 2.2)	Work is ongoing on the Northern Health Care Project as part of the NEPHA membership.
Lobby State and Federal Governments for the delivery of sustainable health services to the Kimba Community. (Strategic Objective 2.2)	Ongoing.
Review of the Community and Economic Development Strategy. (Strategic Objective 2.5)	Review of the Community and Economic Development Strategy is underway, with completion anticipated before 30 June 2026.
Review of the EP Drought Resilience Plan for any opportunities for Council and community (Strategic Objective 3.2)	Ongoing. Council is currently working with the group on a water security initiative.
Deliver the reports that comprise the strategic financial reporting cycle in line with the due dates included in section 1 of the Audit & Risk Committee work program. (Strategic Objective 3.4)	Ongoing with work required completed to date.
Deliver the Audit & Risk Committee work program items on an annual basis. (Strategic Objective 3.4)	Ongoing with work required completed to date.
Ensure a work environment where employees feel psychologically and socially secure including creating a culture where mental health is prioritized, stressors are minimized, and individuals feel respected and supported (Strategic Objective 3.6)	Staff surveys have been conducted and Risk Registers are anticipated to be completed by 30 th June 2026.

Additional Projects	Status at time of preparing ABP
Community Plant Giveaway Project (Strategic Objective 1.5)	This project is being delivered as part of the Annual Business Plan Public Consultation Process and will be concluded by 30 th June 2026.
Local Area Traffic Planning Review (Strategic Objective 1.6)	Anticipated to be completed by 30 th June 2026.
Free Camping Overflow Area – Detailed Design (Strategic Objective 2.3)	Anticipated to be completed by 30 th June 2026.
Cycling Trail Assessment (Strategic Objective 2.3)	Anticipated to be completed by 30 th June 2026.
Review of Wayfinding Strategy (Strategic Objective 2.3)	Anticipated to be completed by 30 th June 2026.
Upgrade to the Halfway Across Australia Sign (Strategic Objective 2.3)	Completed
Inland Eyre Loop Regional Tourism Partnership (Strategic Objective 2.3)	Regional tourism partnership established with Wudinna and Elliston District Council's. Initial concept pitch development underway, with agreed per-council budget and collaborative branding in progress.
Town Ambassador Program (Strategic Objective 2.5)	Project to be delivered in partnership with TAFE SA as a two-day community activation initiative to build local pride and engagement with the Kimba place brand.
Childcare Study Support Pilot (Strategic Objective 2.2)	New pilot program established to support a local participant undertaking the Diploma of Early Childhood Education and Care at TAFE SA Port Lincoln, with placement at Kimba Kindy. Program includes structured reimbursements and check-in schedule.

Appendix D – Discretionary Rebates and Remissions

1.1.2026—Local Government Act 1999

Rates and charges—Chapter 10

Rates and charges on land—Part 1

Rebates of rates—Division 5

166—Discretionary rebates of rates

- (1) A council may grant a rebate of rates or service charges in any of the following cases (not being cases that fall within a preceding provision of this Division):
- (a) where the rebate is desirable for the purpose of securing the proper development of the area (or a part of the area);
 - (b) where the rebate is desirable for the purpose of assisting or supporting a business in its area;
 - (c) where the rebate will conduce to the preservation of buildings or places of historic significance;
 - (d) where the land is being used for educational purposes;
 - (e) where the land is being used for agricultural, horticultural or floricultural exhibitions;
 - (f) where the land is being used for a hospital or health centre;
 - (g) where the land is being used to provide facilities or services for children or young persons;
 - (h) where the land is being used to provide accommodation for the aged or disabled;
 - (i) where the land is being used for a residential aged care facility that is approved for Commonwealth funding under the *Aged Care Act 1997* (Cwlth) or a day therapy centre;
 - (j) where the land is being used by an organisation which, in the opinion of the council, provides a benefit or service to the local community;
 - (k) where the rebate relates to common property or land vested in a community corporation under the *Community Titles Act 1996* over which the public has a free and unrestricted right of access and enjoyment;
 - (l) where the rebate is considered by the council to be appropriate to provide relief against what would otherwise amount to a substantial change in rates payable by a ratepayer due to—
 - (i) a redistribution of the rates burden within the community arising from a change to the basis or structure of the council's rates; or
 - (ii) a change to the basis on which land is valued for the purpose of rating, rapid changes in valuations, or anomalies in valuations;

