

Kangaroo Island Council

Annual Business Plan 2016-2017 Summary

What is the Annual Business Plan?

As per Section 123 (7)(a)(b) and (8) of the *Local Government Act 1999*, the Kangaroo Island Council Annual Business Plan and Budget were adopted by Council on 21 June 2016.

This followed a 21 day public consultation period which included public meetings at Kingscote and Adelaide (for our off-island ratepayers). During this period, members of the public were invited to attend meetings and encouraged to provide feedback in relation to the plan and the budget.

The plan identifies Kangaroo Island Council's commitment to projects for 2016/17. This plan is derived from Council's Strategic Management and Action Plan 2014-18 and aims to maintain and improve relevant, efficient services for the Community.

Council has adopted an ambitious 10 year Long Term Financial Plan (LTFP) with the end objective being financial sustainability. The 2016/17 Annual Business Plan is the third year of the LTFP and Council is committed to this 10 year journey which will include identifying and adopting specific objectives and actions for the year consistent with the Council's Strategic Plan, Long Term Financial Plan (LTFP) and the Infrastructure and Asset Management Plans (IAMP) to ensure the appropriate management of Council's revenue.

\$283,890 will be allocated to operating income and will be expended on road maintenance activities and \$653,586 is to be spent on the Capital Program.

- Through the Commonwealth's National Stronger Regions Fund program, and State Government funding, we will see an \$18m redevelopment of the Kangaroo Island Airport, which is planned to commence construction in October 2016. There is no impact to the ratepayer in this budget for this project and it is anticipated that the airport will become a significant generator of revenue for Council once the upgrade is completed in 2017/18.

It is noted that Council, working with their Auditors Deloitte, are able to recognise the grants provided for this project across the grant life of the asset - 5 years for Commonwealth and 20 years for the State. This has a positive impact on Council's financial position outside of the direct revenue generation opportunities through increased visitation and passenger landing fee collection.

Funding the Business Plan

Consistent with Kangaroo Island Council's Strategic Plan, all expenditure in 2016/17 will be funded by operating revenues, capital grants and reserves.

Major Achievements for 2015-16

As per Section 123 (11) of the *Local Government Act 1999*, Council have achieved objectives of the 2015/16 Annual Business Plan, including:

Community Activities

	Funded	Delivering project value of
Community Capital Infrastructure Grant. Included here is the Lions club collaboration project - installation of Playground facilities in Kingscote.	\$170,000	\$435,528
Community Partnership Grant Program	\$24,194	\$70,528
Australia Day, ANZAC Day, Settlement Day and Remembrance Day civic events		

Capital and Operational Works

Kingscote CWMS upgrade Stage 1	\$190,000
Public Toilet facilities at Pennington Bay	\$47,000
Unsealed Roads (Bullock Track, Vivonne Bay township & East West One)	\$98,000
Bridge Upgrades	\$110,000
Kerbs - replacement and new	\$101,000
Sealed Roads & Car Parks (Dauncey, Rawson, Elizabeth, Margaret, Todd, Cook, Smith, John and Linnett)	\$392,000
Emu Bay jetty pylons	\$80,500
Plant and Equipment (grader, light truck, aggregate spreader and trailer)	\$492,000
Whale Watching Platforms – Kingscote Foreshore KIC / NRMKI / Dolphin Watch funded by Commonwealth	\$25,000
DPTI Unsealed Road work Year 5 (Harriet Road and Springs Road)	\$2,000,000
Dauncey Street offices façade	\$ 230,000

Project Priorities for 2016/17

Infrastructure

Sealed Roads	\$236,170
Wheulton Street, Franklin Street, Wheaton Street, Rofe Street, Dover Farm Road project Year 2, Penneshaw Sealing (CWMS Project reinstatement).	
Unsealed Roads	\$641,810
North Coast Road, Gum Creek Road, Willson River Road, North Cape Road, Millers Road, Pratts Road, Harriet Road/Playford Highway – seal intersection. Sapphire town re-sheeting.	

Unsealed Road Upgrade Program	\$2,000,000
Year 6 – Bark Hut Road	
Waste Management	\$ 65,000
KIRRC concrete floor surface remediation. KIRRC capping year 3 (Essential EPA requirement).	
Kerbs	\$336,700
Esplanade, Rawson Street, Giles Street, Telegraph Road, Centenary Road, Franklin Street, Wheaton Street, Rofe Street.	
CWMS – Kingscote CWMS upgrade Stage 2	
Public Lighting – Street lights in front of the Kingscote Hospital.	

