

Annual Business Plan

District Council of Kimba

2016-2017

*"We aim to improve the quality of life for
all residents of the Kimba district".*



The Old Playing Courts Upgrade



District Council of
KIMBA
EST. 1924

PO Box 189
Kimba SA 5641
Email: council@kimba.sa.gov.au
www.kimba.sa.gov.au

"We aim to improve the quality of life for all residents of the Kimba district".

TABLE OF CONTENTS

INTRODUCTION.....	3
PROFILE.....	3
STRATEGIC DIRECTIONS	3
VISION	3
VALUES AND PRINCIPLES	3
STRATEGIC PLAN GOALS	3
FINANCIAL SUSTAINABILITY	4
GRANT FUNDING.....	4
SUMMARY OF PLANNED INCOME, EXPENSES & CAPITAL EXPENDITURE.....	4
FINANCIAL AND ASSET MANAGEMENT PLANNING.....	6
UNIFORM PRESENTATION OF FINANCES.....	6
INDEBTEDNESS.....	7
RATING ARRANGEMENTS FOR 2016-17.....	7
2015-16 ACHIEVEMENTS.....	9
Attachment A- Uniform Presentation of Finances Explanatory Notes	10

INTRODUCTION

This Annual Business Plan outlines Council's planned services, projects and major expenditures for the 2016-17 financial year. After taking into account feedback from the community, Council has finalised the Plan and prepared a detailed budget.

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

PROFILE

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

STRATEGIC DIRECTIONS

Council reviewed its Strategic Plan and adopted the revised edition for 2012-2016 in June 2012. Among other things, the Plan considered regional, state and national objectives and strategies relevant to the social, physical, environmental development and management of Council's area of responsibility. The Plan identifies key issues and projects which will provide for a range of services and facilities while ensuring the ongoing sustainability and prosperity of Kimba. In addition it incorporates emerging challenges and opportunities. A full review of this Plan is currently being undertaken.

In reviewing the 2012-2016 Strategic Plan, Council adopted the following Vision Statement, believing that it reflected Council's aspirations for the Kimba community.

VISION

"WE AIM TO IMPROVE THE QUALITY OF LIFE FOR ALL RESIDENTS OF THE KIMBA DISTRICT".

VALUES AND PRINCIPLES

The values and principles which guide all decisions of Council and which are reflected in the Strategic Management Plan can be summarised as follows:

- We will deliver quality and progressive Council services and programs
- We will facilitate a growing and sustainable economy and employment base to ensure the long term survival and prosperity of the community
- We promote a cohesive and dynamic rural community
- We promote a stable and cohesive Council and organisation
- We will maintain excellent relationships with the community through open communication and consultation
- We preserve and enhance our heritage and the environment
- We will ensure the long term financial security of the Council through excellent forward planning and management.

STRATEGIC PLAN GOALS

The Strategic Management Plan also sets out five key goals which are outlined below. These goals are supported by a number of strategies designed to achieve each goal. The detailed strategies are shown on Council's website or are available from the Council office.

GOAL 1. INFRASTRUCTURE DEVELOPMENT

To provide and maintain community assets and infrastructure for residents and visitors.

GOAL 2. ECONOMIC DEVELOPMENT

To contribute to the economic environment of the district in order to support new and existing businesses and economic opportunities supported by strong regional cooperation.

GOAL 3. ENVIRONMENT

To ensure the importance of the built and natural environment and open spaces are both recognised and protected for the enjoyment of current and future generations through planned development and management.

GOAL 4. COMMUNITY DEVELOPMENT

Develop and encourage vibrant, cohesive and diverse cultural services that improve the community.

GOAL 5. COMMUNITY LEADERSHIP AND VISION

Provide leadership, good governance, responsible financial management and efficient services to encourage initiative and confidence in the community.

FINANCIAL SUSTAINABILITY

In working towards its goals, Council takes a longer term view into its financial planning. Council is committed to ensuring its long-term financial sustainability, which is dependent on ensuring that, on average over time, Council's expenses are at least matched by its revenue. In addition, Council seeks to optimise both the timing and level of capital expenditure on existing infrastructure and other assets (in accordance with its Infrastructure and Asset Management Plan) so as to minimise whole-of-life-cycle costs of assets.

GRANT FUNDING

Local Government receives three types of grant funding:

- FINANCIAL ASSISTANCE GRANTS, BOTH GENERAL PURPOSE AND LOCAL ROADS GRANTS (sourced from Federal Government)
 - Council has complete discretion as to expenditure of funds received.
- SPECIFIC PURPOSE GRANTS (State and Federal Governments)
 - Which are to be spent on specific projects or programs.
 - For example, in Council's case:
 - Special Local Roads Program (Federal Government)
- 'CORE' ROADS TO RECOVERY GRANTS (Federal Government)
 - While funds received are to be spent on road projects, Council has complete discretion on whether funding is applied towards maintaining, renewing or upgrading roads.

Council is not scheduled to receive any Special Purpose Grants in the 2016-17 financial year. In addition the Roads to Recovery payment will be increased to an amount of \$715,066 for the 2016-17 year only.