- (m) where the rebate is considered by the council to be appropriate to provide relief in order to avoid what would otherwise constitute—
 - (i) a liability to pay a rate or charge that is inconsistent with the liabilities that were anticipated by the council in its annual business plan; or
 - (ii) a liability that is unfair or unreasonable;
 - (n) where the rebate is to give effect to a review of a decision of the council under Chapter 13 Part 2;
 - (o) where the rebate is contemplated under another provision of this Act.
- (1a) A council must, in deciding whether to grant a rebate of rates or charges under subsection (1)(d), (e), (f), (g), (h), (i) or (j), take into account—
- (a) the nature and extent of council services provided in respect of the land for which the rebate is sought in comparison to similar services provided elsewhere in its area; and
 - (b) the community need that is being met by activities carried out on the land for which the rebate is sought; and
 - (c) the extent to which activities carried out on the land for which the rebate is sought provides assistance or relief to disadvantaged persons,
- and may take into account other matters considered relevant by the council.
- (2) A rebate of rates or charges under subsection (1) may be granted on such conditions as the council thinks fit.
- (3) A rebate of rates or charges under subsection (1)(a), (b) or (k) may be granted for a period exceeding one year, but not exceeding 10 years.
- (3a) A rebate of rates or charges under subsection (1)(l) may be granted for a period exceeding one year, but not exceeding three years.
- (3b) A council should give reasonable consideration to the granting of rebates under this section and should not adopt a policy that excludes the consideration of applications for rebates on their merits.
- (4) A council may grant a rebate under this section that is up to (and including) 100 per cent of the relevant rates or service charge.

Appendix E – ESCOSA Local Government advice

Under the Local Government Advice Scheme established through the Local Government Act 1999, the Essential Services Commission has released advice for the second tranche of 17 of the State's 68 councils. Under the Scheme, the Commission is an advisory body, providing advice to all councils across a four-year cycle. The aim of the Scheme is to provide independent, risk-based advice to assist councils when making long-term financial and investment decisions for the benefit of ratepayers.

Councils are long-term businesses with ongoing service provision obligations and long-lived assets. From an overall community perspective, it is important that council rates are set at levels as low as sustainably possible, while:

- providing the standard and breadth of services that ratepayers value, and
- ensuring that councils have robust, long-term asset management, financing and operational plans which allow them to manage their assets efficiently and effectively over the long term, so as to sustain the delivery of those services and minimise their lifetime cost.

In that context, the advice relates to the appropriateness of Council's long-term financial plans, infrastructure and asset management plans and revenue sources as outlined in funding plans. It is an advisory scheme, identifying both risks and areas of good practice for councils to consider, with decision making remaining in the hands of the councils.

OFFICIAL



Advice

Local Government Advice

District Council of Kimba

February 2024

OFFICIAL

Enquiries concerning this advice should be addressed to:

Essential Services Commission
GPO Box 2605
Adelaide SA 5001

Telephone: (08) 8463 4444
Freecall: 1800 633 592 (SA and mobiles only)
E-mail: advice@escosa.sa.gov.au
Web: www.escosa.sa.gov.au

The Essential Services Commission is an independent statutory authority with functions in a range of essential services including water, sewerage, electricity, gas, rail and maritime services, and also has a general advisory function on economic matters. For more information, please visit www.escosa.sa.gov.au.



District Council of Kimba

AT A GLANCE

OVERVIEW

The Essential Services Commission finds the District Council of Kimba's current and projected financial performance **mostly sustainable** taking into account that the Council's future performance outcomes are reliant on continued support from grant income, the planned increases in rates income per property (in line with inflation of 2.6% p.a.), and continued monitoring of its cost growth

RISKS IMPACTING SUSTAINABILITY

- ⚠ Assumptions in the long-term financial plan and annual business plan are not sufficiently detailed, and are not in nominal terms
- ⚠ If cost growth levels exceed forecast and CPI levels, this would put pressure on the Council's operating performance
- ⚠ Asset valuations not being completed following the completion of road restoration works in 2024-25

CONTINUE

- ✓ Identifying, consulting and seeking funding on community priorities for new and upgraded assets
- ✓ Monitoring the growth in expenses in its budgeting
- ✓ Reviewing the extent of cash reserve forecasts in the context of its financial sustainability outlook

COMMISSION'S RECOMMENDATIONS

- Improve the transparency around assumptions and state explicitly the basis for preparation of annual business plans, budgets and the long-term financial plan
- Provide a version of the long-term financial plan in nominal terms when developed in real terms, for the benefit of ratepayers
- Provide further information on the financial (and ratepayer) implications in the long-term financial plans and annual business plans
- Consider monitoring and reporting actual and projected cost savings in the annual budget and long-term financial plan
- Consider the intended uses of accumulated funds
- Review the estimates of asset lives (and valuations) informing its forecast rate of asset consumption (and depreciation expenses) and asset renewal needs in the long-term financial plan and asset management plans
- Improve the transparency of the rate projections and associated indexation assumptions in the long-term financial plan, to enable comparisons across different planning periods

KEY FACTS

- Population in 2021 was 1,037
- Council covers 3,986 square kilometres
- 891 rateable properties in 2022-23
- \$2.1 million of rate income in 2022-23
- Value of assets held in 2022-23 equals \$48.6 million

