

Annual Business Plan 2020-21 Summary

What is the Annual Business Plan?

The Kangaroo Island Annual Business Plan (ABP) links the Kangaroo Island Annual Budget 2020-2021 with the Kangaroo Island 2020-2024 Strategic Plan. This financial year's budget and ABP reflects the call of the Mayor and Elected Members for Council to get 'back to basics' and strengthen its capacity to meet its financial obligations.

The Annual Business Plan (ABP) 2020-21 has been compiled in collaboration with Elected Members, Community and Executive Management. All legislative community consultation requirements have been met. Feedback received was reported to Council and informed the final ABP following Elected Member consideration.

The ABP is framed around a budget premise to deliver a responsible budget, following the recent Black Summer bushfires, the adverse impact of COVID-19 on the local economy and the expectation of State and Federal Government that Council must continue to fund the delivery of core and essential community services post bushfires and during COVID-19.

Fundamental Parameters Driving the Annual Business Plan – Significant Influences and Priorities

In 2020-21 the main focus of Council will be on critical core infrastructure – unsealed roads, sealed roads, township centres renewal, township kerbs and paths. Council will continue to show responsible and effective cost management, revenue generation through growth, and where possible community and economic stimulus. Internally Council Administration has a stronger focus on governance and accountability.

The parameters used in formulating the ABP 2020-21 and Budget reflects a conscious decision by Elected Members to deviate from the 2017-2027 Long term Financial Plan. The parameters used in formulating the budget:

- 0% CPI increase applied to general rates
- 0% Growth factor applied to general rates
- 2.5% increase in primary production differential (to 97.5% of residential), as set out in Long Term Financial Plan
- No overall increase in general rate income collected by Council from 2019-20 levels
- Community Wastewater Management System (CWMS) and Waste service charges – no CPI increase, maintained at 2019/20 service charge rates.

Other Revenue drivers applied:

- Financial Assistance Grants were included at 2019-20 rates
- Roads to Recovery grant to be included at 20% of five year total – currently estimated at \$608,568

- Supplementary Local Roads Funding Year will be budgeted at \$Nil.

Other Expenditure Assumptions:

- Wages – no CPI and 0% wage increase (currently being negotiated with revised EBA in 2020)
- No new capital expenditure borrowings are assumed in 2020/21
- Variable loans assumed interest rate of 2.2% per annum.

The priorities encompassed by the Annual Business Plan 2020-21 include the following:

- Continued work with the Community during bushfire and COVID-19 recovery and rebuilding
- Focus on critical infrastructure, unsealed roads, sealed roads and kerbs and paths
- Consolidation of work to date, focussing on:
 - Optimising the return on assets;
 - Managing service levels and delivery of service methodologies;
 - Exploring new revenue possibilities; and
 - Working with other agencies to address common issues.

Kangaroo Island Council Services

All Councils have responsibilities under the *Local Government Act 1999* and other legislation. These include:

- Regulatory activities e.g. maintaining the voters' roll and supporting the elected Council
- Setting rates, preparing an Annual Budget and Strategic Management Plan
- Management of core infrastructure including roads, footpaths, parks, public open spaces, street lighting and waste resources collection
- Development planning and control, including building fire safety assessment, environmental health services
- Fire remediation
- Dog and cat management
- Library services
- Economic development

In response to Community need, Kangaroo Island Council also provides:

- Environmental programs
- Public amenities
- Ovals and sporting areas
- Playgrounds
- Community programs and development
- Car parking
- Tidal swimming pool

Council will continue to be responsive to the changing needs of the local community, especially in light of the recent social, environmental and economic crises.

Council operates a number of facilities on a fee for service basis which provides an important Community benefit, whilst generating revenue for Council. For further information please refer to the Fees and Charges Schedule on our website:

www.kangarooisland.sa.gov.au/publications

Funding the Annual Business Plan

Consistent with Council's Strategic Plan, all expenditure for 2020-21 will be funded by operating revenues, capital grants, borrowings and reserves. Council has increased its application to winning increased financial support from the Federal and State Governments.

Rate Payments by Instalments

The proposed due date for payment of the first rate instalment will be close of business **18 September 2020** with subsequent instalments due on the 18th day of each quarter – **18 December 2020, 18 March 2021 and 18 June 2021**. Rates can be paid by credit card, cheque, Bpay, internet banking or at the Kingscote Council Office or the Penneshaw Community Business Centre.