Council once again takes the opportunity, on behalf of the Kimba community, to express sincere appreciation to the Federal Government for its significant ongoing funding under the Financial Assistance Grants Program and the Roads to Recovery Program.

SUMMARY OF PLANNED INCOME, EXPENSES AND CAPITAL EXPENDITURE

Major income expected in 2016-17 is as follows:

▪ Financial Assistance Grants (general purpose)	\$1,011,000
▪ Financial Assistance Grants (local roads)	\$294,000
▪ Rates Income	\$1,498,000
▪ CWMS Charges	\$94,000
▪ Waste Management	\$70,000
▪ Roads to Recovery Grants	\$715,000
▪ Rental from Kimba Pioneer Memorial Village Units	\$28,000
▪ Lease of Section 224 (Old Rodeo Grounds)	\$24,000
▪ Private Works	\$50,000

Major planned expenses or items additional to the normal operational amounts in 2016-17, all of which are consistent with Council's goals, are:

▪ Insurances	\$197,000
▪ Governance and administration	\$1,020,000
▪ Total cost of Waste Pickup, Recycling and Refuse Depot	\$174,000
▪ Continued beautification of Memorial Gardens and maintenance of Hall	\$30,000
▪ Maintaining of Parks, Gardens and Playgrounds	\$55,000
▪ Maintaining of Recreation Reserve and Oval	\$60,000
▪ Kerb and Water Table and Footways Maintenance	\$40,000
▪ Road Maintenance	\$555,000
▪ Cost of Maintaining Plant	\$365,000
▪ Main Street and Town Centre Upgrade Designs – People for Places Funding	\$65,000
▪ Maintenance of Kimba Pioneer Memorial Village Units and surrounding grounds	\$50,000
▪ Further develop Tourism within the Kimba District	\$55,000
▪ Training and OHS&W	\$95,000
▪ Public Conveniences	\$50,000
▪ In-kind support/Donations	\$30,000

Significant items of planned capital expenditure in 2016-17, again consistent with Council's goals, are:

▪ Replacement of Ford Ranger	\$35,000
▪ Second hand wide area mower	\$40,000
▪ Shade for Central Park	\$50,000
▪ Road Re-sheeting and Re-sealing	\$760,000
▪ Kimba Pioneer Memorial Village Upgrades	\$20,000
▪ Footways Construction	\$36,000
▪ High Street Kerbing Upgrade – Stage 1	\$150,000
▪ Minor Plant	\$15,000
▪ Office Equipment	\$15,000
▪ Recreation Reserve Solar Lighting	\$10,000

The High Street Kerbing Upgrade Stage 1 is, at this time, an estimate of costs only. Once final costs have been determined any additional funds required will be sourced from borrowings or cash reserves.

Council are currently investigating the possibility of installing a two-bedroom unit at the Kimba Pioneer Memorial Village. Estimated costs are \$120,000. Expressions of interest have been called from local residents to determine the demand for such Infrastructure. Should this unit proceed then borrowings or cash reserves will be utilised to fund this item.

FINANCIAL AND ASSET MANAGEMENT PLANNING

During 2012-13 Council undertook an extensive review of its sealed road network and, in 2015-16 this date was reviewed. In addition a revaluation was undertaken of the unsealed road network in 2014-15. Council is currently in the process of reviewing and improving its Infrastructure and Asset Management Plan so as to better ascertain the optimal timing and level of future maintenance and renewal expenditure on assets, including to help minimise whole-of-life costs of assets. At this point in time a program for planned Capital Expenditure from 2015-16 to -2024-25 has been prepared. Council also will take the opportunity to examine the possible impacts of climate change on Council's asset management needs.

In addition, Council's Long-term Financial Plan was reviewed and adopted in 2014-15, including the provision of an improved narrative overview to assist readers to better understand the key conclusions that can be drawn from financial data in the Plan. This document is also in the process of being reviewed and it is the intention of Council to adopt this Plan in conjunction with the Annual Business Plan and in addition to the updated Infrastructure and Asset Management Plan.

UNIFORM PRESENTATION OF COUNCIL FINANCES

The LGA's General Meeting in March 2007 resolved that Council budgets include a high-level summary of both operating and capital investment activities prepared on a uniform and consistent basis. Apart from providing a focus on the key measure of a Council's financial sustainability (i.e. the operating surplus/deficit), the primary objective of this arrangement is to ensure that Councils provide a common 'core' of financial information, to enable more meaningful comparisons of each Council's finances. Long-term Financial Plans, annual financial statements and mid-year budget reviews are required to be summarised on the same basis.

The table below summarises Council's finances using the uniform approach. Attachment A provides an explanation of terms used in the table.