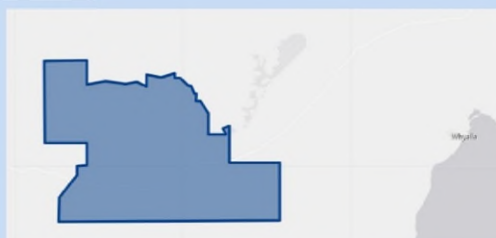


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Glossary of terms

ABS	Australian Bureau of Statistics
AMP	Asset management plan (also called an IAMP)
Commission	Essential Services Commission, established under the <i>Essential Services Commission Act 2002</i>
CPI	Consumer Price Index (Adelaide, All Groups)
Council	District Council of Kimba
CWMS	Community Wastewater Management System
ESC Act	<i>Essential Services Commission Act 2002</i>
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	<i>Local Government Act 1999</i>
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
LTFP	Long-term financial plan
Regulations	<i>Local Government (Financial Management) Regulations 2011</i>
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

Legend:  Low-risk  Moderate-risk  High-risk

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

The Essential Services Commission (**Commission**) finds the District Council of Kimba's (**Council**) current and projected financial performance is **mostly sustainable**, driven by historical and projected operating surpluses and the forecast renewal of its infrastructure assets. This follows a period of extensive works to restore its road network due to flood damage associated with Cyclone Tiffany in January 2022. The Council's projected financial performance is reliant on continued support from grant income, its planned increases in rates income (in line with inflation), and continued monitoring of its cost growth.

Current financial performance:

			
Unsustainable	Potentially Unsustainable	Mostly Sustainable	Sustainable

Projected financial performance (future):

			
Unsustainable	Potentially Unsustainable	Mostly Sustainable	Sustainable

Previous financial performance (past ten years):

			
Unsustainable	Potentially Unsustainable	Mostly Sustainable	Sustainable

Looking ahead, the Commission suggests the following steps, encouraging the Council to continue to budget appropriately, to consider monitoring and reporting of cost savings or efficiencies, to continue to update the assumptions underpinning its financial and asset management planning, and to look for opportunities to limit the extent of further rate increases.

Budgeting considerations

1. **Improve** the transparency around assumptions and state explicitly the basis for preparation of annual business plans, budgets and the long-term financial plan.
2. **Provide** a version of the long-term financial plan in nominal terms, when developed using real terms, for the benefit of ratepayers.
3. **Continue** to identify, consult, and seek funding on community priorities for new and upgraded assets; and **consider** providing further information on the financial (and ratepayer) implications in its long-term financial plans and annual business plans (as appropriate).

Providing evidence of constraining cost growth

4. **Continue** to monitor the growth in expenses in its budgeting, especially with regards to 'materials, contracts and other' expenses, and to provide evidence of constraining cost growth from pre-flood levels.
5. **Consider** implementing the good practice of monitoring and reporting actual and projected cost savings in its annual budget and long-term financial plan, as appropriate.

Level of cash reserves

6. **Continue** to review the extent of cash reserves forecast in the context of its financial sustainability outlook; and **consider** the intended uses of the accumulated funds.

Refinements to asset management planning

7. **Review** the estimates of asset lives (and valuations) informing its forecast rate of asset consumption (and depreciation expenses) and asset renewal needs in its long-term financial plan and asset management plans.

Transparency of rate projections

8. **Improve** the transparency of its rate projections and associated indexation assumptions in its long-term financial plan, to enable comparisons across different planning periods.

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 Parliament 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.⁵ The other main purpose is for the Commission to consider ratepayer contributions in the context of revenue sources, as 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 17 councils for advice in the second scheme year (2023-24), including the Council.

This report provides the Local Government Advice for the Council in 2023-24.

The Council is obliged under the *Local Government Act 1999* (**LG Act**) to publish this advice and its response, if applicable, in its 2024-25 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 website⁹), nor is it compelled under the LG Act to follow the advice.

The Commission thanks the Council for meeting with the Commission and for providing relevant information to assist the Commission in preparing this advice.

2.1 Summary of advice

The Commission finds the Council's financial position is **mostly sustainable**, driven by projected operating surpluses, albeit lower than in the past, in part due to the planning for rate increases in line with the Consumer Price Index (**CPI**).¹⁰ The Council is projecting it will continue to retain a relatively higher cash balance (averaging \$1.7 million per annum over its forecasts), which will provide it with some financial capacity to manage unforeseen events (and provide for working capital needs). Historically, the Council has been impacted by climate related events (such as flooding in January 2022) causing extensive damage to its road network, and it has been reliant on disaster funding and contractor support to re-establish the condition of its assets. This had led to significant one-off costs

¹ Amendments to the LG Act (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).

¹⁰ The forecast average annual growth in the CPI from 2023-24 to 2032-33 is estimated to be 2.6 percent based on the RBA forecasts for the CPI (Australia-wide) to December 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.

and income impacting on its finances and, since the recent event, the Council has, at times, not had the capacity to undertake other projects or initiatives.

Past rate increases have generally been higher than inflation and have supported the Council's financial capacity, covering its operating and service sustainability. The Council's current financial plans show that it is forecasting to maintain its 2023-24 rates incomes in real terms (meaning only increases in line with CPI are being contemplated). As such, the Commission considers it would be good budgeting practice for the Council to continue to be focused on monitoring cost growth and considering efficiency improvements (particularly in 'materials, contracts and other' expenses) to ensure that it remains in a sustainable position moving forward.