Recreation and Open space

Stage 2 Brownlow to Kingscote Walking Trail and Kingscote Esplanade	\$220,000
North Terrace lawns irrigation at Penneshaw	\$55,000
Rock Revetment Upgrade for Kingscote Tidal Pool	\$17,000
Access Ramp to Gallery, Murray Street Kingscote.	

Continuing Community Programs

2016/17 Community Capital Infrastructure Grant program	\$100,000
Community Partnership Grants Program	\$20,000
Community and Youth Sponsorship Programs	\$20,000

Tourism and Economic Development Fund

This fund (\$132,500) has been created by Council (from CCIGP) to enable leverage with State Government funding to support a range of social and economic development needs driven by the development opportunities facing our Community.

What this all means for Rates

Kangaroo Island Council will continue to use the capital value of properties as the basis of rating land within the Council area for the 2016/17 financial year.

- Rates - Council have historically been required to inflate general rates by Consumer Price Index (Adelaide December) plus 2% contribution to infrastructure and 1% allowance for growth. Good financial management, coupled with the impact of the Airport Upgrade on the Long Term Financial Plan has allowed Council to **reduce** the infrastructure provision by 1% in 2016/17 (and plan to do the same in 2017/18 FY). This will leave rates inflation pegged to CPI only from 2017/18 onwards.

- Rate Differentials - Council discounted the rates differential for primary producers by 15% during the drought in 2007 in acknowledgement of the challenges they faced at this time. Economic conditions and productivity has now recovered and Council will start to lift the Primary Production rates differential by 2.5% per year until parity with residential land is achieved (100%). Other differentials remain the same.

- Service charges - Council currently have two service charges - Waste Collection and Management which apply to all rateable properties and Community Wastewater Management Schemes (CWMS) - which apply to those township properties that are serviced by such schemes (currently Kingscote, Parndana and American River).

Council's regional subsidiary, Fleurieu Regional Waste Authority, have been able to manage costs well and there will be no increase in costs associated with Waste Collection & Management for 2016/17 FY with costs remaining at \$218 for Management and \$113 for Collection (subject to distance to collection point).

CWMS Service Charges are worked out on a whole of Island approach with a single charge reflecting the costs of developing and managing the schemes throughout their life. With Penneshaw CWMS being commissioned in July 2016, there is an impact on the service charge requirements and for 2016/17 the Service Charge will lift to \$608/property unit. It is anticipated that future years will see CPI or less as the likely inflator.

NRM Levy

Kangaroo Island Council is required by State Government legislation to collect the Natural Resource Management (NRM) Levy on behalf of Kangaroo Island Natural Resource Management Board. The NRM Levy is not a Council charge. The total amount to be raised from the NRM levy for 2016-17 is \$197,712 which is levied as a flat charge of \$36.00 per property assessment.

Payment by Instalments

Due date for payment of the first rate instalment will be on Friday 2nd September 2016 with subsequent quarters on the first Friday of the quarter 2nd December 2016, 2nd March 2017 and 2nd June 2017. Rates can be paid by various means including: credit card, cheque, Bpay, internet and at the Council office.

Business Planning Challenges / Context

Kangaroo Island Council is unique, being the only island-based Council in South Australia. The unique nature of the Island and Council present a number of challenges in planning the delivery of its services, which include:

- A small population of approximately 4,553 residents, a rate base of only 5,492 rateable properties and a moderate budget of \$16.4m.
- A large land mass of 4,400km² with a 1,550km road network places a significant financial burden on Council in relation to maintenance and upgrade;
- Unsubsidised travel and freight costs between the mainland and Island. It is noted that Council continuously advocate for changes to the current agreement between State Government & the principal Ferry Service Provider that would result in lower fares and freight costs for island businesses and we are advised that negotiations are ongoing.
- The Kangaroo Island Airport Upgrade Project that will commence in 2016/17 (at no cost to the rate payer) will provide infrastructure

