

FINAL REPORT

LOCAL GOVERNMENT ON KANGAROO ISLAND TODAY AND TOMORROW

A review of its role, capacity and relationships with other governments and government funded agencies in supporting and serving its community.

**Prepared by JAC Comrie Pty Ltd
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ABOUT THE AUTHOR

John Comrie is a local government consultant (operating through JAC Comrie Pty Ltd). He was the Executive Director of the South Australian Government's Office for State/Local Government Relations from 2003 to 2006. He had previously served as Executive Director of the Local Government Association, CEO of Noarlunga Council and as a member of the Marion City Council.

John is also Chair of Kangaroo Island Council's Audit Committee. It was anticipated that this review would be undertaken before Kangaroo Island's Audit Committee was established. When it became clear this wouldn't occur it remained nevertheless Council's preference that John both undertake the review and accept the Audit Committee appointment.

1. Introduction

Kangaroo Island Council (KI Council) has much in common with many other local governments in South Australia. It governs a large land area (some 443,000 hectares), has a small resident population (4,602 persons¹) and is responsible for managing an extensive network of local roads (1,361kms²). There are at least 18 of South Australia's other 67³ local governments that have similar features (refer Appendix I).

Councils with such characteristics are likely to find it more challenging than others in being able to generate sufficient funds to fulfil local government responsibilities and meet reasonable community expectations regarding service standards. It is therefore not surprising that KI Council was assessed as being financially "unsustainable" (based on existing expenditure and revenue policy settings) along with 25 other councils in the report often referred to as the Financial Sustainability Inquiry⁴).

The KI Council is well aware of the challenges it faces. Its members have indicated their willingness to consider and put in place any changes that best serve the long-term interests of the KI community regardless of any structural implications for KI Council. To this end, KI Council, in discussion with the South Australian Government, initiated a study; a review to examine whether there are opportunities for changes in institutional governance and service delivery arrangements involving the Council and other government bodies on the Island. This report describes the findings of that review. The study has been conducted in close collaboration with KI Council and with the support of the State Government, through the Office for State/Local Government Relations. KI Council and the South Australian Government jointly funded the review that commenced in August 2007. A copy of the brief is attached as Appendix II.

¹ 30 June 2006 estimate. Figures provided by Local Government Grants Commission sourced from ABS.

² SA Local Government Grants Commission

³ There are 68 local governments in South Australia including the Municipality of Roxby Downs (which is formed under the Roxby Downs (Indenture Ratification) Act 1982)

⁴ *"Rising to the Challenge – Towards Financially Sustainable Local Government in South Australia"*, 2005. An independent report commissioned by the Local Government Association of SA.

2. Characteristics of Kangaroo Island

As mentioned above, the KI Council has some key characteristics in common with many other rural local governments in South Australia. Not surprisingly the same is true generally of Kangaroo Island and its community and much of rural and regional South Australia. Historically, the Island's economy was dependent on the traditional primary industries of sheep, grains, cattle production and commercial fishing. Over the past 20 years primary industries have successfully diversified and include for example honey products, wine and sheep's milk cheese. Tourism has grown steadily – from some 19,000 visitors in 1979⁵ to approximately 164,000⁶ in 2006/07. The value of tourism to the Kangaroo Island economy is now considered comparable with that generated from primary production. Tourism is estimated to generate approximately 15% of direct employment on the Island, high compared to other South Australian regions.⁷ Individual and household median incomes are estimated at slightly less than the SA average (4% and 16% respectively)⁸. Despite slightly lower than average incomes for residents on Kangaroo Island, the ABS's SEIFA Index of Economic Resources (a profile of the economic resources of families within each council area), ranks the communities of 23 other SA local governments as relatively more disadvantaged.⁹

Most likely as a result of both an anticipated increase in employment opportunities and its attractive natural environment Kangaroo Island's population is projected to increase by 17.7% from 4,602 to 5,421 persons in 2021¹⁰. This is approximately double the expected rate of increase in the total population of South Australia of 8.7% over the same period from 1,553,201 to 1,688,240 persons.

⁵ Voluntary Structural Reform proposal, DC Dudley and DC Kingscote, September 1996

⁶ Tourism Optimisation Management Model, (TOMM), website - www.tomm.info

⁷ Kangaroo Island Regional Transport Strategy, Neil Matthews, Strategic Design and Development, May 2007

⁸ Source: Figures provided by SA Local Government Grants Commission – ABS Statistics 2006

⁹ Sourced by SA Local Government Grants Commission for purposes of this study.

¹⁰ ABS Forecast – Source: Kangaroo Island Development Board Regional Profile, 2004, www.kangarooisland.org

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What makes Kangaroo Island unique is the fact that it is an island – an island with a combination of characteristics unlike no other in Australia. Geographically, Kangaroo Island is the third largest island off the Australian mainland (behind Tasmania and Melville Island). It includes 24 protected areas covering over 116,000 ha (or 25 percent of the island area) and this is managed by the State Department for Environment and Heritage (DEH).¹¹ The marine environment is also of spectacular significance for its biodiversity conservation, aquaculture, fishing, and other recreational uses. There are extensive areas of native vegetation along road corridors and on private property. 20,000 ha of privately owned land in 156 Heritage Agreements are formally protected under the *Native Vegetation Act 1991*. A further 74,000 ha of remnant native vegetation remains on private property, highlighting the significance of private land for nature conservation.¹²

A number of factors indicate that Kangaroo Island is more isolated than is often appreciated given its relative proximity to Adelaide. In fact Kangaroo Island is ranked as the fourth most isolated local government area in South Australia (Roxby Downs is ranked fifth, Streaky Bay third, Ceduna second and Coober Pedy most isolated) using the Accessibility/Remoteness Index of Australia developed for the Commonwealth Government by the National Key Centre for Social Applications of Geographic Information Systems at Adelaide University (GISCA).

Being both an island and isolated has lead to boundaries for various State Government regional institutional arrangements that exactly match the defined boundaries of the KI Council¹³. Up until recently this was unusual. The SA Government institutional regional boundaries often encompassed several local government areas and dissected council boundaries. In recent years, through the *South Australia's Strategic Plan*, the State Government has adopted uniform State Government Regions to provide more effective planning and across government collaboration and resource sharing.¹⁴ The State Regions have aligned to whole local council boundaries, still encompassing several local government areas, with one dissection exception being Port Adelaide Enfield Council.

¹¹ Tourism Optimisation Management Model, website - www.tomm.info

¹² Department of Environment and Heritage, website – <http://www.parks.sa.gov.au/parks>

¹³ South Australian Government Gazette Notice, 28 November 2006

¹⁴ Maps of Uniform State Government Boundaries can be accessed at <http://www.planning.sa.gov.au/go/maps/-land-and-population-data/sa-government-regions>

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For example, the Kangaroo Island Development Board is one of only two regional development boards in South Australia that has been established through a funding partnership between a single council and the State Government through the Office of Regional Affairs¹⁵ (Whyalla being the other Board). Eight Natural Resource Management (NRM) Board's have been established and cover the whole land area of South Australia. The KI NRM Board is the only one of the eight¹⁶ whose area is either within or in this case matches a single council's boundaries. Various government departments, most notably the Department of Environment and Heritage (DEH) have also established structural arrangements that classify, manage and resource Kangaroo Island as a distinct region. This congruence of boundaries enhances the commonalities of interest and therefore potential for collaboration between such entities and the KI Council.

Kangaroo Island's isolation adds to the cost of doing business and living on the Island. In particular it means higher transport costs. This is reflected directly in the prices charged on the Island for petrol and for supermarket purchases. It adds to farmers input costs and of sale their production to markets off of the island. When compared with other nearby coastal locations, the relatively high cost and limited options for and frequency of transport services to Kangaroo Island can reduce its appeal as a holiday (or holiday home) destination for people residing in Adelaide. Freight costs also add considerably to the cost of and therefore demand for accommodation developments on Kangaroo Island. Its isolation not only imposes an economic disadvantage. There is also a social cost as a result of less ease of opportunity for residents, businesses and other organisations to engage, collaborate and exchange ideas with other nearby communities and in Adelaide and beyond.

Many South Australian local governments subscribe to a standardised comparative performance measurement (CPM) survey of their community that is organised and conducted annually through the Local Government Association. Significantly the survey asks respondents their perceptions of quality of life. The survey is structured such that a score of 100 is the 'satisfactory' benchmark. The average score for all councils that participated (mainly country councils) in 2006 was 95. Kangaroo Island respondents gave a score of 73. This suggests that the respondents believe that there are factors not explained by comparative average income or SEIFA Index data that adversely affect their quality of life in comparison to other South Australians. Given the attractive natural setting of Kangaroo Island it is hard to imagine factors and issues other than those directly or indirectly linked to Kangaroo Island's relative isolation that are likely to have prompted participants to respond the way they did. (Note 2006 is the only year for which such data is available for KI Council. It has not participated in the LGA CPM survey in other years.)

¹⁵ SA Regional Development Boards are: Adelaide Hills; Barossa and Light; Eyre; Fleurieu; Kangaroo Island; Limestone Coast, Mid North; Murraylands; Northern; Riverland; Southern Flinders Ranges; Whyalla; and Yorke

¹⁶ <http://www.nrm.sa.gov.au/NaturalResourcesManagement/AboutNRMBboards.aspx>

The importance of Kangaroo Island's natural environment, profile as a tourism destination and government institutional arrangement regional boundaries often results in it being perceived as having similar capacity and performance capabilities of other clearly defined regions of South Australia. These other regions invariably have much larger population catchments and more local governments to both draw on and also share the costs and workloads of regional activities.

3. KI Council – A snapshot

KI Council was formed as a result of the amalgamation of the District Councils of Dudley (based at Penneshaw) and Kingscote in 1996¹⁷. Its offices are situated in Kingscote, the main town on Kangaroo Island. It has a Mayor and nine other elected council members and approximately 60 staff. KI Council, as is common of local governments throughout South Australia and particularly in regional areas, is endowed with council members and staff who are passionately committed to serving the local area and its community to the best of their abilities.

Council's 2007/08 budget forecasts total operating expenses for the year of \$11,590,000. It is difficult to be precise about the Council's financial position and performance. It's auditor¹⁸ has in recent years issued a qualified opinion on its annual financial statements because he is not satisfied that Council's available technical information and record keeping is sufficient to be able to reasonably rely on published records of infrastructure asset values and rates of depreciation¹⁹. This needs to be borne in mind in any analysis of Council's financial data. Kangaroo Island Council is the only SA local government where an auditor currently gives a qualified opinion of a council's financial statements. Depreciation represents 29% of the Council's budgeted operating expenses for 2007/08. The whole of local government sector's depreciation expense in 2005/06 was 22% of its total operating expenses in 2005/06. (Note this does not necessarily imply anything regarding the appropriateness of KI Council's level of recorded depreciation. The ratio will vary depending on the extent of the stock of assets (eg roads) controlled by a council, their cost and quality and rate of consumption relative to total expenses of the council).

¹⁷ SA Government Gazette, 28 November 1996 p.1745

¹⁸ Dean Newbery and Partners, 214 Melbourne Street, North Adelaide SA 5006

¹⁹ Auditor's Report To Member's of KI Council, 29 November 2007 regarding 2006/07 KI Council Financial Statements

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Widespread local government amalgamations occurred in South Australia in the mid-1990's. This created some new rural local governments with larger areas or populations than those of KI Council. The two former KI Councils and island communities supported the local government structural amalgamation that created a whole of Island council and Kangaroo Island Council commenced on 2 December 1996. At that time, there was little support for the island to be incorporated as part of a mainland local government area. This is entirely understandable and may well have been the most appropriate outcome. Nevertheless it needs to be acknowledged that it also means that the KI Council generates less economies of scale, has less capacity and finds it much harder to resource share and partner with other adjoining local governments than if it had a larger population and its boundaries encompassed areas of the mainland.