Based on the financial projections in its LTFP, the Commission considers that the Council is aiming to improve its performance and reduce ratepayer impacts. However, the Commission suggests that the Council could consider further transparency improvements, such as presenting its financial plan in nominal terms (explicitly considering inflation) and improving transparency as to assumptions.

2.2 Detailed advice findings

The next sections summarise the Commission's more detailed observations and advice regarding the Council's material changes to its 2023-24 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 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 2023-24

Key Points:

-  The long-term financial plan is prepared in real terms, meaning the presentation of its financial forecasts do not incorporate inflation expectations, and therefore the implications that this may have for ratepayers are less transparent.
-  The 2023-24 long-term financial plan forecasts lower operating surpluses totalling \$0.5 million compared to \$4.1 million forecast in the 2022-23 long-term financial plan.

In August 2023, the Council made amendments to its SMPs (including its LTFP and IAMP) to reflect recent events in the region and to meet the requirements under the LG Act requiring councils to undertake regular reviews of SMPs. Updates to the Council's plans include significant changes to the road asset renewal program to repair the extensive damage sustained from floods associated with Cyclone Tiffany in January 2022.

The Council has published its LTFP in real terms, meaning the presentation of its financial forecasts do not incorporate inflation expectations and, therefore, the implications that this may have for ratepayers may be less transparent.¹² For the purposes of the Commission's Advice, the Council provided its financial forecasts in nominal terms; however, it did not provide the inflation forecasts it used to convert its LTFP into nominal terms when providing the conversion to the Commission.¹³ Given the objective of open and transparent consultation, there is likely to be benefit in future published versions of the LTFP

¹¹ The attachment (to this advice) will be available on the Commission's website with the advice.

¹² District Council of Kimba, *Long Term Financial Plan 2024-33*, August 2023, p. 5.

¹³ To provide some guidance the Commission notes that the RBA currently forecasts the CPI (Australia-wide) to increase by 3.3 percent in the year to the June 2024 quarter, 3.1 percent in the year to June 2025, and by 2.6 percent in the year to June 2026. Thereafter, it is reasonable to anticipate a return to long-run averages (and growth of 2.5 percent per annum from 2026-27, based on the midpoint of the RBA's 2 to 3 percent target range). RBA, *Statement of Monetary Policy*, February 2024, p. 4, available at <https://www.rba.gov.au/publications/smp/2024/feb/pdf/statement-on-monetary-policy-2024-02.pdf>.

also being made available in nominal terms, clearly identifying all indexation and inflation assumptions used. This should provide a more meaningful context to the community regarding the Council's expectations with respect to rates and charges, allowing for improved community input regarding the expectations of the Council with respect to cost control and service levels. In this context, the Commission recommends that the Council:

1. **Improve** the transparency around assumptions and state explicitly the basis for preparation of annual business plans, budgets, and the long-term financial plan.
2. **Provide** a version of the long-term financial plan in nominal terms, when developed using real terms, for the benefit of ratepayers.

The Council's 2023-24 LTFP forecasts lower operating surpluses, totalling \$0.5 million compared to \$4.1 million forecast in its 2022-23 LTFP.¹⁴ This reflects a range of changes to its operating income and expenditure, notably:

- ▶ 'Grants, subsidies, and contributions' decreased by \$9.7 million, reflecting the Council's revised treatment of disaster recovery grants, where it had 'grossed up' the funding in its 2023-32 LTFP but has now 'netted off' that funding in 'amounts received specifically for new or upgraded assets' to remove any distortion to its operating result. Timing differences have also impacted forecasts associated with financial assistance grants.¹⁵
- ▶ Reimbursements have increased by \$1.1 million, in part due to assumed one-off private works to be undertaken by the Council.
- ▶ A revision to the reporting of 'materials, contracts and other' expenses, resulting in a reduction of reported expenditure by \$5.1 million. This is primarily related to the Council's expenditure associated with disaster recovery in its 2023-24 LTFP being 'netted off' against 'amounts received specifically new and upgraded assets' (below the operating surplus / (deficit) line).

Following the update to its IAMP in August 2023, the Council has updated its 10-year asset renewal projections for the majority of asset categories (indicating an 11 percent increase over the 9-year comparable period).¹⁶ As part of that process, the Council carried out condition assessments, useful life surveys and undertook a reassessment and revaluation of some asset categories due to high levels of inflation, meaning that future costs have also changed. The Commission acknowledges the good practice of the Council in this regard.

For new and upgraded asset expenditure, lower levels are forecast (compared to a historical period); however, the Council states that although it is considering some projects, it has not included them in the LTFP as it is seeking further grant funding. The Council aims to seek grant funding for new assets or upgrades and will consult with its community before considering including any financial impacts in its LTFP. The Commission considers that, if project estimates and costings have been obtained or a business case proposed, then the Council could consider including these intentions (and the impacts) in its LTFP, as well as the implications for ratepayers. This could be done, for example, through scenario or sensitivity analysis to a base case (as applicable). The Commission considers it would be appropriate for the Council to:

3. **Continue** to identify, consult, and seek funding on community priorities for new and upgraded assets; and **consider** providing further information on the financial (and ratepayer) implications on its long-term financial plans and annual business plans (as appropriate).