BUDGETED STATEMENT OF COMPREHENSIVE INCOME 2020-21

Operating Income	\$ 000
Rates	\$ 11,000
Less Rebates	\$ (506)
Statutory Charges	\$ 218
User Charges	\$ 796
Grants, subsidies and contribution	\$ 3,213
Investment Income	\$ 5
Reimbursements	\$ 1,922
Other Income	\$ 56
TOTAL INCOME	\$ 16,704

Operating Expenses	
Net Employee Costs	\$ 5,012
Net Material Costs	\$ 8,155
Depreciation, Amortisation & Impairment	\$ 4,793
Finance Costs	\$ 465
Less TOTAL EXPENSES	\$ 18,425

Operating Surplus (Deficit)	\$ (1,721)
Add Capital revenues (Grants, Cont & FOC)	\$ 7,276
Asset Disposal & Fair Value Adjustment	\$ 10
Net Surplus (Deficit)	\$ 5,565

CAPITAL WORKS 2020-21 BUDGET	\$'000
New Assets	\$ 460
Upgrade of Assets	\$ 1,519
Renewal of Assets	\$ 1,194
Net Capital Works	\$ 3,173

Major Achievements for 2019-20

Community Projects

- Response to the Black Summer bushfires
- Pram ramp upgrades Kingscote and Parndana
- Footpath upgrades – Kingscote, American River, Penneshaw and Parndana
- Kangaroo Island Mayoral Relief and Recovery Bushfire Fund

Capital and Operational Works

- Emu Bay Boat Ramp
- Ten Trees Road resheet
- Birchmore Road reseal
- Wedgewood Road sealed road upgrade

Other Capital Works Projects

- Unsealed roads program
- Part resheet of Cape Willoughby, Muston, Willson River, Moores and Island Beach roads
- Burdon Drive reseal
- Car Park reseal Drew Street

Project Priorities for 2020-21

Infrastructure

- \$2M Township streetscape enhancement program
- Upgrade of Airport Runway Lighting
- Unsealed roads program – North Coast Road, Redbanks Road and Turkey Lane
- Reseal to bushfire damaged roads
- American River Levy Bank (flood mitigation)

Key Points from Council's 2020-21 Budget

Consumer Price Index (CPI) 2.1%

Local Government Price Index (LGPI) 2.4%

Realignment of primary production differential (95%-97.5%) to residential (100%) over time.

An allowance for an average of 15% decrease in capital valuations for property values as assessed by the South Australian Valuer-General.

Management of waste will see the service charge for kerbside collection and waste management remain unchanged for the 2020-21 financial year.

Council's Community Wastewater Management Scheme (CWMS) service charge remains unchanged at \$642 for both vacant and occupied land within the following townships and settlement schemes; Kingscote and Brownlow, Parndana, Parndana East, American River and Penneshaw. This service charge will be allocated to those properties that have the capability to be connected to one of the schemes and does not apply to all ratepayers.

2020-21 Differential Rates Charge (cents in the dollar on value of the land)

\$ 0.004470 – Residential

\$ 0.004738 – Commercial, Industrial, Marinas and Other rateable land

\$ 0.004358 – Primary Production

\$ 0.006750 – Vacant Land

What this all means for Rates

Council will continue to use the capital value of properties as the basis of rating land within the Council area 2020-21.

- For rating purposes, Council have adopted the Valuer-General's devaluation of capital values applicable to land within the Council area;
- A fixed charge of \$290 remains unchanged in respect of each separate piece of rateable land in the Council area, and
- Annual service charges as follows:
 - In respect of land serviced by the Council's waste management service, the charge remains unchanged at \$117 for collection and \$225 for treatment and disposal.
 - In respect of land serviced by Council's Community Wastewater Management Systems, the charge remains unchanged at \$642 for both vacant and occupied land that have the capability to be connected to one of the schemes.

Kangaroo Island Mayoral Relief & Recovery Bushfire Fund

In response to the Black Summer Bushfire Emergency a Fund was established to receive donations from members of the public. The fund has received \$5,540,004 in donations and receipts plus interest of \$7,599.

The Fund's Committee have been working with a sense of urgency, having allocated \$3,044,670 thus far to eligible recipients. Donations continue to be received.

The success of the Fund has been extraordinary and the generosity of people, businesses and organisations from around Australia and the world has been overwhelming and enormously appreciated.

Regional Landscape Levy 2020-21

Kangaroo Island Council is required by State Government legislation to collect the Regional Landscape Levy (*formerly known as the Natural Resource Management (NRM) Levy*). The levy is a State Government charge, collected by Council, for and on behalf of the State Government.

The total amount budgeted to be raised from the levy for 2020-21 is \$401,996 which is levied as a flat charge of \$79 per property assessment.

Business Planning Challenges and Context

Kangaroo Island Council is unique, being the only island-based Council in South Australia. It presents a number of challenges in planning the delivery of services, which include:

- A small population of approximately 4,700 residents, a rate base of only 5,590 rateable properties and a moderate budget of \$18.4M.
- A large land mass of 4,400km² with a 1,362km road network places a significant financial burden on Council in relation to maintenance and upgrade.
- Unsubsidised travel and freight costs between the mainland and Island.
- A significant shortfall in revenue compared to the amount of money required to provide services and facilities to the level expected by ratepayers, residents, business operators and visitors to the Island.
- A legacy of unbudgeted costs incurred in fighting the Black Summer bushfires.
- The Valuer-General devaluing all rateable properties on Kangaroo Island by an average of 15%.
- Ongoing recovery and rebuilding from three recent crisis; Drought, Bushfire & COVID-19.