Council recorded an operating deficit of \$612,000 in 2006/07 and \$632,000 in 2005/06. These numbers represented 6% and 7% of total operating revenue and 12% and 13% of rate revenue for the respective periods. The budget for 2007/08 is predicated on an increased operating deficit of \$2,080,000, being 22% of operating revenue and 37% of rate revenue. These numbers are comparable with those that were budgeted for in 2006/07 (reasons for differences between budgeted and actual outcomes in 2006/07 include grants being higher than budgeted and employee costs lower as a result of protracted staffing vacancies).

Council's level of net financial liabilities (debt and other liabilities less financial assets) is budgeted to rise to 79% of operating revenue by the end of 2007/08, up from 18% in 2006/07. The increase arises primarily as a result of the funding of capital outlays associated with the construction of new and rehabilitation and upgrade of existing community wastewater management systems which are expected to generate sufficient revenue to offset all costs (including costs of capital). While KI Council's net financial liabilities ratio is expected to be high by the end of 2007/08 it is below accepted target ceiling levels for a council that is well managed and committed to strategies of financial sustainability (100% or more)²⁰.

The preparation by Council of long-term financial and infrastructure and asset management plans and improved information to calculate asset values and depreciation rates will enable clearer assessment of Council's financial capacity and challenges. KI Council's work is on track to complete these tasks during 2008. Council has recognized the importance of improving its financial sustainability and is committed to managing financial decision-making in accord with the key strategies and methodologies arising out of the 2005 Financial Sustainability Inquiry and the subsequent LGA developed support program.

²⁰ Local Government Association Financial Sustainability Information Paper No.12, Targets for Local Government Financial Indicators

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By the very nature of the area on an island, Council incurs higher costs in delivering most services compared with other councils (eg it costs it much more to transport its waste to a mainland regional landfill) than for other councils. Over and above this general cost disadvantage there are at least 3 distinct factors that add considerably to Council's costs. Firstly, the main roads on the island obviously start and finish on the island. They are not roads that connect the island to other communities in neighbouring council areas. What this means is that KI Council is responsible for the costs of managing and maintaining some roads that in other circumstances may have come within the responsibilities of the State Government. (Notably, however, the State Government, with its Island land assets, is responsible for maintaining several Island arterial highways. The State Government is specifically responsible for maintaining the Kingscote to Penneshaw Road, American River access and the portion of Playford Highway from Kingscote to Parndana.) Secondly, not only is Council responsible for a large road network (1,351 km of local roads, of which only 237 kms are sealed)²¹ but almost all road corridors have dense native vegetation growth alongside the road carriageways. Council is responsible for maintaining this in accordance with the provisions of the *Native Vegetation Act 1991* and incurs significant costs in so doing. Thirdly, approximately 164,000²² tourists per annum visit the island. Many are day trippers or campers. While the Kangaroo Island economy greatly benefits from these visitors, the Council itself directly (and arguably even indirectly) receives little in the way of additional revenue relative to the significant costs it incurs in providing services to support tourism. Each of these matters is discussed more fully later in the report.

Kangaroo Island residents that participated in the above-mentioned 2006 LGA CPM survey were also questioned as to their general satisfaction with the KI Council. They gave an average score of 88. While they rated the Council more highly than they did the overall quality of life on Kangaroo Island, the score was still well below the State-wide average for respondents from all councils that participated which was 104 (the survey is structured such that a perception of 'satisfactory' is scored as 100).

Whether the residents' judgements about the Council are fair or not is largely immaterial. Council clearly needs either to improve performance or better succeed in convincing its community that its performance is reasonable given all relevant factors. In fairness to the Council it is committed to doing the best it can. Council appreciates the challenges it faces and is embarked on cohesive and strategically focussed endeavour. It recognises inherent limitations and that it is unable to meet all the expectations being asked of it. Council is disciplined and objective in determining priorities and weighing up short and longer term considerations. This provides a sound basis to move forward.

²¹ SA Local Government Grants Commission

²² Tourism Optimisation Management Model, website - www.tomm.info

4. Comparisons with other Councils

Appendix I shows financial and other statistical data for KI Council and 18 other councils that have similar characteristics in terms of large land areas, small resident populations and large local road networks. Selected data is shown in absolute values and also on a per capita and per rateable property basis to facilitate comparisons.

Examination of this data reveals that KI Council relative to the average of the other councils has;

- higher rate revenue per capita (\$489) and per property (\$215) (KI Council has less persons per property than the average of the others) and per residential property (\$93) suggesting that it is making a reasonable rating effort and its financial challenges are not as a result of under-rating relative to others
- higher total operating expenses per capita (\$584) but lower per rateable property (\$7). A breakdown of these costs relative to the average of others reveals;
 - higher fire protection costs per capita (\$24) and per rateable property (\$19)
 - lower community support costs per capita (\$25) and per property (\$41). Included in this category are community halls, and services and facilities for aged, disabled, children and youth.
 - higher public conveniences management costs per capita (\$14) and per rateable property (\$7)
 - higher library services costs per capita (\$39) and per rateable property (\$31). It is likely that most other selected councils contribute funding to a shared school/community library
 - higher economic development (includes tourism) costs per capita (\$38) and per rateable property (\$22)
 - higher waste management costs per capita (\$93) and per rateable property (\$61)
 - higher recreation related costs per capita (\$32) but lower per rateable property (\$6)
 - higher regulatory services related costs per capita (\$84) and per rateable property (\$56). This category includes town planning and building control and health and general inspection services
 - lower transport related costs per capita (\$51) and per rateable property (\$219). Note to facilitate comparisons all costs associated with aerodromes have been excluded. KI Council incurs significant costs associated with its aerodrome but also generates significant related revenue and aims to be break-even over time.
 - higher administration costs per capita (\$143) and per property (\$45).

Care has been taken in identifying and reviewing all significant areas of KI Council's operating costs. The above highlighted activities represent the key ones with material relative differences in operating costs per capita and per property between KI Council and the other councils. Differences between aggregate operating costs per capita and per property between KI Council and other councils and from summation of the items listed in the analysis above arises mainly because of differences in the extent of private works and community wastewater management systems activity undertaken (and therefore costs incurred) by KI Council compared with other councils. These activities generate corresponding offsetting income and therefore have not been considered in the comparison.

In making any conclusions from an analysis of one council's costs for an activity with another's it is to be recognised that there are sometimes significant differences in accounting treatments between councils (eg in treatments of overheads and in assignment of costs between activities).

Relative differences may also arise as a result of variations in levels (quality and/or quantity) of actual services provided. One council may reasonably choose or perceive a need to provide a different level of service to best serve its community compared with another. Variations in reported costs between councils may also occur because of differences in the actual cost of delivering similar service levels. (Offsetting this to some extent the SA Local Government Grants Commission's²³ grant funding allocation methodologies for allocating grants between councils attempt to compensate for additional costs a council may incur in providing comparable service levels with others. It also takes into account relative revenue raising capacity between councils. Available funds are insufficient to fully achieve these objectives.)

It is not possible to conclusively say to what extent each of the above factors is responsible for variations in relative costs between KI Council and the other selected councils for particular activities. What is clear is that KI Council incurs higher costs in service delivery and takes on more regional responsibilities than would otherwise be the case because of its island location.

5. Comparisons with other islands

KI Council shares similar financial and service level challenges with a large number of other comparable (by geographic size, population and extent of local road network) SA councils. Nevertheless its island location and circumstances may warrant consideration as to whether different governance structural arrangements are appropriate here than elsewhere.

²³ State Government statutory authority

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Fundamentally, should local government exist on Kangaroo Island? It doesn't in outback SA²⁴ with its isolation, large land area (about 65% of the geographic area of the State) and small population (about 6,000 residents²⁵). Even if Kangaroo Island retains local government, are there factors to warrant some variation in structural arrangements from those that exist elsewhere in SA? To help answer these questions this review considers governance arrangements for other Australian island communities. It is attached as Appendix IV.

Most other islands off the mainland of Australia do not have a lot of characteristics in common with Kangaroo Island. Governance arrangements vary. Norfolk Island for example is an Australian Territory and consideration of such an option for Kangaroo Island is not realistic. It would require Commonwealth Government legislation. Lord Howe Island is administered as a statutory authority of the New South Wales Government but it has a very small population (about 300 persons) and is 700km from the mainland. Magnetic Island in Queensland is part of a larger mainland local government. King Island in Tasmania, although having a smaller population and much less developed tourism industry is perhaps the most similar. It has its own local government. It is 120 kilometres from the island of Tasmania and unlike Kangaroo Island does not have extensive national parks.

There would not appear to be any relevant examples of Australian islands with significant populations that do not have a local government in place. This is not to say another alternative shouldn't be assessed for Kangaroo Island. In this context it is important to consider what other government presence currently exists on Kangaroo Island.

6. Government Spending and Other Entities on KI

a) Commonwealth Government

The Commonwealth Government through its various funding programs supports the work of the KI Council and various State Government entities, for example, aged care facilities and Roads to Recovery Program. However, the Commonwealth Government undertakes no direct service delivery activities (other than, for example, Australia Post, support payments to individuals²⁶ and Commonwealth assessments of aged care facilities) and it has no office or shopfront presence. It has entered into an arrangement with the local Penneshaw Progress Association to provide the shopfront KI Penneshaw Rural Transaction Centre. Medicare claim forms can also be lodged at Kingscote Public Library.

²⁴ The whole of South Australia is incorporated, however, outback SA is constituted under the Outback Areas Community Development Trust 1978 that is a State Government statutory authority. Governance in the outback is currently under review.

²⁵ The area of the Outback Areas Community Development Trust does not include remote Aboriginal areas

²⁶ Agent for Centrelink is the Community Resource Centre, Kingscote.

b) State Government

The State Government either directly through the work of government departments, or through the activities of entities it has established and/or provides funding support to, has a significant presence on Kangaroo Island. This arises in part because of the environmental and tourism value of the area and the protection controls that it administers over the land. The Island's isolation from the mainland also results in functions and activities that are the responsibility of or are supported by the State being administered on the Island where they might elsewhere be managed as part of a larger region.

Particularly significant State agencies or supported entities with an interest in Kangaroo Island include;

- i. Department of Environment and Heritage (DEH)
DEH is responsible for managing the 25% of the island that is within a national or conservation park, conservation reserve or wilderness protection area. It develops and maintains visitor facilities as well as park management infrastructure and assets. The extensive area of native vegetation within the protected areas, creates a challenging environment for fire management which is a key role of DEH within the area. The Department employs 90-95 persons (50-60 FTE's) and is amongst the largest employers on the Island, including employment of casual staff. Its operations also contribute to the viability of local businesses and services that are dependent upon nature-based tourism.

The Department has responsibility for managing and supporting its commercial tourism operations on the protected area estate, along with managing a complex array of commercially orientated park business operations. Income generated through tourism management roles include - park entries, guided tours, camping, retail sales and accommodation facilities. Its activities are estimated to generate income of \$2.7M/year which equates to approximately 40% of the Department's total annual revenue²⁷.

DEH and KI Council assist each other with maintenance work on road networks where logistically and practically this is timely and more cost effective than utilising separate labour and equipment. KI Council has representation on the Kangaroo Island Parks and Wildlife Consultative Committee, a formal committee of community members established under the *National Parks and Wildlife Act 1972* (State).

²⁷ Email advice from Mr John Schutz, Department of Environment and Heritage 26 February 2008

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- ii. Department of Transport, Energy and Infrastructure (DTEI)
DTEI has responsibility for managing arterial road networks, including freight traffic load limits on Kangaroo Island. It doesn't maintain a permanent presence on the island and the KI Council is contracted by TSA to undertake roadwork maintenance activities on its behalf. This cost has amounted to less than \$10,000pa in recent years.

DTEI maintains 101 kilometres of arterial roads on Kangaroo Island. (By comparison 1,362 kilometres of roads are local roads and maintained by the KI Council, of which 238 km are sealed.) The road from Cygnet River to the Flinders Chase National Park (also known as the South Coast Road), while a local road (i.e. the responsibility of the Kangaroo Island Council), was sealed by the State Government in 2001-02 at a cost of \$16 million.