¹⁴ The overlapping nine years forecast in both the 2022-23 and 2023-24 LTFPs.

¹⁵ Sometimes advance grant payments are received by the Council (for example the 2023-24 grant allocation was received and accounted for in 2022-23).

¹⁶ As per the Council's material amendments statement provided to the Commission in September 2023.

2.2.2 Advice on financial sustainability

Operating performance

Key Points:

- ✓ Operating surpluses achieved between 2016-17 and 2022-23, with the operating surplus ratio averaging 11.4 percent in that time.
- ✓ The operating surplus ratio is forecast to average 1.1 percent per annum between 2023-24 and 2032-33.
- ✓ The reasons for the high historical operating surpluses relate to the increases in 'grants, subsidies, and contributions', some of which were due to the receipt of disaster recovery grant funding for the rectification of damaged roads associated with a flooding event in January 2022.
- Total operating expenses (particularly 'materials, contracts and other' expenses, and 'employee costs') increased substantially in the last two years, increasing by 170 percent and 24 percent respectively from pre-flood (2020-21) operating cost levels. This represents a total increase of \$2.6 million, mostly related to contractor engagement and remediation works associated with damage to the road network.
- ✓ The lower forecast average expense growth of negative 1.0 percent per annum reflects an average change off a much higher cost base in 2021-22 and 2022-23.

The Council has reported operating surpluses in the last seven years from 2016-17 to 2022-23, with an operating surplus ratio¹⁷ averaging 11.4 percent over that period. This follows an earlier period of operating deficits and increased volatility, with the ratio averaging negative 2.6 percent from 2012-13 to 2015-16. In its 10-year forward projections to 2032-33, the Council is forecasting lower operating surpluses, with an average ratio of 1.1 percent: within the suggested LGA target range.

The reasons for the historical operating surpluses relate to the increases in 'grants, subsidies, and contributions', some of which were due to the receipt of disaster recovery grant funding for the rectification of damaged roads associated with a flooding event in January 2022. However, not all the Council's costs (associated with the disaster event) were funded through the relevant grants, and it estimates the net cost to the Council will be approximately \$1 million.¹⁸

Before the disaster event (and in the eight-year period to 2020-21), the average increases in operating income and expenses were 2.5 percent and 2.3 percent per annum respectively.

Over the period from 2012-13 to 2022-23, the Council's largest source of income has come from 'grants, subsidies, and contributions', which accounted for 50 percent of total operating income. This includes a significant increase in the last two years to provide Council with funding for rectification works to damaged roads caused by flooding in January 2022.¹⁹ The second largest source was rates revenue (accounting for 38 percent of total operating income), which has increased on average by 4.1 percent

¹⁷ 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).

¹⁸ Based on further information provided by the Council to the Commission in February 2024. The Council received grants for 'counter disaster operations and immediate repair works (stage 1 works) and the reconstruction of essential public assets (stage 2 works).

¹⁹ The Council has also received grants such as the Drought Extension Programme and the National Radioactive Waste Management Facility Community Benefits Programme (in addition to the Financial Assistance Grants and Roads to Recovery Grants).

per annum from 2012-13 to 2022-23,²⁰ when rateable property growth was negligible and CPI growth averaged 2.6 percent.²¹

Total operating expenses - particularly 'materials, contracts and other' expenses, and 'employee costs' - increased substantially in the last two years by 170 percent and 24 percent respectively, from pre-flood (2020-21) operating cost levels.²² This represents a total increase of \$2.6 million, mostly related to contractor engagement and remediation works associated with damage to the road network.²³

Looking forward, the Council is projecting average annual rates income growth of 2.6 percent from 2023-24 to 2032-33, in line with the forecast long-term inflation rate²⁴ and consistent with the Council's stated LTFP assumption to keep rate revenue increases in line with CPI. Grant income is forecast to be relatively flat across LTFP projections to 2032-33, averaging \$2.4 million per annum (in nominal terms), indicating a decrease in real terms (but higher than its grants before the flood event in January 2022).

The lower forecast average expense growth of negative 1.0 percent per annum reflects an average change off of a much higher cost base in 2021-22 and 2022-23. However, if forecast increases were viewed in the context of the Council's operating cost base (pre-flood in 2020-21), then average expense growth would be 3.5 percent per annum (consistent with the Commission's view of actual and forecast CPI over the period from 2020-21 to 2032-33). The Council is continuing works to repair flood damaged road infrastructure and is budgeting for higher 'material, contracts and other' expenses in 2023-24.

In general, the Council's long-term trend in operating income and expenses indicates that these are aligned to growth in CPI over the period to 2032-33 (reflecting its long-term planning assumption to not increase these in real terms). This is a positive trend, noting that the Council's long-term outlook shows a more constrained operating performance (that is, lower forecast operating surpluses). As with any forecasts, the Commission understands there could be some risks (for example higher costs associated with weather events or for large unscheduled maintenance of its assets), and it is clear the Council does not have the scale to manage such events and may need State or Federal Government assistance if such events come to pass.