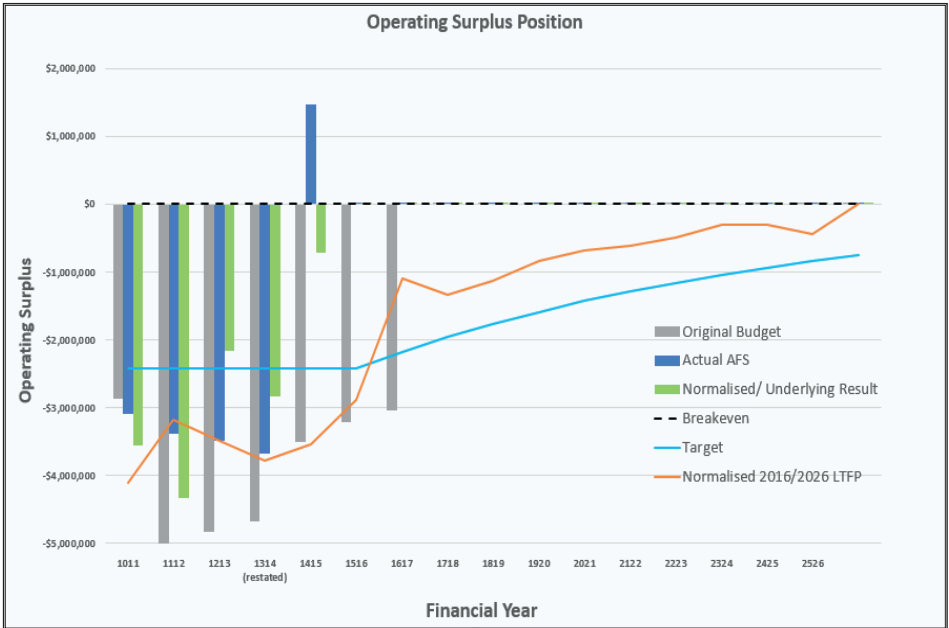
that will permit direct flight services from east coast airports in larger 100 seat regional jet aircraft. Negotiations are in hand with airlines currently to provide a range of services that will promote and deliver ease/timeliness of access, competitive pricing and boost international and domestic visitation to the Island by air.

- The inability to rate one third of the Island (National Parks), whilst Council retains responsibility for servicing these areas with roads and other ancillary services.

Our National Parks are accepted as one of the principal reasons for international / domestic tourism continuing to grow, however Council has been unable to effectively participate in extracting a revenue stream from tourism that matches the financial impact that maintenance of expected services requires.

- Negotiations to the Ferry Service Agreement may see this issue addressed as will the Airport Upgrade Project through the potential to drive increased revenue through the passenger landing fee levy. Further work is required in this area and Council are working with the Commissioner for Kangaroo Island to address these challenges.

- A shortfall in revenue compared to the amount of money required to provide services and facilities to the level expected by ratepayers, residents, business operators and visitors to the Island. The small ratepayer base and significant visitation numbers that do not generate direct revenue for Council mean that this Council will remain dependent on Commonwealth Assistance Grants and State Government assistance through asset renewal programs such as the \$2m Unsealed Roads Upgrade Program for the foreseeable future.



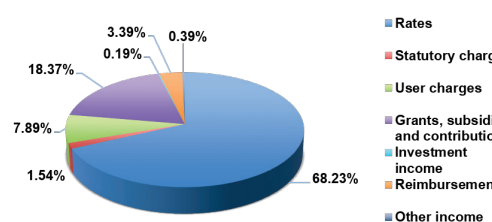
Significant Influences and Priorities

A number of significant factors have influenced the preparation of Council's 2016/17 Annual Business Plan, including the following:

- Removal of indexation on Federal Assistance Grants (FAGs) which are distributed to Local Government via The State Grants Commission. This indexation is predicted to accelerate the decline in FAGs distributions to around 4% per year.
- In June 2015 the Federal Government announced they would be increasing Roads to Recovery (R2R) funding for the 2015/16 and 2016/17 financial years. This year

The graph above shows Council's Operating Surplus Position and our journey towards achieving financial sustainability.

Expected Operating Income 2015/16



BUDGETED STATEMENT OF COMPREHENSIVE INCOME 2016-17

Operating Income	
Rates	\$ 9,318
Statutory Charges	\$ 214
User Charges	\$ 1,167
Grants, subsidies and contribution	\$ 2,250
Investment Income	\$ 21
Reimbursements	\$ 512
Other Income	\$ 50
TOTAL INCOME	\$ 13,532

Operating Expenses	
Employee Costs	\$ 4,781
Materials, Contracts & Other Expenses	\$ 6,710
Depreciation, Amortisation & Impairment	\$ 4,406
Finance Costs	\$ 675
less TOTAL EXPENSES	\$ 16,572

Operating Surplus / (Deficit)	-\$ 3,040
add Capital Revenues (Grants, Cont & FOC)	\$ 2,889
Net Surplus / (Deficit)	-\$ 151

Net Capital Works - Renewal/Replace of Assets (\$'000)	\$ 535,729
Net Capital Works - New/Upgraded Assets (\$'000)	\$ 992,843

This is a summary version of Kangaroo Island Council's current Annual Business Plan for 2016/17. As per the *Local Government Act 1999* Section 123 (9) (i)(ii). Full copies of the Kangaroo Island Council's Annual Business Plan and Annual Budget for the year ended 30 June 2016 are available from Customer Service at 43 Dauncey Street, Kingscote or please visit our website at: www.kangarooisland.sa.gov.au/businessplan