- iii. Kangaroo Island Community Education (KICE)
KICE is a small office that manages the SA Department of Education and Children's Services programs and services on KI. The Education Department is a substantial employer on the Island. As well as the TAFE Regional Institute campus at Kingscote, there are three government schools at Parndana (177 students to year 12), Penneshaw (82 students, primary to year 9), and Kingscote (439 students to Year 12).
- iv. Kangaroo Island Health Service (KIHS)
Health and community services are a significant employer in the region. KIHS manages the provision of State Government supported community health services in Kingscote, American River, Penneshaw and Parndana. Community Health Nurses are at each location. The KI Hospital in Kingscote is a 30 bed, level 1 (general practitioner) hospital, as well as visiting specialist, providing accident and emergency services. The Kangaroo Island Health Service provides high-level care at Anchusa Aged Care Facility and low-level care at Carnarvon Aged Care Facility. Kangaroo Island Council provides free immunisation services to children through a childhood clinic in Kingscote. Responding to community needs, the KIHS operates a bus service providing transport for its clients. An Island community bus service is not offered by KI Council.

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- v. Department of Primary Industries and Resources South Australia (PIRSA) PIRSA employs 2 fisheries officers (officers administer the *Fisheries Act 1982 (State)*) and one animal health officer who are based on Kangaroo Island. There is also a business/administrative support person and a soils consultant who is attached to Rural Solutions SA. Officers administer the *Fisheries Act 1982 (State)*. PlanningSA is an agency in PIRSA and the agency, in liaison with the Office for State/Local Government Relations, has recently embarked on a Kangaroo Island Master Planning exercise which will involve community consultation to contribute to the future development of the Island. This builds on the work under PlanningSA's *Places for People* Scheme that prepared an Urban Design Framework and master plan for four townships on KI – Kingscote, Parndana, Penneshaw and American River. In 2007, this work resulted in more than \$330,000 through the State Government *Places for People* Scheme being directed towards a series of capital works projects in these townships.²⁸
- vi. Kangaroo Island Natural Resources Management Board (NRM Board)
This is a State Government statutory authority established by the *Natural Resources Management Act 2004* and administered by the Department of Water, Land, and Biodiversity Conservation. The KI NRM Board commenced in July 2005 and became responsible for managing, protecting and restoring Kangaroo Island's natural resources. The KI NRM Board comprises 8 community members, selected for their skills, knowledge and experience. It also has 3 State Government representatives, one each from Department of Water, Land and Biodiversity Conservation; Primary Industry and Resources SA; and Department of Environment and Heritage. Council is represented on the KI NRM Board. The KI NRM Board has four advisory committees – on ground works advisory; bio-security; land, water and biodiversity advisory; and coast, estuarine and marine advisory. The KI NRM Board has 16 staff, 10 of whom are project based. It has annual revenue of \$2.4million²⁹ of which \$100,000 is raised through a levy collected by KI Council - a fixed charge per rateable property. The levy is currently \$25.50 per property which is comparable with that charged by NRM Boards elsewhere in SA.

²⁸ Media Release, Minister for Urban Development and Planning, May 30, 2007

²⁹ Interview with KI NRM Board Presiding Member Ms Jackie Kelly OAM and General Manager Ms Jeanette Gellard on 15 November 2007

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In May 2007, the Natural Resources Committee of Parliament undertook an Inquiry into Natural Resources Management on Kangaroo Island. The Parliamentary Report³⁰ at recommendation 4 reads, *“The committee recommends that consideration be given to the rationalisation of functions and services given by the Kangaroo Island Natural Resources Management board and the Kangaroo Island Council”*.

- vii. Kangaroo Island Development Board (KIDB)
Throughout South Australia 13 regional development boards have been set up as independent incorporated associations through a funding partnership between the State Government, through the Office of Regional Affairs, and Local Government. These entities facilitate and support local economic development, investment attraction and employment programs and provide advisory services to small businesses. They also can receive funds through State and Commonwealth Government programs to deliver specific services.

Most regions have been structured to include several local government areas within a regional development board's boundaries. Kangaroo Island and Whyalla are the only areas where a regional development board has been established in an agreement between the State and a single local government.

The KIDB is involved in employment creation through the SA Works in the Regions Program, managed by the State Government's Department Further, Education Employment Science and Technology. It has 6 staff (CEO, business adviser, project manager, and food business finance and admin officers). It is governed by a 10 member board and in 2006/07 had an operating budget of \$675,000. KI Council's annual funding grant to the KIDB is \$62,000. The Board has representation from Tourism KI and the Kangaroo Island Council. The KIDB current funding agreement expires on 30 June 2008.³¹

³⁰ Parliament of South Australia, Kangaroo Island Natural Resources Management Board Levy Proposal 2007/08, <http://www.parliament.sa.gov.au/NR/rdonlyres/A2D5F945-E742-452B-AE30-5F18500E972B/9302/KangarooIslandNRMLevy20072008.pdf>

³¹ KIDB website – <http://www.kangarooisland.org/about/aboutus.htm>

viii. Tourism Kangaroo Island (TKI)

TKI is an incorporated, non-profit, co-operative body that is responsible for marketing Kangaroo Island as a tourism destination. TKI owns and manages Kangaroo Island's only accredited tourist information centre, at Penneshaw. It receives funding from the South Australian Tourism Commission (SATC), KI Council (\$69,000) and member tourist businesses.

KI Council, DEH and KIDB are represented on the Tourism KI Board together with elected tourism industry member representatives.

7. Future Government Structures and Arrangements

- a) The merits of governing and administering all State and local government activities through a single entity

For reasons highlighted elsewhere the State Government has a higher presence on Kangaroo Island than is likely to be the case if the area was part of the mainland. Over the years observers have suggested that savings and other synergistic benefits could be generated to the advantage of the Kangaroo Island community from managing government activity from a single aggregated and integrated Kangaroo Island entity rather than as a multitude of functionally discreet 'silos'.

The issue of the possible merits and disadvantages of establishing a 'Government of KI/KI Inc' or Trust model was raised in a 1995 report to the Ministerial Advisory Group on Local Government Reform³² that contributed to the discussions about amalgamation approaches between the then two councils on Kangaroo Island. Amongst other things, that report identified that should the two councils remain, then another structural arrangement, such as a new overarching Trust created by State law as a statutory body under Ministerial direction may need to be considered for the Island.

³² Report to the Ministerial Advisory Group on Local Government Reform, Emcorp Pty Ltd, June 1995

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More recently a report (Kangaroo Island Service Delivery Model) was undertaken in 2003 by Collins Anderson Management (management consultants) for the KIDB. It did not include consideration of a restructuring of government departments but concluded that there was overlap between the roles of various government supported incorporated entities with each other and with the KI Council. It suggested that efficiency and effectiveness gains could be made and recommended some existing entities be amalgamated into a new entity (an incorporated association). It envisaged that the new entity be governed independently of the KI Council but that the KI Council be represented on its board and that the board contract with the KI Council to provide staffing and other support.

It can't of course be assumed that a bigger organisation will always and automatically be better. Bigger offers the potential for greater economies of scale that are able to deliver more efficient and effective services, but requires an organisation to be strategically committed and well managed in order to realise this potential. Bigger more functional diverse organisations can also become less focussed and have greater competing pressures on available resources.

It has been common practice in recent times for governments in the developed world, including the SA Government, to take advantage of technological advances and increasingly aggregate 'back office' internal to government support service activities. Nevertheless statutory accountabilities and departmental service delivery responsibilities to the community are in the main structured on functional rather than geographic considerations.

Any restructuring of government related governance and service delivery activities into creation of another new entity on Kangaroo Island would be likely to raise many issues and involve considerable transition work and costs that would distract from direct service delivery. As well as the risks of imposing an external structure, such an approach would require legislative change and various practical and possibly contentious issues addressed if all or a great many government associated services and functions were aggregated under a common point of responsibility, eg a statutory authority or some other entity. Along with the likelihood of at least short term inefficiencies, what would be the tangible financial benefits? Would any savings generated be able to be retained for alternative use on Kangaroo Island? Governments quite reasonably prefer to retain flexibility to allocate more or less over time in particular locations or on particular functions depending on relative priorities and changes in aggregate needs and resources.

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The SA Government is currently separately investigating and implementing 'shared services' options across all government departments throughout South Australia. This conceivably could generate some of the financial benefits to the creation of a single 'Department of Kangaroo Island'. It would however, be unlikely to impact on the potential for improved integrated strategic decision-making in governance. It also is likely to reduce the potential for administrative/support services savings from formally aggregating existing organisations into a new entity.

Rather than aggregating all existing government departments and government funded entities a less ambitious but more simply implemented model would exclude government departments. It need not necessarily involve different governance arrangements. A new entity could be established to and have accountability for performing activities on behalf of an existing responsible authority, including the KI Council. Alternatively and probably more practically the KI Council could be contracted to take on and manage future staffing and regulatory and service delivery responsibilities of existing entities. Under such arrangements savings and increased capacity and strategic synergies generated for the existing organisations. Again though it shouldn't be assumed benefits would automatically be realised.

As has been highlighted in other reports it would appear that the structure and nature of activities of both the KI NRM Board and KIDB in particular would readily lend themselves to a formal arrangement with KI Council that would generate benefits to all parties without compromising the independence of their governing bodies (and therefore their ability to credibly take a different position on particular issues from time to time).

Consideration of any alternative government structures on Kangaroo Island also necessitates evaluation of the needs and merits of having local government on Kangaroo Island.

The KI Council like other local governments in South Australia has as its governing body a forum of council members elected by a broad franchise effectively of all adult residents and also local property owners (voting at local government elections is not compulsory). It is accountable for the organisation's performance in providing leadership, efficient, effective and responsive service delivery and fulfilment of its legislative responsibilities.

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If the Council was abolished an authority would still be needed to undertake local government related service delivery, regulatory and compliance roles on Kangaroo Island. It would generate no additional savings that could not be realised with other models except for the modest costs associated with servicing and supporting the existing governing body (less of course the costs associated with the new governing arrangements which could well be more). Governing processes and associated arrangements for a new governing and decision-making body (eg the board of a new entity), are likely to offer less capacity for leadership and representation of, and accountability to the community than a directly elected council.

- b) The merits of KI Council amalgamating with one or more other local governments

Local government on Kangaroo Island could potentially build greater capacity, enable greater participation in strategies for regional economic development and generate economies of scale through KI Council amalgamating with one or more nearby councils. Community expectations and legislative obligations on local governments have grown over time. Many councils with small populations struggle to be able to afford the compliment of staff (and/or contractors) required to reasonably meet these expectations and obligations. Even where they do fund these requirements they often struggle to attract and retain suitably skilled persons. This has become a significant problem in recent years across the South Australian local government sector and in particular in regional locations. Its causes include the retirement of people with long local government careers, a buoyant jobs market and a willingness of younger people to more frequently change employers (and industries of employment) and seek out opportunities that can best meet their career aspirations and lifestyle preferences more so than was once the case.

For similar reasons to those discussed when considering aggregating KI Council with other entities above it can't be assumed that an amalgamation would automatically result in better or more cost effective services or decision-making. This would need to be the subject of a more detailed structural reform proposal between any relevant parties. However, the unique geography of the Island is a major attraction and for both historical and practical reasons may well require a continued provision of governance on the Island. The isolation of Kangaroo Island and the area's and it's community's needs and circumstances are likely to present challenges for the governing body of a larger council area in optimally identifying and responding simultaneously to the needs on Kangaroo Island and a mainland jurisdiction. It must inevitably mean persons who are not electors on Kangaroo Island being involved (probably as a majority) in making local government decisions about and affecting Kangaroo Island.

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Nevertheless it is worth noting that Queensland has islands (with perhaps Magnetic Island being the best example) that have similarities to Kangaroo Island and that are part of a local government area with a much larger mainland population. (Queensland of course does have both a much larger land area served by local government and population than does South Australia.)

Effectively amalgamations of local governments can only occur in South Australia where there is agreement between the affected councils. Although there have been a number of (in the main minor) council boundary alterations, there have been no amalgamations between councils in South Australia since 1998. The KI Council is open-minded about possible changes in governance arrangements for Kangaroo Island but would take convincing that an amalgamation is appropriate at this time. In any event there is no current indication of interest from any other local government in an amalgamation with Kangaroo Island Council.