The Commission recognises that the Council and its community are subject to the constraints arising from remoteness, lower rates base, supply constraints and inflationary pressures (among other things), which can materially change financial performance from year to year. However, the Commission nevertheless considers that it would be prudent for the Council to mitigate any risk to its ratepayers through monitoring of expenses (such as 'materials, contracts and other' expenses), and seeking to find productivity improvements, where possible, to achieve its planning assumptions (particularly in reducing the need to increase rates above CPI). Therefore, the Commission has found that it would be appropriate for it to:

4. **Continue** to monitor the growth in expenses in its budgeting, especially with regards to 'materials, contracts and other' expenses, and to provide evidence of constraining cost growth from pre-flood levels.
5. **Consider** implementing the good practice of monitoring and reporting its actual and projected cost savings in its annual budget and long-term financial plan, as appropriate.

²⁰ 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).

²¹ Based on CPI Adelaide (All groups), available at <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/sep-quarter-2023>.

²² Based on the Council's Financial Report Template provided to the Commission in an Excel document.

²³ CPI Adelaide (All groups), available at <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/sep-quarter-2023>.

²⁴ The forecast average annual growth in the CPI from 2022-23 to 2032-33 is estimated to be 2.6 percent based on the RBA forecasts for the CPI (Australia-wide) to December 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.

Net financial liabilities

Key Points:

- ⚠ The Net Financial Liabilities ratio averaged negative 49.5 percent from 2012-13 to 2022-23 and the ratio is forecast to continue to be below the suggested LGA target range (but to a lesser extent than historically), as it assumes no additional borrowings in the period to 2032-33.
- ✓ The Council states in the 2023-24 long-term financial plan that it will not incur significant debt until a strategy is identified dealing with how to repay the debt. The Commission considers this to be an appropriate view on the use of borrowings.
- ✓ When the net financial liabilities ratio is viewed in isolation, the ratio is at a level which demonstrates the Council has the financial capacity where its operating income can cover its net financial liabilities.

Despite the Council's frequent operating surpluses over the last 11 years, its net cash flows after operating and investing (that is, capital-related) activities have averaged \$0.1 million per annum between 2012-13 and 2022-23. As such, the Council remains sustainable from a cash flow perspective, noting it does not have any borrowings and has a reported a cash balance of \$2.3 million at 30 June 2023 (or approximately \$2,622 per ratepayer).

Over the period 2012-13 to 2022-23, the Council's net financial liabilities ratio averaged negative 49.5 percent; below the suggested LGA target range for this ratio.²⁵ The forecasts show that this ratio will continue to be below the suggested LGA target range (but to a lesser extent than historically), as it assumes no additional borrowings in the period 2032-33. This also reflects the Council's moderate operating income growth and average forecast cash balances of \$1.7 million.

The Council has a conservative view of borrowings, as it is more reliant on grant funding (which can fluctuate from year to year) and, to a lesser extent, on its ratepayer base (of approximately 890 rateable properties in 2022-23), where there is limited capacity or scale in the region to raise further income. The Council states in its 2023-24 LTFP that significant debt will not be incurred until a strategy has been identified that will highlight how Council will repay the additional debt;²⁶ the Commission considers this to be an appropriate view on the use of borrowings.

When the net financial liabilities ratio is viewed in isolation, it is at a level which demonstrates that the Council has the financial capacity for its operating income to cover its net financial liabilities. The Council recognises that the ratio is driven by its cash reserves and a conservative view of borrowings, which provides a reserve for unforeseen expenditure requirements to manage inflation risk and generally financial sustainability risk.²⁷

The Commission understands that the Council regularly reviews the level of its cash reserves as part of its budgets and long-term planning processes; however, in general there could be improved disclosure on the reasons (or principles) for the level of its cash reserves. In this context, it would be useful to understand the intended uses of these funds and, ultimately, whether some should be returned to ratepayers (through an adjustment in rates). As the Commission has not made an assessment in this regard, it would be appropriate for the Council to:

6. **Continue** to review the extent of cash reserves forecast in the context of its financial sustainability outlook; and **consider** the intended uses of the accumulated funds.

²⁵ 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 suggested 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).

²⁶ District Council of Kimba, *Long Term Financial Plan 2024-33*, August 2023, p. 5.

²⁷ District Council of Kimba, *Long Term Financial Plan 2024-33*, August 2023, p. 10.

Asset renewals expenditure

Key Points:

- ✓ Between 2012-13 and 2022-23 the Council's total capital expenditure averaged \$5.5 million per annum (including \$4.3 million on asset renewals and \$1.2 million on new and upgraded assets).
- ✓ The asset renewal ratio averaged 96 percent between 2012-13 and 2022-23.
- ✓ From 2023-24 to 2032-33, the ratio is forecast to average 105 percent.
- Historical spending (over the last 10 years) on asset renewals has been below the rate of depreciation, in some years by a significant margin. Renewal spending is forecast to account for 80 percent of depreciation expenses on average to 2032-33.
- The Council's assessment of depreciation (currently contributing to 30 percent of total operating costs in 2022-23), may suggest a risk to its financial forecasts, where the incorrect recording of depreciation could lead to an incorrect assessment of its operating performance and sustainability.

Between 2012-13 and 2022-23, the Council's total capital expenditure averaged \$1.8 million per annum (including \$1.1 million on asset renewals and \$0.7 million on new and upgraded assets). Based on the asset renewal expenditure requirements specified in its AMPs, and since 2015-16, it has on average met the quantum of its asset service sustainability requirements. In some years, it has underspent on the renewal and rehabilitation needs of its asset stock and, in other years, it has overspent – indicating some spend volatility compared to its AMP. Overall, the Council's asset renewal funding ratio (IAMP-based) was marginally below the suggested LGA target range of 90 to 110 percent,²⁸ and averaged 87 percent between 2012-13 and 2022-23.

From 2023-24, the Council's asset renewal spending profile is increasing, following the Council's review of its IAMP in August 2023 and its revised projections that are reflected in its 2023-24 LTFP.²⁹ As such, its asset renewal funding ratio (IAMP-based) is expected to trend in line with the suggested LGA target range (averaging 90.6 percent from 2023-24 to 2032-33).

Over the last three years (from 2020-21 to 2022-23), the Council has grown its asset base with total capital expenditure averaging \$2.7 million per annum (predominantly being allocated to asset renewals). This reflects the asset expenditure and rectification works associated with the flood damage to the Council's road network in January 2022.

The Commission notes that the Council's historical capital expenditure (for example since 2019-20) and forecast spending (for example to 2027-28) has (and is forecast) to outpace depreciation by \$8.9 million. While this could reflect the level of growth in asset expenditure (for example related to the works associated with restoring its road infrastructure),³⁰ it may also suggest that depreciation schedules have not been reviewed and updated, or that some of the works are yet to be capitalised. Additionally, the Commission understands that the revaluation of rural roads (sealed and unsealed) has

²⁸ 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). The suggested LGA target range for the ratio is 90 to 110 percent (LGA SA Financial Indicators Paper, p.9).

²⁹ District Council of Kimba, *Infrastructure and Asset Management Plan 2024-33*, August 2023, p. 3, available at [District-Council-of-Kimba-Infrastructure-and-Asset-Management-Plan-2024-33.pdf](#).

³⁰ The Council estimates (provided to the Commission) indicates that approximately 22 percent of total disaster recovery works (over the period from 2022-23 to 2024-25) is related to capital expenditure.

been postponed until the conclusion of restoration works anticipated to be completed by the end of the 2024-25 financial year.³¹

In this context, it is important for the Council to endeavour to understand the extent to which the depreciation values reflect the current cost of the asset, and if the Council is appropriately allocating funds to the renewal and rehabilitation of its assets. In this regard there may be some risks to the Council's financial forecasts, where the incorrect recording of depreciation could lead to an incorrect assessment of its operating performance and sustainability. Overall, there may be a need for the Council to review asset lives and asset valuation to reduce its asset and financial sustainability risk, and to ensure the most update-to-date information is reflected in its strategic management plans. Therefore, the Commission considers it would be appropriate for the Council to:

7. **Review** the estimates of asset lives (and valuations) informing its forecast rate of asset consumption (and depreciation expenses) and asset renewal needs in its long-term financial plan and asset management plans.

2.2.3 Advice on current and projected rate levels

Key Points:

- ⚠ Rate revenue per property growth has averaged 3.5 percent per annum for each property in the period between 2012-13 and 2021-22, which is 1.5 percent above CPI for the same period.
- ✓ The average rate income per annum for each property is forecast to grow by 2.6 percent between 2022-23 and 2032-33 which is consistent with the RBA-based forecast of average inflation.
- ⚠ Affordability risk within the community for the further rate increases appears to be moderate based on a range of factors, including:
 - an assessment of the economic resources available to the community,
 - its lower rate base (of about 890 ratepayers),
 - greater reliance on grant funding,
 - its current planning assumption to keep its rate revenue increases in line with CPI, and
 - minimal community concerns expressed during the 2023-24 budget process.

The Council's rate revenue per property growth has averaged 3.5 percent, or \$64 per annum, for each property in the period between 2012-13 and 2021-22, which has exceeded CPI growth of an average of 2.0 percent per annum over that period. Compared to similar councils, the Council has higher average rate levels for residential and non-residential ratepayers (but is in-line with the Statewide average).³²

In 2023-24, the Council has budgeted for an average rate increase of 7.9 percent, higher than anticipated for this year in its previous LTFP projections (the Commission estimates a 3.4 percent increase in average rates was previously forecast for 2023-24). The increase reflects the change in inflation between planning periods, and the Council's objective to not increase rates revenue in real terms (that is, only CPI increases are being considered).³³

³¹ District Council of Kimba, *General Purpose Financial Statements for the year ended 30 June 2023*, p. 21, available at https://www.kimba.sa.gov.au/_data/assets/pdf_file/0019/1510264/District-Council-of-Kimba-Annual-Report-2022-23.pdf.