An amalgamation involving Kangaroo Island Council should not be ruled out in future but for quicker realisation of benefits there are less contentious initiatives that should be explored first. At some point in time it is likely that there will be further interest in local government amalgamations either by the community on Kangaroo Island or more widely in South Australia. It would be appropriate to explore the issue more fully at such a time.

c) The merits of collaboration

Significant collaboration occurs within the local government sector in South Australia at different levels, eg between individual councils that are neighbours or have other interests in common, on a regional basis and on a whole of sector basis. There are also examples occurring of collaboration between State and local government at a local or regional level and on a state-wide basis. KI Council already pursues opportunities for collaboration to a reasonable degree (and arguably more so than many other local governments). It for example contracts in support from Alexandrina Council to assist with its information technology and finance responsibilities. It also contracts out and undertakes road maintenance works for State agencies. Also, since September 2005 (and for the next few years), KI Council has transported landfill waste to "Pedlar Creek" landfill, on mainland SA. The landfill operation is managed by the Southern Region Waste Resource Authority, a regional subsidiary established by the cities of Onkaparinga, Marion and Holdfast Bay.

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The reality is though there is potential for considerable more collaboration, involving more effective resource sharing, involving KI Council with other State Government or Government funded agencies on Kangaroo Island or with local governments elsewhere. Collaboration doesn't happen as much as it could between governments and government funded entities on Kangaroo Island and elsewhere because it is just plain hard work. It inevitably raises a myriad of concerns for organisations and affected individuals³³. Unless there are imperatives for all partners it may not bring about ready success. There are always other more pressing challenges to tackle.

All State agencies and State funded bodies on Kangaroo Island that were interviewed³⁴ as part of this review indicated strong support for collaboration. All saw further collaboration as preferable to a change in structural or governance arrangements affecting their entity. All acknowledged that there was more potential for collaboration than currently occurs. Attempts by the 'KI CEO's forum' (the leaders of the government agencies/government funded entities and KI Council) to regularly meet and earnestly explore opportunities for collaboration were still in a stage of infancy at the time of this study. Collaborative ventures to date have explored common service contracts for things like fire extinguishers and photocopiers rather than on services currently provided by agencies own staff.

Attempts at further collaboration in future are likely to be ad hoc and outcomes sub-optimal unless there is a strong commitment at a governance level supported by a formal process for all reasonable and potentially significant opportunities to be objectively explored. Without such a commitment and a broader process any commitment to collaboration is likely to ebb and flow over time. People come and go and other important and urgent issues emerge and need to be managed.

The State Government and the KI Council could for example enter into an agreement that required their officers to work together systemically to identify and investigate suitable opportunities that may deliver benefits to all parties. Such an agreement could stipulate processes and timeframes to progressively report on both outcomes achieved and other opportunities identified that require higher level determination. As part of such an arrangement the parties may also wish that the KI Council look further at additional opportunities for collaboration with adjoining councils and the benefits that this would entail.

³³ "Partnership, Stories Worth Telling, A focus on State and Local Governments working together to achieve mutual benefits", February 2002

³⁴ Refer Appendix V

During this review various diverse suggestions for collaboration were offered by those interviewed as examples of “on the ground” initiatives made that could lead to benefits for all parties. They included pooled arrangements for relief administrative staff, agencies that are required to prepare fire prevention plans doing so jointly, greater sharing of accommodation and having specialist (eg finance) staff doing work for more than one agency. The merit of such suggestions would only be able to be confirmed and any impediments considered with careful analysis by affected agencies.

As well as improved interaction between local governments and other spheres of Government, collaboration offers opportunities for improved or increased service delivery, expanded capabilities, access to a wider resource base, shared learning opportunities and, as discussed facilitated economic, environmental and social strategies.

No option for collaboration should be ruled out. A formal commitment to collaboration and an agreed process for evaluating opportunities and issues could lead to some or all staffing of some existing entities being aggregated and working out of a single entity where this was shown to be beneficial and need not result in job losses or disadvantage for anyone. For example if there were net financial and/or other benefits from eg the KIDB and NRM Board’s pooling staff with KI Council why shouldn’t this occur?

8. Other issues

a) Transport costs between KI and mainland

Movement of people and freight between Kangaroo Island and the mainland must occur either by air or sea. The fact that Kangaroo Island is separate from the mainland adds considerably to transport costs. For example it has been estimated that freight costs for primary production on Kangaroo Island are double the national average with the difference attributable to the sea crossing.

Sea Link offers a commercial, regular (minimum twice a day but usually four and more frequently in busier periods), reliable, quality passenger and freight ferry service between Cape Jervis and Penneshaw. Another operator currently offers a service from the Wirrina Marina to Kingscote and services have in the past operated from Glenelg. While prices are higher than what users would prefer there is no evidence to suggest they are commercially unreasonable and there is nothing preventing existing operators or other potential competitors offering additional services. The simple fact is that costs relative to volumes carried are relatively high because of the size of the market and the type and fitout of ferries required for what can be at times be treacherous waters.

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Kangaroo Island residents and businesses understandably feel disadvantaged because of transport costs. Many feel it is particularly unfair that ferry services require significant wharfage fees (estimated \$400,000pa for Sea Link) which is presumably passed on to users in higher passenger and freight charges. They see the cost of the wharf as akin to specific required features of main roads elsewhere and argue *“road users elsewhere in SA don’t pay a toll or charge for bridges or tunnels”*.

The Commonwealth Government operates the Tasmanian Freight Equalisation Scheme (TFES)³⁵. The TFES’s objective is to provide financial support to shippers of eligible goods to reduce transport costs between Tasmania and the mainland for seaborne freight. In this regard it is similar to the financial support that the Commonwealth provides for the national highway network which provides surface transport links between the mainland states.

The scheme provides a subsidy for freight movements between Tasmania (including islands within the state jurisdiction) and the mainland. It does not subsidise transport costs between the island of Tasmania and other islands within the State, i.e. it is designed to reduce the cost of interstate not intrastate movement of freight.

The KIDB has recently commissioned a study with State Government funding support to *‘compile a business case on the costs of transporting passengers and freight between KI and the mainland’*. It is anticipated that an outcome of the work will be a submission seeking Federal Government financial assistance to offset transport costs. The likelihood of additional financial support is at this time uncertain. What is clear though is that the additional transport costs are a significant economic and lively issue on KI.

b) KI Council’s Road Responsibilities

The Kangaroo Island Regional Transport Study (May 2007)³⁶ was undertaken to assess road infrastructure needs as they relate to the increase in freight volumes (particularly from plantation timber and mining developments), reducing conflicts between local, tourist and freight traffic and upgrading roads to reduce on-going maintenance costs. It identified short to medium term priority works to the value of \$110 million (state roads \$62 million and local roads \$48 million).

³⁵ Refer Centrelink website : <http://www.centrelink.gov.au/internet/internet.nsf/businesses/tfes.htm#what>

³⁶ Kangaroo Island Regional Transport Strategy, Neil Matthews, Strategic Design and Development, May 2007

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KI Council has a relatively large local road network that it is responsible for managing and maintaining relative to its population and income base. As highlighted elsewhere in this report there are numerous other SA councils in a similar situation. Closer examination though suggests that there are aspects of KI Council's large road network that impose additional cost disadvantages on it even relative to other small councils with large road networks.

Firstly, KI Council is responsible for some roads that it considers have characteristics that elsewhere may result in them being classified as arterial roads and therefore be the responsibility of the State. Because it is an island it has no 'through' roads. The only arterial roads on the island are those that connect the main townships of Penneshaw, American River, Kingscote and Parndana. Birchmore and South Coast Roads (both local roads) have been sealed with State funding support primarily to improve the accessibility of tourism destinations like Seal Bay and Finders Chase National Parks. Locals consider that these roads are not primarily local roads.

In SA where one sphere of government considers (eg because of changes in usage etc), that a local road should be reclassified as a State road (or vice versa) this only occurs where agreement is reached between the State and the affected local government to reclassify another equal road within the same council area the other way. In other words reclassifications only occur where both spheres of government are left with similar management and maintenance responsibilities.

KI Council considers that South Coast and Birchmore Roads and West End Highway (all sealed) should more appropriately be classified as State roads. Council currently spends of the order of \$23,000pa maintaining these roads. Combined annual depreciation for these roads in 2006/07 was \$776,000 and KI Council also spent \$189,000 in 2005/06 and \$140,000 in 2006/07 on capital improvements to them. The financial obligation that these roads impose on Council obviously has a very significant impact on its overall operating result and capacity. For example if it was not responsible for these roads then all other things being equal its operating result in 2006/07 would have improved from a deficit of \$612,000 to a surplus of \$187,000 and its net financial liabilities would have reduced by \$163,000.

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Secondly, although the Council has not yet completed an Infrastructure and Asset Management Plan it is well accepted that its unsealed road network is in poor condition relative to need. Not only does it have a large network relative to its capacity but the availability and quality of road making materials on the island is particularly poor. This leads to additional cartage costs for road resheeting materials. It also results in many roads having a surface covered in numerous small stones ('ironstone') which have ball bearing type characteristics making driving on them hazardous, particularly for tourists with little experience driving on unsealed roads. The Council recognises it will never be in a position to seal all the roads that people would like to see sealed. It is however committed to managing its road network responsibly and within its resource capacity. It recognises that some major unsealed roads should be resheeted and patrol graded more regularly than is currently occurring. KI Council currently spends approximately \$359,000 per annum resheeting and patrol grading local roads and estimates that it could double this outlay for many years in just addressing outstanding priority needs.

The South Australian Local Government sector has in place a Special Local Roads Program that provides funding assistance for upgrading high priority need local roads. Funding for this program is made available as a portion of the pool of Commonwealth funds provided to the local government sector for local roads. Total funds allocated via the Special Local Roads Program in 2006/07 amounted to \$10.2 million. Under the *Special Local Roads Program*, the Local Government Regional Associations assess the priority roads in each regional area being mindful of the State arterial road network and local strategic routes. KI Council is a member of the Southern and Hills Local Government Association.³⁷

A Panel selects road projects based on agreed priorities of regional local government associations. These are usually based on upgrading roads that are key freight routes between communities in different local government areas. Because Kangaroo Island doesn't share inter-connecting road freight routes with other council areas it has traditionally not fared well in the allocation of funds from this program. However the Program can also make available funding for tourist roads and the Panel that administers the Program is keen to promote this opportunity amongst regional LGA's. It is possible that with the endorsement of its regional LGA (Southern and Hills LGA) the KI Council could receive funding assistance through the Program to upgrade some key tourist roads without having to be at expense of key freight routes elsewhere not being funded.

³⁷ Member Councils are: Adelaide Hills, Alexandrina, Barossa, Kangaroo Island, Mount Barker, Murray Bridge, Victor Harbor and Yankalilla

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The third area of particular disadvantage KI Council suffers in connection with the management of its local road network relates to native vegetation. Native vegetation covers approximately 55% of Kangaroo Island. It is a major asset for residents and the wider community and is recognized as such by the KI Council. Nevertheless its existence also imposes significant cost obligations on KI Council. It is appropriate to consider whether exactly the same native vegetation protection requirements that exist on the mainland where less than 10% of native vegetation remains should apply on Kangaroo Island.

Much of Kangaroo Island's native vegetation exists along council road reserves on either side of the road carriageway. It is required to be managed in such a way that maximizes the area of the road reserve covered with native vegetation (while maintaining a safe carriageway) and effectively requires frequent light trimming by Council rather than more severe, less frequent and more cost effective pruning regimes. The KI Council currently spends over \$130,000pa in roadside vegetation clearance and this level of expenditure is inadequate to prevent considerable intrusion of regrowth of native vegetation onto the carriageway.

c) Financial impact of tourism and the merits of a tourist levy

KI Council recognizes the importance of tourism to the economy of Kangaroo Island and is supportive of further growth in tourism (but is keen for it to occur in ways that minimizes environmental impacts and delivers clear benefits to the local community). At the moment there is a perception that while tourism does benefit Kangaroo Island it does add significantly to KI Council's costs without commensurate direct or indirect financial benefits to the Council.

A lot of tourists are day trippers who traverse council roads to visit destinations like Seal Bay Conservation Park and Flinders Chase National Parks. DEH estimates park visitation at 275,000 park visitor days/year.³⁸ DEH admission fees and facilities at these destinations generate no rate revenue for KI Council. Revenue from KI Council camping grounds is insufficient to cover maintenance costs for the areas and associated public conveniences in its area of responsibility. KI Council nevertheless sees it as essential to provide and maintain these important tourist facilities, and to minimise risks of higher damage and clean-up costs if it didn't. It is not surprising therefore that over time there has been considerable discussion within KI Council and the wider community of the pros, cons and practicalities of some form of levy or "tax on tourists" to offset some of the associated costs of public facilities in the Council area.

³⁸ Department of Environment and Heritage website – 2003/04 figures

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Tourism related levies and taxes are commonly in place in Australia and elsewhere. Most countries impose departure taxes on international visitors. Hotel bed taxes are common overseas. Admission fees to national parks and conservation zones are widespread throughout the world. It is also not uncommon for islands elsewhere to impose a levy on tourists to offset some of the costs of preserving and maintaining the things that people travel to enjoy and experience and for the provision of services and facilities that enrich and enhance the comfort of their visit. In the main this is built into the sea or air charges.

The effect any additional charge may have on tourism needs to be considered. For context purposes the current regular fare by Sea Link from Cape Jervis to Penneshaw is \$80 for adults and \$162 for vehicles (both return). DEH charge entry fees to key attractions it administers, for example the Kangaroo Island Tour Pass price is Adult (\$45), Concession (\$35), Child (\$27.00) and family (\$121.00). It entitles the holder to unlimited access to:

- Seal Bay Guided Beach Tour, boardwalk and lookout entry
- Kelly Hill Show Cave Tour
- Cape Borda Lightstation Tour
- Cape Willoughby Lightstation Tour
- Flinders Chase National Park entry.

Of the approximately 164,000³⁹ people that visit Kangaroo Island each year 39% are estimated to be international tourists. It is unlikely that some form of modest levy per visitor would significantly discourage overseas visitation particularly if it was supported by messages and evidence demonstrating revenues generated were being applied to protect and enhance the tourist experience, eg camping grounds, boardwalks and public conveniences.

Such a levy could have a more significant negative impact on the levels of interstate (27%) and more particularly intrastate (34%) visitation. As a result of cheaper airfares and more favourable exchange rates, locations in Australia and overseas on major jet routes have become relatively more affordable to visit. Higher petrol prices are also impacting on motoring holidays. These factors are having adverse impacts on many traditional regional holiday destinations throughout Australia. The tourism market's growing appetite for experiencing unspoilt natural environments rich in wildlife and its greater awareness of Kangaroo Island's attractions has largely insulated Kangaroo Island from the domestic regional tourism downturn to date. Nevertheless imposition of a levy would add to the pressures working against Kangaroo Island growth in interstate and intrastate tourism.

³⁹ Tourism Optimisation Management Model website

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Which body should collect any passenger or tourist levy? If Council and communities considered it made sense to charge, collect, legally manage and administer a tourist levy then consideration would need to be given as to how best to apply it. It is clearly not practical (or desirable) to screen passports at all visitor points of entry and only levy non-Australian passport holders who can't prove they are long-term Australian residents! In reality without the co-operation of aircraft and ferry passenger operators it would be impractical to just apply the levy on non-residents who are visiting the island. The operators are unlikely to wish to incur the odium and time costs of interviewing prospective ticket purchasers as to their usual place of residence and having to determine whether to apply a levy or not. Tourists too may perceive they are being discriminated against.

The simplest way of charging a levy would be for a levy to be applied equally to all passengers, locals and visitors alike. This could be readily introduced for commercial aircraft travellers. KI Council already has the power to, and has for many years, charged airlines a per occupied seat levy (already charges \$6.60 each way per passenger plus GST to assist with offsetting airport related costs)⁴⁰.

Applying such a widespread charge to a ferry operator would be more problematic. Council has no power to directly impose such a charge for a private ferry operator or aircraft owners to collect. If desired it would need special State legislation developed and enacted to achieve this outcome. A pragmatic solution could be to convince the SA Government to impose additional wharfage charges on users such as ferry services and pass this additional revenue on to Council. There is of course no guarantee that the Government would be receptive to such a request. Even if it was any shipping operator would be free to determine how best to seek to recover this additional impost. While Sea Link's current passenger pricing regime does offer a concessional fare for KI residents it no doubt bases this decision on commercial considerations. It cannot be assumed that it would increase this differential and just seek to recover the additional cost from non-Kangaroo Island resident passengers. It may for example perceive that elasticity of demand is such that it could more easily and successfully recover it from freight charges.

⁴⁰ Section 6, *Aerodrome Fees Act 1998* (State)

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Ferry operators are private companies and their business volumes and financial statements are not on the public record. The Kangaroo Island Regional Transport Strategy Report highlights that most visitors travel to Kangaroo Island by ferry (92%) and estimated that approximately 15% of Sea Link's revenue is generated from freight revenue. It is therefore likely that if wharfage fees were increased as a surrogate for a passenger and/or tourism levy that this additional cost could be recovered without having a significant impact on freight costs.

Assuming Council wished to introduce a levy and it was able/practical to do so it would need to determine the quantum. This should not only have regard to the costs tourism currently imposes and the currently inadequately addressed infrastructure needs of tourists (when on the island) but also the amount the marketplace would accept as reasonable without adversely impacting on tourism numbers.

For example KI Council is responsible for some major roads that have been built to a standard (eg sealed) appropriate to accommodate visitors travelling to prime tourist locations as a result incurs significantly higher operating expenses. Council receives no rate revenue from most of the localities and facilities tourists travel to see and enjoy. Any analysis needs also to recognize that in the absence of such a revenue stream Council is likely to be unable to maintain let alone enhance its existing level of infrastructure, services and facilities that are enjoyed by tourists and others.

If a levy was introduced and applied to all travellers it is understandable that locals may feel aggrieved. However they too benefit from the services and facilities provided as a result of tourism. It is not unreasonable therefore that they contribute. In any event without a levy the alternative would be higher KI Council rates or reduced service levels in future. While detailed analysis would be required, in the longer term residents could be better off (in terms of aggregate net costs of KI Council they pay for and the level of services provided) if a travellers levy is introduced that generates revenue for the KI Council from all people travelling to and from the Island even if Kangaroo Island ratepayers also have to pay this charge.

d) Utility Services Infrastructure

In times gone by a high proportion of the costs of providing infrastructure to enable the provision of utility services such as electricity, gas and water to new developments or to connect previously unserved communities was met by the service authority and recovered through charges to all users over the longer term. These days there is greater emphasis on user pays with persons benefiting from the additional infrastructure paying a higher proportion of the costs of connecting to services.

The above change in policy is not a major issue when infrastructure is in good condition and has spare capacity but much of the utility network in South Australia was established in the 1950's to 1970s. With little population and economic development growth in the 1980s and 1990's it generally was adequate. In many regional locations in South Australia now though significant upgrades are required to accommodate the demands of growth and renew ageing facilities. The costs of such upgrades are often very significant and can result in otherwise viable and desirable developments not proceeding.

Most people accept that the proponent of a development that requires a significant upgrade in utility infrastructure should pay a reasonable share of the cost. There are concerns though about the details of such arrangements. Estimates of costs seem to change significantly for the same development over time. What if a development leads to an upgrade in infrastructure that facilitates subsequent developments? Which parties should pay which portions?

These above issues are not unique to Kangaroo Island but they are a significant concern and frustration as is the quality/reliability/capacity of existing services. Many businesses for example have been forced to buy and maintain expensive diesel generators for back-up power supply because of the concerns about the reliability of the public network.

e) Remote Locality Income Tax Concession

The Commonwealth Parliament's Income Tax Act provides various levels of income tax concessions in the form of rebates against income tax otherwise payable for taxpayers living in much of Australia that is remote from the regions around capital cities or the southern and eastern coasts of the Australian mainland. The allowance varies depending on the locality and a taxpayer's circumstances (from eg \$57 for a taxpayer in Zone B with no dependent child to \$1978 for a person in the designated special area that can in addition claim the maximum dependent spouse rebate).

Taxpayers in "out of council" (i.e. outside of Local Government Act) areas of South Australia are eligible for the 'special area' rebate (except in Woomera which is in Zone B). The only SA local government areas where residents are eligible for the rebate are Coober Pedy and Roxby Downs (both classified as 'special areas'). In the course of this review several people suggested that Kangaroo Island residents should be eligible for this concession. Certainly a case can be made for such treatment. As highlighted elsewhere in this report Kangaroo Island residents are rated the fourth most isolated within the Local Government incorporated areas of SA using the ARIA methodology (and more isolated than those at Roxby Downs). The ARIA and Income Tax Act methodologies are not the same. ARIA has regard to remoteness from service centres with a population of 5,000 or more whereas the Tax Act considers 'special areas' to be those more than 250 kilometres away by the shortest practicable surface route from population centres of 2,500 or more. That is it does not differentiate between travel by road or water. Neither Streaky Bay nor Ceduna currently qualify as remote localities for income tax concessions but both are considered more remote than Kangaroo Island on the ARIA scale.

Flinders and King Island's in Bass Straight are in the 'special areas' zone as are Lord Howe and Norfolk Islands. Magnetic Island and the Whitsunday Islands are in Zone B.

The zone boundaries that were drawn up when the concession was introduced in 1945 remain largely unchanged today, despite changes in demographics, infrastructure and technology. Clearly the Commonwealth Government would have regard to equity and cost impacts were it predisposed to review current boundaries and their criteria.

9. SUMMARY AND CONCLUSIONS

KI Council has a small population (4,602), its boundaries encompass a large land area and it is responsible for managing and maintaining a large road network. In this regard though it is similar to at least 18 of the 67 other SA councils. It shares similar financial, service delivery, capacity, employee attraction & retention and other challenges as most of them.

Although closer to Adelaide 'as the crow flies' than most of the other councils described above as similar, the reality is in many respects its community is more isolated as a result of living on an island than those in almost all of the other local government areas in SA. The KI Council doesn't share common boundaries with any other council. This contributes to the location's isolation and reduces opportunities for socialisation, advocacy strength and professional networking. It also adds to the costs of doing business and makes collaboration with others on the mainland more difficult.

This isolation and Kangaroo Island's rich and highly preserved natural environment and popularity with tourists have appropriately resulted in it effectively having the status of a small region in organisational structural arrangements for many government and government supported management and service delivery functions. This generates benefits, self reliance and opportunities for the community but it comes at a cost. For example the KI Council and the State Government have established a regional development board (the Kangaroo Island Development Board). Elsewhere in South Australia regional development boards have been created by the State in partnership with a group of councils (Whyalla being the only other exception and it has an estimated population of 21,211). What this means for Kangaroo Island is that it has an entity that is focussed exclusively on economic development issues and opportunities for Kangaroo Island. Yet it does mean that the KI Council is contributing more to the cost of a regional development board's endeavours than similar councils elsewhere.

Kangaroo Island doesn't have the population to as readily fulfil these regional responsibilities as other recognised regions of South Australia. Relative to other similar councils its operating expenses were for example in 2005/06 on average considerably higher per capita for waste management, library services, economic development, regulatory services (eg planning) and administration.

KI Council's reported operating expenses for maintaining its road network are no more than and in some cases less than for other similar councils. This may simply reflect its perception that it is considerably under-maintaining the network. KI Council also considers that some main roads it is responsible for should more appropriately be classified as State roads and would be if the area was not an island.

LOCAL GOVERNMENT ON KANGAROO ISLAND TODAY AND TOMORROW

Kangaroo Island's popularity with tourists results in it hosting 164,000 visitors per year, an estimated 39% of whom are international tourists. Council recognises the importance of tourism to the area and is supportive of the further development of the industry. At the same time it believes the impacts and needs of local businesses that rely on tourist numbers adds considerably to KI Council's net costs.