³² Refer to Councils in Focus rates data for 2021-22 available at https://www.councilsinfocus.sa.gov.au/councils/district_council_of_kimba. The Commission is not relying on these rate comparisons for its advice; the data source provides one indicator, among many, which has informed its advice on the appropriateness of the rate levels.

³³ District Council of Kimba, *Long Term Financial Plan 2024-33*, August 2023, p. 3.

The Council's 2023-24 LTFP forecasts an average increase of \$653 to existing rates in total to 2032-33 (to \$3,154 per annum), which is consistent with its assumed escalation over that period (and assumed no growth in rateable properties). The average rate increases are also consistent with the RBA-based forecast of average inflation (2.6 percent per annum).³⁴ The Council has recently updated its rating methodology from a site value (or land value) to a capital value approach, thereby redistributing the rates burden across different land use categories; however, the Council has not disclosed the rate increases in its ABP across its rate categories.³⁵ On a proportional revenue basis, primary production ratepayers are estimated to account for 79 percent of 2023-24 budgeted rates revenue, followed by residential (12 percent), silos (4 percent), commercial (2 percent) and vacant land (2 percent).

As the Council has developed its LTFP in real (2023-24) dollar values for all future years (which reflects the Council's preferred approach), the forecast rate revenue increases in nominal terms have not been disclosed. The Commission considers that nominal forecasts may assist the Council and its community in comparing past and projected financial performance (and enable comparisons across different planning periods). Therefore, the Commission considers that it would be appropriate for the Council to:

8. **Improve** the transparency of its rate income projections and associated indexation assumptions in its long-term financial plan, to enable comparisons across different planning period.

Affordability risk within the community for the further rate increases appears to be moderate, based on a range of factors, including an assessment of the economic resources available to the community,³⁶ its lower rate base (of about 890 ratepayers) and greater reliance on grant funding, its current planning assumption to keep its rate revenue increases in line with CPI, and minimal community concerns expressed during the 2023-24 budget process.

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:

- ▶ consideration of inflation and indexation assumptions, and whether it has prepared its financial projections in nominal terms,
- ▶ ongoing performance against its LTFP estimates and changes in key assumptions,
- ▶ monitoring and reporting of any cost savings and operating efficiencies,
- ▶ management of cash reserves and the uses of the accumulated funds,
- ▶ updates to asset valuations and depreciation assessments and associated updates to its asset management plans, and
- ▶ how it has sought to manage affordability risk within its community.

³⁴ The forecast average annual growth in the CPI from 2023-24 to 2032-33 is estimated to be 2.6 percent based on the RBA forecasts for the CPI (Australia-wide) to December 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.

³⁵ District Council of Kimba, *Annual Business Plan and Budget 2023-2024*, June 2023, p. 14.

³⁶ The District Council of Kimba area is ranked 58 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 SEIFA Index of Economic Resources (2021), where a lower score (e.g., 1) denotes relatively lower access to economic resources in general, compared with other areas, available at <https://www.abs.gov.au/statistics/people/people-and-communities/socio-economic-indexes-areas-seifa-australia/2021>.



The Essential Services Commission
Level 1, 151 Pirie Street Adelaide SA 5000
GPO Box 2605 Adelaide SA 5001
T 08 8463 4444
E escosa@escosa.sa.gov.au | W www.escosa.sa.gov.au

Appendix E – ESCOSA Local Government advice – Council Response

The Long Term Financial Plan (LTFP) of the District Council of Kimba includes projections and ratios that demonstrate a financially sustainable Council, with a positive Operating Surplus meeting LGA target ratios throughout the plan's duration. The Net Financial Liability Ratio is negative for the life of the plan, and whilst this falls outside of the LGA suggested target ratio can only be considered positive in nature and prudent as part of the financial strategy of a smaller regional Council. This clearly has no negative impact on sustainability. Council has no debt and consistently maintained cash reserves providing the capacity to fund out of scope projects if deemed necessary (considering future LTFP impacts), or handle any extraordinary events i.e., extreme weather events (evidenced by the recent example which Council has navigated whilst still maintaining existing services and a strong financial position). With this information front of mind, an Asset Sustainability Ratio of 100% and rate increases projected in line with CPI the **District Council of Kimba has demonstrated both in the past and into the future that it is in a very strong financial position that can only be considered as financially sustainable.**

Further to the advice the District Council of Kimba, in reviewing the ESCOSA Report provided, has concerns with the basis of rationale used by ESCOSA to reach some of its conclusions. When comparing the sections of the ESCOSA report to the equivalent sections of other councils reviewed in Tranche 2 of the Advice Scheme there appears to be significant inconsistencies in the sustainability assessment and conclusions reached.

Council appreciates the intent behind the Local Government Advice Scheme and would be open to working with ESCOSA in providing a strong and well understood process which provides relevant and beneficial outcomes to both ESCOSA and value to the Local Government Sector.