In order for Kangaroo Island's effective regional status to work to its advantage and offset to some extent the disadvantages of its isolation it is essential that the various State and Local Government related entities work together. Collectively they have significant resource capacity. The Kangaroo Island community needs to capitalise on the islands potential advantage of having common boundaries between a single council and a State Government region. This must make collaboration easier. All entities consulted throughout the course of this study agree there is scope for greater collaboration within the agencies on the island and Kangaroo Island's isolation from the mainland – its "regionalism" potentially makes this easier to achieve. Nevertheless it is unlikely to occur to its full potential without strong local and state-wide political support and the establishment of formal mechanisms.

The potential for the Kangaroo Island Development Board, Kangaroo Island Natural Resources Management Board and KI Council to share staffing resources while serving independent governing bodies appears to have the potential to deliver realisable net benefits and is an example that should be considered through such a process.

Kangaroo Island is in an ideal position to explore in a formal way more collaborative approaches to managing and delivering State and local government services. Nevertheless such strategies alone will not produce the levels of savings and improvements in capacity that KI Council is likely to need in future. KI Council cannot afford to be anything other than strategic and financially responsible in all its decision-making. It recognises this and is committed to making improvements where warranted. State Government support for formal collaborative processes with KI Council are likely to help all stakeholders better appreciate the need for and benefits of improvements and the risks for Kangaroo Island and its community if they are not addressed.

10. RECOMMENDATIONS

- 1) Council undertake research if necessary to ascertain the reasons for its community's assessment of the quality of life on Kangaroo Island and its satisfaction with the Council's performance as reflected in the 2006 LGA Comparative Performance Measurement Survey, initiate any appropriate responses and undertake similar market research regularly in future.
- 2) Council demonstrate its commitment to sound financially sustainable policies and service levels by addressing its auditor's concerns regarding its reported asset values and depreciation rates, and develop well researched long-term financial and infrastructure and asset management plans.
- 3) Council engage with State Government to express its concern over the particular impact on Kangaroo Island of the vegetation management requirements of the *Native Vegetation Act 1991* as they apply to road reserves.
- 4) Council and the State Government enter into a formal agreement with clearly articulated processes to explore practical opportunities for mutual benefit from collaboration and resource sharing between KI Council, government agencies and government funded entities. The scope of such a review should be comprehensive but early consideration should be given specifically to the merits of the Kangaroo Island Development Board, Kangaroo Island Natural Resources Management Board and KI Council sharing staffing and other resources and considering opportunities for strategic plan alignment while serving independent governing bodies. A State/Local Government Working Group, facilitated by the Office for State/Local Government Relations, should be established as soon as possible to ensure delivery.
- 5) Council make a formal approach to other nearby councils and others with similar 'regional' characteristics, such as Ceduna, inviting them to jointly consider opportunities for resource sharing and strategic collaboration. To this end it should explore LGA and Local Government Research and Development Scheme support to pilot work that may have potential for application elsewhere in the South Australian local government sector.
- 6) Council seek the support of its regional LGA (Southern and Hills LGA) to apply for funding assistance through the Special Local Roads Program to upgrade tourist roads on Kangaroo Island.

LOCAL GOVERNMENT ON KANGAROO ISLAND TODAY AND TOMORROW

- 7) Council closely monitor usage and the destination of users of the South Coast Road and the West End Highway over time and its own expenses associated with the ongoing necessary maintenance and upgrade of these key local roads. This will assist Council's case in any future dialogue with the State about the classification of these roads.
- 8) Council, possibly in conjunction with other interested Island stakeholder organisations, investigate the merits and implications of introducing a travellers levy (or practical surrogate for it) and, in consultation with KI ratepayers, determine its position and subsequent actions once all necessary information is available.
- 9) Council, possibly in conjunction with the KIDB, other interested councils, the Local Government Association and regional local government associations, seek State Government support for a review of policies adopted by utilities for the pricing of upgrading and augmenting infrastructure to service new developments in regional locations.
- 10) Council, possibly in conjunction with the KIDB, other interested councils and the Local Government Association, research and if appropriate then pursue reform of the Commonwealth Parliament's Income Tax Act to its residents to receive the Remote Locality Income Tax Concession.
- 11) This report be formally tabled at a meeting of Council, and on a six monthly basis thereafter a report on progress against the recommendations be presented to Council and the Minister for State / Local Government Relations.

LOCAL GOVERNMENT ON KANGAROO ISLAND TODAY AND TOMORROW

APPENDIX I (A)

General Information by Council 2005-06 Financial Year

Source: South Australian Local Government Grants Commission - Database Report 1

Council	Area (Hectares)	Estimated Resident Population as at 30 June 2006	Number of Rateable Properties as at 1st January 2006	Council Employees (FTE)	Council Employees (FTE) Per Capita	Council Employees (FTE) Per Rateable Property	Roads Sealed (Km)	Roads Unsealed (Km)	Total Roads (Km)	Total Roads (Km) Per Capita	Total Roads (Km) Per Rateable Property
Ceduna	543,268	3,490	1,994	42	0.0120	0.0211	67	1,643	1,710	0.4899	0.8574
Cleve	448,847	1,897	1,353	21	0.0111	0.0155	57	1,338	1,395	0.7356	1.0313
Coorong	886,260	5,724	3,951	57	0.0099	0.0143	325	1,560	1,884	0.3292	0.4769
Elliston	667,814	1,111	1,155	12	0.0108	0.0104	39	1,108	1,147	1.0326	0.9933
Flinders Ranges	410,644	1,709	1,609	16	0.0093	0.0099	18	1,244	1,261	0.7381	0.7840
Franklin Harbour	327,782	1,340	1,064	15	0.0109	0.0137	57	878	935	0.6977	0.8787
Goyder	668,788	4,085	4,149	51	0.0124	0.0122	140	3,108	3,247	0.7950	0.7827
Kangaroo Island	443,176	4,602	5,139	60	0.0130	0.0116	237	1,125	1,362	0.2960	0.2651
Karoonda East Murray	440,868	1,154	1,033	15	0.0128	0.0143	81	1,217	1,298	1.1246	1.2563
Kimba	396,640	1,146	853	15	0.0131	0.0176	54	1,659	1,714	1.4954	2.0091
Kingston	335,083	2,321	2,273	16	0.0069	0.0071	114	620	734	0.3162	0.3229
Lehunte	536,908	1,390	1,014	21	0.0151	0.0207	81	1,621	1,702	1.2246	1.6787
Lower Eyre Pen	475,561	4,456	3,120	25	0.0057	0.0081	103	1,265	1,367	0.3068	0.4382
Mount Remarkable	341,192	2,828	2,831	30	0.0107	0.0107	84	1,979	2,063	0.7297	0.7289
Northern Areas	297,409	4,597	3,799	44	0.0097	0.0117	120	2,077	2,197	0.4778	0.5782
Orroroo/Carrieton	330,629	935	1,236	13	0.0141	0.0107	34	1,593	1,628	1.7408	1.3169
Peterborough	300,616	1,810	1,676	19	0.0106	0.0115	40	1,191	1,230	0.6798	0.7341
Southern Mallee	570,227	2,187	1,687	35	0.0158	0.0205	84	1,245	1,329	0.6079	0.7880
Streaky Bay	624,085	2,072	1,876	19	0.0092	0.0101	53	1,668	1,721	0.8307	0.9175
Total of Councils Listed	9,045,797	48,854	41,812	526	0.0108	0.0126	1,788	28,139	29,926	0.6126	0.7157
Total (excluding Kangaroo Island)	8,602,621	44,252	36,673	466	0.0105	0.0127	1,550	27,014	28,564	0.6455	0.7789

LOCAL GOVERNMENT ON KANGAROO ISLAND TODAY AND TOMORROW

APPENDIX I (B)

Financial Summary Information by Council 2005-06 Financial Year

Source: South Australian Local Government Grants Commission - from Council submitted Supplementary Returns to the Annual Financial Statements.

Council	Estimated Resident Population as at 30 June 2006	Number of Rateable Properties as at 1st January 2006	(3) Total Operating Revenue (Excluding Gain on Disposal of Assets) (\$ 000)	(4) Total Operating Expenses (Excluding Losses on Revaluation and/or Disposal of Assets) (\$ 000)	Operating Surplus / (Deficit) (\$ 000)	Operating Surplus Ratio (%)	Operating Surplus to Total Operating Revenue Ratio (%)	Total Assets (\$000)	Net Assets (\$000)	Net Assets Per Capita
Ceduna	3,490	1,994	6,411	5,822	589	24	9	33,362	30,716	8,801
Cleve	1,897	1,353	3,540	2,803	737	47	21	24,509	23,833	12,564
Coorong	5,724	3,951	9,528	10,187	(659)	(16)	(7)	66,029	63,882	11,160
Elliston	1,111	1,155	2,903	1,810	1,093	90	38	18,949	18,567	16,712
Flinders Ranges	1,709	1,609	2,377	2,563	(186)	(24)	(8)	21,426	19,255	11,267
Franklin Harbour	1,340	1,064	2,321	2,267	54	7	2	15,029	14,541	10,851
Goyder	4,085	4,149	7,625	8,013	(388)	(13)	(5)	51,758	49,218	12,048
Kangaroo Island	4,602	5,139	9,904	10,536	(632)	(11)	(6)	55,729	50,320	10,934
Karoonda East Murray	1,154	1,033	2,105	1,709	395	55	19	18,356	17,726	15,361
Kimba	1,146	853	2,676	2,755	(79)	(9)	(3)	18,825	17,693	15,439
Kingston	2,321	2,273	3,988	3,862	126	5	3	27,357	22,588	9,732
Lehunte	1,390	1,014	3,377	4,493	(1,116)	(115)	(33)	27,286	26,970	19,403
Lower Eyre Pen	4,456	3,120	6,371	5,301	1,070	35	17	43,868	40,689	9,131
Mount Remarkable	2,828	2,831	4,017	3,524	493	29	12	66,090	64,552	22,826
Northern Areas	4,597	3,799	6,037	6,069	(32)	(1)	(1)	41,116	36,883	8,023
Orroroo/Carrieton	935	1,236	2,262	2,178	84	17	4	29,259	28,191	30,151
Peterborough	1,810	1,676	2,579	3,161	(582)	(74)	(23)	14,762	13,579	7,502
Southern Mallee	2,187	1,687	4,766	4,467	299	14	6	31,861	29,311	13,402
Streaky Bay	2,072	1,876	4,303	4,471	(168)	(10)	(4)	33,655	31,392	15,151
Total of Councils Listed	48,854	41,812	87,089	85,990	1,098	3	1	639,224	599,905	12,280
Total (excluding Kangaroo Island)	44,252	36,673	77,185	75,454	1,730	6	2	583,495	549,585	12,419

Notes

1. There may be differences from Council Financial Statements and amounts shown in Supplementary Returns so as to enhance data consistency and comparability.
2. The information contained in this report is exclusively for Council internal use only. Any other use, disclosure or reproduction of this document is unauthorised.
3. Total Operating Revenue excludes gain on disposal of assets (consistent with the calculation of Operating Revenue in LGA's 2007 Model Financial Statements)
4. Total Operating Expenses excludes loss on disposal or revaluation of assets (consistent with the calculation of Operating Expenses in LGA's 2007 Model Financial Statements)

LOCAL GOVERNMENT ON KANGAROO ISLAND TODAY AND TOMORROW

APPENDIX I (C)

2005-06 Financial Information Per Property and Per Capita - by Council

Source: South Australian Local Government Grants Commission - from Council submitted Supplementary Returns to the Annual Financial Statements.

Council	Estimated Resident Population as at 30 June 2006	Number of Rateable Properties as at 1st January 2006	Number of Residential Properties as at 1st January 2006 <i>Includes residential properties and vacant residential land</i>	(3) Total Operating Expenses (Excluding Losses on Revaluation and/or Disposal of Assets) (\$ 000)	(3) Total Operating Expenses (Excluding Losses on Revaluation and/or Disposal of Assets)		Total Rates (\$ 000)	Total Rates	
					Per Capita (\$)	Per Rateable Property (\$)		Per Capita (\$)	Per Rateable Property (\$)
Ceduna	3,490	1,994	1,174	5,822	1,668	2,920	2,494	715	1,251
Cleve	1,897	1,353	594	2,803	1,478	2,072	1,609	848	1,189
Coorong	5,724	3,951	1,867	10,187	1,780	2,578	4,072	711	1,031
Elliston	1,111	1,155	495	1,810	1,629	1,567	1,245	1,120	1,077
Flinders Ranges	1,709	1,609	704	2,563	1,499	1,593	760	445	473
Franklin Harbour	1,340	1,064	532	2,267	1,692	2,131	773	577	727
Goyder	4,085	4,149	1,364	8,013	1,961	1,931	3,056	748	737
Kangaroo Island	4,602	5,139	2,529	10,536	2,289	2,050	5,536	1,203	1,077
Karoonda East Murray	1,154	1,033	240	1,709	1,481	1,655	715	619	692
Kimba	1,146	853	319	2,755	2,404	3,230	927	809	1,086
Kingston	2,321	2,273	1,132	3,862	1,664	1,699	2,668	1,149	1,174
Lehunte	1,390	1,014	363	4,493	3,233	4,431	993	714	979
Lower Eyre Pen	4,456	3,120	1,498	5,301	1,190	1,699	3,120	700	1,000
Mount Remarkable	2,828	2,831	1,288	3,524	1,246	1,245	1,687	597	596
Northern Areas	4,597	3,799	1,483	6,069	1,320	1,598	2,467	537	649
Orroroo/Carrieton	935	1,236	336	2,178	2,330	1,762	496	531	402
Peterborough	1,810	1,676	944	3,161	1,746	1,886	789	436	471
Southern Mallee	2,187	1,687	615	4,467	2,043	2,648	2,081	952	1,234
Streaky Bay	2,072	1,876	880	4,471	2,158	2,383	1,655	799	882
Total of Councils Listed	48,854	41,812	18,357	85,990	1,760	2,057	37,142	760	888
Total (excluding Kangaroo Island)	44,252	36,673	15,828	75,454	1,705	2,057	31,606	714	862

Notes

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- Total Operating Expenses excludes loss on disposal or revaluation of assets (consistent with the calculation of Operating Expenses in LGA's 2007 Model Financial Statements)

APPENDIX I (D)

PER CAPITA AND PER RATEABLE PROPERTY 2005/06 OPERATING EXPENSES FOR KANGAROO ISLAND AND AGGREGATION OF OTHER SELECTED COUNCILS SHOWN IN APPENDIX I(A), I(B) & I(C)

Activity	\$ Operating Expenses		\$ Operating Expenses per capita		\$ Operating Expenses per rateable Property	
	Other Councils	KI Council	Other Councils	KI Council	Other Councils	KI Council
Other Fire Protection ¹	283,039	138,000	6	30	8	27
Community Support ²	2,649,407	159,000	60	35	72	31
Public Conveniences	722,466	138,000	16	30	20	27
Library Services	636,702	248,000	14	54	17	48
Economic Development ³	1,667,688	348,000	38	76	45	68
Waste Management	3,286,456	772,000	74	168	90	150
Recreation ⁴	4,874,966	652,000	110	142	133	127
Regulatory Services ⁵	2,629,098	658,000	59	143	72	128
Transport (excl aerodromes) ⁶	24,522,212	2,313,000	554	503	669	450
Administration	11,839,988	1,891,000	268	411	323	368

1. Includes fire prevention measures, property and roadside clearing, fire tracks, water tanks.
2. Includes Community Centres & Halls and Services for the Aged and Disabled
3. Includes Regional Development and Tourism
4. Includes Sports facilities, Swimming Pools and Parks and Gardens
5. Includes Town, Planning, Building Control and Health Inspection
6. Includes all local roads, footpaths and bridges

PROJECT BRIEF

INTRODUCTION

The Kangaroo Island Council is keen to undertake a comprehensive study of its current and future roles and responsibilities and opportunities for collaboration/partnership with State and Federal governments, the private sector, statutory boards and other community organizations. The main purpose of the study is to:

- Review existing governance and administrative structures and recommend appropriate improvements or changes to enable effective use of current resources used for service delivery and regulatory functions on the Island (financial, human, social etc)
- Engage support from the community and governments to participate in the future development of the Island
- Further develop collaborative relationships and partnerships with other Councils, Government agencies, community organizations and the private sector
- Review the efficiency of all the financial resources coming to Kangaroo Island and maximize the ability to meet the short and long term objectives for the future development of the Island

METHODOLOGY

To undertake the study the following methodology will be adopted:

PART 1: RESEARCH (16 weeks)

Stage 1: Audit

- To identify the various State Government agencies, statutory bodies and other groups that are offering government services on the Island.
- To identify any potential efficiencies which could be gained through collaboration and/or resource sharing with mainland councils.
- To identify the current resources (financial and other) being invested in the Island by the Council, State/Federal Governments, Statutory Boards, private sector and other groups.
- To identify the service areas that these resources are being applied to.

Stage2: Assessment

- Assess the Council's strategic plan, other government or statutory body planning documents etc and how they might be strategically aligned.
- Identify the areas of service delivery that could be provided more efficiently.
- Identify any areas of duplication of service effort and how these resources could be used more effectively

APPENDIX II cont...

Stage 3: Comparisons

- To identify the services provided and resourced in similar (to Kangaroo Island) SA Local Government authorities and compare these services to those experienced in Kangaroo Island.
- Research the governance structures, services and resources provided in other Island communities within Australia e.g. Rottnest Island, Whitsundays, Fraser Island, Magnetic Island and compare these to those received in the Kangaroo Island Council area.
- Identify if Kangaroo Island is unable to access any major grant funding programs available to other Council bodies and the reasons why this may be the case.

PART 2: THE KANGAROO ISLAND PROFILE – IS IT DIFFERENT?

(Duration: 20 weeks)

- Identify what, if any unique circumstances apply and/or impact on the Kangaroo Island Council compared to other local government communities throughout South Australia.
- Identify the various options and approaches available to address the short and long term future of Kangaroo Island including:
 - Council itself
 - Sourcing new State/Federal funding agreements (short and long term)
 - Collaboration/partnerships between Council and Government Agencies (formal/informal)
 - Removing duplication of services/resources
 - Collaboration/partnerships with the private sector (formal/informal)
 - Reduction in services provided if alternative solutions are not found

PART 3: IMPLEMENTATION

Strategies to gain agreement/endorsement of the implementation of the options identified in collaboration with key stakeholders.

INFORMATION REQUIRED:

PART 1: RESEARCH

Stage 1: Audit/Assessment

Stakeholder Analysis:

Identify all the State and Federal Government Agencies, statutory bodies and other groups offering services on the Island

Governance structures that apply in potentially similar island communities

Financial analysis:

- Council's Budget and financial sustainability
- State Government funded activities
 - To Council
 - To statutory or other bodies
 - To agencies operating on the Island
 - In relation to the above – short/long term
- Federal Government funded projects
 - To Council
 - To statutory or other bodies
 - To agencies operating on the Island
 - In relation to the above – short/long term
- Private sector investment

Services Analysis:

- Identify and list the service areas addressed
- Councils strategic plan
- Strategic planning documents of relevant agencies
- Planning docs of other statutory bodies

Data Sources:

- Council's strategic plan
- Development Plan
- Government Plans, including SA Strategic Plan
- SA Grants Commission data
- Commonwealth Grants Commission data
- State Budget Papers
- Federal Budget Papers
- Reports/Strategy papers prepared by Council and other State and Federal Government Agencies

Stage 4: Comparisons

- Determine the comparative parameters for aligning KI Council with other SA authorities
- Undertake the comparisons – Grants commission data and ABS, relevant Councils strategic plan, LGA's Comparative Performance Measurement Project, Identified Local Roads Grants
- Consider the other "island councils" – Commonwealth Grants Commission, relevant State Grants Commission, individual Councils themselves, special state funding arrangements and legislation that underpins it

POPULATION ESTIMATES DISTRICT KANGAROO ISLAND COUNCIL

Source: Planning SA website (January 2008) MEDIUM Series

Sex	Age	Year				
		2001	2006	2011	2016	2021
Persons	0-4	291	300	310	290	275
	5-9	297	327	351	336	315
	10-14	339	324	373	369	356
	15-19	226	231	233	232	232
	20-24	139	179	193	161	160
	25-29	215	183	233	224	186
	30-34	277	264	234	274	264
	35-39	352	324	324	266	310
	40-44	363	399	385	361	298
	45-49	367	367	419	379	358
	50-54	363	401	412	450	414
	55-59	266	406	457	452	503
	60-64	200	276	423	458	459
	65-69	151	187	264	375	411
	70-74	133	145	188	246	355
	75-79	131	123	145	174	233
80-84	83	99	101	111	138	
85+	51	85	121	133	154	
Total		4,244	4,620	5,166	5,291	5,421

These projections use the final Estimated Resident Population for 2001 (released by ABS in 2003) as their baseline. They were completed well before the ABS released its first post Censual estimates based on the 2006 Census in mid-2007.

APPENDIX IV

GOVERNANCE ARRANGEMENTS OTHER ISLAND COMMUNITIES

Rottnest Island, Western Australia, is administratively established as a WA Government statutory authority. It is situated 19 kilometres west of the City of Fremantle and some 11 kilometres long and 4.5 kilometres wide. Island governance is established by the *Rottnest Island Authority Act 1987*, which is committed to the Minister for Tourism. The Authority, an instrumentality of the Crown, has a Chairman and five members who are appointed by the Governor on the nomination of the Minister. The administrative centre for the Authority is in Fremantle. It provides and operates services and facilities, such as the fee paying Island bus service, Island ranger services, and holiday accommodation. It is estimated that over 350,000 people visit the Island annually. Journeys to the Island by one of three ferry services take 30 minutes from Fremantle, 90 minutes from Perth, or 15 minutes by air. Each visitor to the Island pays an Admission Fee (\$12.50 for adults, \$1 children) and this is included in the ferry fare, or as part of annual admission payment arrangement for boat owners and aircraft.

In comparison to Kangaroo Island, it is much smaller geographically and is basically a day tripper/holiday island destination with few residents.

The Whitsunday Islands, Queensland, are located within the Whitsunday Shire Council. The Islands are situated 1,160 km from Brisbane, or 620km south of Cairns, and form “the gateway to the Great Barrier Reef”. The Shire also encompasses the rural town of Proserpine and the coastal settlements of Cannonvale, Airline Beach and Shute Harbour. There are 74 islands within the Whitsunday Shire Council area, including Hayman, Hamilton and Daydream Islands that between them have a total of 10 tourist resorts. The Whitsunday economy is based on tourism and sugar cane farming. The Shire covers an area of 2,644 square kilometres with an approximate permanent resident population of 18,200, projected to be 27,600 by 2026. More than half of the geographical area of the Shire is national parkland.

The Shire is responsible for the Whitsunday Coast Airport and in addition to landing charges applies the following charges - Tourism and Economic Development Levy – of \$2 and Airport Refurbishment Levy of \$1 per passenger arriving or departing by air. Queensland’s local government structural reform program is resulting in an amalgamation between the Whitsunday Shire Council and the Bowen Shire Council – to become, from March 2008, the Whitsunday Regional Council.

There are obvious similarities between the issues facing the Whitsunday Islands Council and KI Council. The fact most of its resident population resides on the mainland and the islands themselves are small and focussed on tourism (or undeveloped) are noteworthy differences.

APPENDIX IV cont...

Fraser Island, Queensland, is a sand island located within the Hervey Bay City Council. The Hervey Bay City Council has an \$88.7m budget (2007). The Island has an area of 184,000 hectares. It is a 35 minute boat ride from Hervey Bay. Commercial vehicle barges and passenger ferries operate regular services daily to various points on the Island. Return fares are \$140 vehicle, driver and up to 3 passengers; \$10 for over 5 year olds; and \$22 for walk-on passengers. All Island roads are sand tracks and only accessible by 4WD vehicles.

Queensland's local government structural reform program is resulting in an amalgamation between the Hervey Bay Council and the Maryborough City, Tiara Shire and Woocoo Shire – to become, from March 2008, the Fraser Coast Regional Council.

There are few residents on Fraser Island. The whole island is World Heritage listed and has no primary production.

Magnetic Island, Queensland, is located within the Townsville City Council. In 2006 Townsville City Council's budget was \$297m. The Island is situated 8 kilometres from Townsville and more than half of the Island's 5,184 hectares is National Park. The Island has an estimated resident population of 2,500 people. There is a commercial passenger ferry service, with 14 return trips daily, and a 25 minute high speed catamaran – adult fares return \$26.70, child return \$13.30.

Queensland's local government structural reform program is resulting in discussions regarding an amalgamation proposal between the Townsville and Thuringowa Councils and a transitional advisory committee was recently established.

There are some similarities between Kangaroo Island and Magnetic Island. Of particular interest is the fact that it has a significant island population but is part of a much larger adjoining mainland council.

Norfolk Island is a self-governing Australian Territory. The Island is approximately 1,600 km north-east of Sydney and about 1,100 km north-west of Auckland, New Zealand. It is about 8 km long and 5 km wide with a total area of 3,455 hectares.

In 1979 Australia passed the *Norfolk Island Act* which provides for an Administrator, who is responsible to the Australian Minister for Territories and appointed by the Governor-General; a Legislative Assembly (nine members elected for a period of three years by residents) which may not pass legislation authorising funds; and an Executive Council which comprises four of the nine members of the Legislative Assembly.

APPENDIX IV cont...

The *Norfolk Island Act 1979* defines the powers of the Norfolk Island legislature, and Schedule 2 contains matters that are the sole responsibility of Norfolk Island, and, Schedule 3 has matters that are shared functions with the Commonwealth of Australia.

At the 2001 census, Norfolk Island's total population (excluding visitors or tourists) was 2,037. Eighty two percent of Norfolk Island's permanent population are Australian citizens and 14% hold New Zealand citizenship.

Tourism forms the basis of the Norfolk Island economy. In 2001, the number of visitors reached 40,000, with over 80% reportedly from the Australian mainland. Revenues from tourism have helped the agricultural sector to become increasingly self-sufficient in the production of beef, poultry and horticulture.

The Commonwealth of Australia contributes towards the management of the National Park, the salary and operating expenses of the Administrator's Office, the local Bureau of Meteorology office and towards maintaining the historical penal colony areas.

Norfolk Air operated by the Norfolk Island Government operates the Australian eastern seaboard. There are no port facilities on Norfolk Island. All loading and unloading from vessels are by "lighters".

The immigration laws that apply to mainland Australia, the Migration Act 1958 (Cwth), do not extend to Norfolk Island. Norfolk Island laws control entry to and residence on the Island. Australian or New Zealand citizens, with a current Passport, visiting Norfolk Island for a holiday and for less than thirty days, are granted a Visitor's Permit on arrival. Federal departure tax is not payable by persons travelling from Australia to Norfolk Island. There are no fees for a Visitors Permit but a departure fee of \$30 is payable at the airport on day of departure from Norfolk Island.

Norfolk Island's history, location and status as an Australian Territory under Commonwealth law limits the value of any comparisons of it with Kangaroo Island.

The Lord Howe Island Group, NSW, is under the care, control and management of the Lord Howe Island Board, a NSW statutory authority. Located 700 kilometres north-east of Sydney and covering an area of 146,300 hectares, the Lord Howe Island Group comprises Lord Howe Island, Admiralty Islands, Mutton Bird Islands, Ball's Pyramid and associated coral reefs and marine environments.

APPENDIX IV cont...

Under the *Lord Howe Island Act 1953*, the Board reports directly to the NSW Minister for Climate Change, Environment and Water. The Board is comprised of seven members, four of whom are elected from the Islander community every three years. The remaining three members are appointed by the Minister to represent the interests of business and tourism, conservation and one is an officer of the Department of Environment and Conservation. The full Board meets on the island every three months and, on a day-to-day basis, the affairs of the island are managed by the Board's administration.

The responsibilities of the Board include development control, administration of Crown Land including the island's protected area - the Permanent Park Preserve; the provision of community services and infrastructure - water supplies, sewerage, drainage; public health; roads and public facilities; and tourism. Under the *Act*, the Board may control and regulate tourist trade to and upon the Island and require Island businesses or trades to be licensed for a fee.

The Lord Howe Island Group was World Heritage listed in 1982. Two thirds of the Island is a Permanent Park Preserve. The surrounding waters were declared a Marine Park in 1998. The Lord Howe Island Public School caters for 32 children from Kindergarten to Year 6. Children go to the mainland for their secondary and tertiary schooling. Estimated resident population is 350.

Unlike the rest of NSW, there is no freehold title, and the Island is entirely NSW Crown Land. The Island is predominantly forested, has a population of about 350 people, and has a strong tourism industry. The main industry on the Island is a Kentia Palm nursery. There is a limit of 400 tourists on the Island at a time. There are 17 accommodation properties on the Island, most of which are owned and operated by Islanders.

Flight time, by commercial airline, is under two hours, with flights departing from Sydney daily. A tourism passenger levy of \$35 (one way) is included in the commercial airline ticket to the Island. The levy goes to maintaining the visitor's facilities such as walking tracks, picnic areas, BBQs, shelter sheds and toilets.

There are obvious physical similarities to Kangaroo Island. It has a cap on the numbers of tourists (400) at any one time. Its very small resident population and very remote location, and world heritage listing help explain why it is administered as a statutory authority.

APPENDIX IV cont...

Flinders Island, Tasmania, is located within the area of Flinders Council, which is between Wilson's Promontory in Victoria and Cape Portland in Tasmania. The Flinders Council covers four groups of Bass Strait Islands off the north-eastern tip of Tasmania: the Furneaux, Kent, Hogan and Curtis Groups. Of the more than 60 Islands in the area of the Council, only three have permanent residents: Flinders, Cape Barren and Clarke. The total population of the region is around 900 permanent residents.

Flinders Island is a long, narrow Island, 75km long and 40 km wide. The total land area of the Flinders Island is 1,333 square km, with 73 km of sealed roads, 309 km of gravel roads. The Island has three main population centres: Whitemark – the main residential and business centre; Lady Barron – the port and berth of the trading vessel Matthew Flinders; and Killiecrankie. The Island is primarily rural in nature, producing sheep and wool, cattle, lambs and Cape Barren geese. Aquaculture is an emerging industry in the region. Other business activities support tourism.

The Council's administrative centre is at Whitemark on Flinders Island, and the Council comprises a Mayor and six Councillors.

Flinders Council Rates Resolution 2007/08 identifies:

- (1) the minimum amount payable in respect of the General Rate is \$250.
- (2) Council has a service charge for all rateable land within its area for the 2007/08 period as –
 - a service charge for water supply (fixed amount \$251 and consumption cost of \$0.48 cents per kilolitre where the amount consumed exceeds 250 kilolitres); and
 - a waste management service charge of \$50.

The Council is the licensee for, and operates, the Furneaux Child Care Centre that provides occasional child care for up to 14 children. Airlines of Tasmania flies daily between Launceston and Whitemark, and three times a week between Morrabbin and Whitemark. There is a weekly passenger and freight ferry service to the north east coast of Tasmania.

APPENDIX IV cont...

The Flinders Council Annual Report 2005-2006 identifies, in total, Council Revenue for 2005/06 is \$3,274,500 (of which \$749,000 is rates and charges) and Council Expenses \$3,841,707 (of which \$1M is wages and salaries). The Report also identifies:

- That Council had an Area Marketing & Development Office as a branch of the Flinders Council that worked across three broad areas of tourism, community and business development, promoting Flinders Island as a place to visit, as a place to live, and as a place to work/start a business. The Office also operated an online booking facility in conjunction with the Flinders Island Tourism Association, a local tourism association. However, following a 2006 review, the AMDO closed and a Memorandum of Understanding was entered into with the Northern Tasmanian Development Board and the Board now undertakes the economic and community development of the region. . This is consistent with a regional Shareholders Agreement with the NTDB between eight councils and the Northern Tasmanian Development Board.⁴¹
- Council operates the aerodrome at Whitemark which had a total of 1,930 aircraft landings in 2005/06 – compared to 2,005 in 2004/05 and 2,341 in 2003/04.
- Transport is an issue for the Island, with shipping issues ranging from the administration of the Tasmanian Freight Equalisation Scheme to operational concerns about the costs of passenger and freight movement to and from the Island and Wharf facility maintenance issues. Council's Strategic Plan 2004-09 (page 21) identifies the "notion of Federal Government recognising Bass Strait as part of the National Highway".
- A contractor is used for development inspections and for assessment services, prior to submitting a building application to Council. 41 building applications were assessed for a building permit in 2006/07.

Flinders Island has similarities to Kangaroo Island but a much smaller population.

King Island, Tasmania, is a single council, the King Island Council, and the island is located at the western entrance to Bass Strait. It is 64 km long by 27 km wide. There are daily air services to both Melbourne and Tasmania. The Island has a population of about 1,700 permanent residents of whom 800 reside in the township of Currie on the west coast. Currie has a hospital, schooling to grade 10. There are two villages – Naracoopa on the east coast and Grassy (a former mining town) to the south east.

⁴¹ Flinders Council Ordinary Meeting Minutes 19 July 2007

APPENDIX IV cont...

The Island is primarily a rural, producing beef and dairy products as well as seafood. The Kelp Industry is a major part of the Island economy and tourism is growing.

The total estimated annual visitor figure, based on a Council survey, is 6,704 (March 2007). An organisation on the Island, King Island Tourism, promotes tourism in partnership with Cradle Coast Authority and Tourism Tasmania.

Council owned road and bridge infrastructure is 11km of urban sealed roads, 36km of rural sealed roads, 6km of urban unsealed roads; 478km of rural unsealed roads; and 31 bridges

King Island Council has a Mayor and 8 Councillors. The King Island Council Annual Report 2005-2006 identifies, in total, Council Revenue for 2005/06 is \$4,959,931 and Council Expenses \$4,723,061. Rates represents 37.3%, Grants represents 36%; and User Fees 20.5%. The Report also identifies:

- 34 development applications were received during the year
- The King Island Airport, which Council operates, is operating at a sustainable level. Landing charges revenue was \$203,000 (up by 4.9% on 2004-05).

King Island has much in common with Kangaroo Island although its population is less and it is 120km from the island of Tasmania. It would appear that tourism is much less developed.

Torres Strait Islands

Islands with significant and mainly Aboriginal and Torres Strait Islander populations, eg the Tiwi Islands, have not been considered as the social and economic characteristics of the islands are significantly different and this is considered likely to mean that governance arrangements are also different.

PERSONS/ORGANISATIONS INTERVIEWED

1. Sealink Travel Group, Mr Jeff Ellison (Chief Executive) and Mr Bill Spurr (Board Member)
2. KI Council, Mayor Jayne Bates, CEO Ms Carmel Noon and other available council members and senior staff)
3. Member for Finniss, Mr Michael Pengilly MP
4. Tourism Kangaroo Island, Chair Ms Julie Anne Briscoe and Marketing Manager Ms Tania O'Neil
5. Department of Environment and Heritage, Mr John Shutz and Mr Bill Haddell
6. KI NRM Board, Presiding Member Ms Jackie Kelly OAM and General Manager Ms Jeanette Gellard
7. KI Community Education, Ms Cate Telfer and Mr Rob Ellis
8. KI Health Service, Ms Sarah Mill and Mr Marc Warren
9. PIRSA, Ms Lyn Dohle and Mr Kim Blenkiron
10. SA Office of Regional Development, Exec Director Mr Phil Tylor
11. KI Development Board, Chair Mr John Lavers and CEO Mr Pierre Gregor
12. South Australian Tourism Commission, Mr Michael Geddes
13. Tourism Optimisation Management Model (TOMM), Mr Tobias Mendelovici
14. Office for State/Local Government Relations, Exec Director Mr John Hanlon
15. SA Local Government Grants Commission, Executive Officer Ms Jane Gascoigne

MAP OF KANGAROO ISLAND