DISTRICT COUNCIL OF KIMBA	2014-15 Actual \$'000	2015-16 Revised Estimate \$'000	2016-17 Budget \$'000
Income	4,158	3,223	4,059
<i>less</i> Expenses	(3,936)	(3,694)	(3,923)
Operating Surplus / (Deficit)	222	(471)	136
Less: Net Outlays on Existing Asset			
Capital Expenditure on Renewal / Replacement of Existing Assets	822	834	865
<i>less</i> Depreciation, Amortisation and Impairment Expenses	(1,097)	(850)	(1,050)
<i>less</i> Proceeds from Sale of Replaced Assets	(143)	0	0
Net Outlays on Existing Assets	(418)	(16)	(185)
Less: Net Outlays on New and Upgraded Assets			
Capital Expenditure on New / Upgraded Assets	177	599	306
<i>less</i> Amounts received specifically for New / Upgraded Assets	0	0	0
<i>less</i> Proceeds from Sale of Surplus Assets	(16)	0	0
Net Outlays on New and Upgraded Assets	161	599	306
Net Lending / (Borrowing) for Financial Year	476	(1,054)	15

While the original budgeted operating surplus for 2015-16 was estimated to be \$96,000 the revised estimate is now an operating deficit of \$471,000. This increased operating deficit is, in part, due to increased work undertaken at Council's Medical Centre and the preparation of Plans for the upgrade of High Street. In addition the early payment of the 2015-16 Financial Assistance grants in the 2014-15 year has also had a significant effect on this figure. The Budget for 2016-17 involves an operating Surplus of \$136,000. Whilst this figure is well in line with Council targets it is disproportionate due to the increased payment of Roads to Recovery funds. With this in mind Council still requires to undertake careful planning and improvements in the efficient provision of services to achieve an ongoing break-even operating result (i.e. income equal to expenses) over the next few years. Accordingly, Council has considered the appropriateness of the \$136,000 operating surplus in 2016-17.

Reflecting mainly the significant capital works program planned for 2016-17 (including a high level of capital expenditure on renewing and replacing existing assets), the overall Budget planned for 2016-17 shows a "net lending" of \$15,000. A "net lending" result in a particular year means that income is greater than the sum of operating expenses plus net capital outlays on assets. This then means an overall decrease in the outstanding level of Council's indebtedness (as measured by its net financial liabilities – see below).

INDEBTEDNESS

During 2010, Council endorsed a revised approach covering the future measurement, monitoring and reporting of Council's indebtedness. It involves focusing on a measure entitled "net financial liabilities". Net financial liabilities is a more comprehensive measure of the indebtedness of the Council as it includes items such as employee long-service leave entitlements and other amounts payable as well as taking account of the level of Council's available cash and investments. The following table sets out revised estimates as at 30th June 2016:

	Estimated 30 June 2016 \$000
Gross borrowings	442
Less: Cash and investments	1,113
Equals: Net debt	(671)
Add: Trade and other payables	176
Add: Provisions for employee entitlements	340
Less: Trade and other receivables	164
Equals: Net financial liabilities	(319)

The current estimate of Council's net financial liabilities at 30 June 2016 is negative \$319,000 (i.e. the level of Council's cash and investments will exceed borrowings). In the context of Council's infrastructure and other assets valued at approximately \$35 million, this maintains Council in a very sound financial position.

For many years, successive Councils at Kimba have taken an extremely prudent approach to the use of borrowings. Going forward, there appears to be considerable scope to make more use of borrowings (or run down the level of Council's cash and investments – which is equivalent to borrowing) to cater for any high-quality new capital projects as well as any backlog in infrastructure spending identified in our Infrastructure and Asset Management Plan. At the same time, Council has a prudent policy in place of ensuring that net financial liabilities expressed as a percentage of operating revenue (excluding NRM levy income) does not exceed an upper limit of 50 per cent.

L.S.L. and Annual Leave

Council's annual financial statements include a provision (i.e. liability) for all long service and annual leave outstanding at 30th June each year. As noted above, outstanding amounts are included in the measurement of net financial liabilities.

RATING ARRANGEMENTS 2016-17

This Annual Business Plan for 2016-17 aims to strike a balance between the level of services for the community and the need to ensure the long-term financial sustainability of Council. Council has limited options to generate the income required to pay for services which it provides to the community. Apart from the Federal and State government grants mentioned above, some income can be raised through user charges, investment of surplus cash, hire of community facilities and other minor receipts. However, the primary source of income for Council is a property based tax – rates.

Rate income is generated by the broad application of fundamental principles of taxation (fairness and equity, simplicity, ability to pay and efficiency) with a view to achieving an equitable distribution of the rates burden amongst ratepayers. Council has decided to continue to use site value as the basis for distributing Council's overall rate revenue target. Council considers this provides a fair and equitable method of distributing the rate burden across all ratepayers. A national report on Local Government revenue released during 2013 by the Australian Centre of Excellence for Local Government endorsed the use of site value by Councils as the most appropriate basis for distribution of the rate burden.

In making a final decision about setting rates for the 2016-17 financial year, Council will carefully consider the impact of rates on the community, including:

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

For the 2016-17 financial year, Council plans to increase overall rate revenue by 4 percent. This will assist in keeping the operating deficit to a minimum and cater for Council cost increases which frequently outstrip CPI movements.

MINIMUM RATE

A Council may impose a minimum amount payable by way of rates, provided that it has not imposed a fixed charge. Where two or more adjoining properties have the same owner and are occupied by the same occupier, only one minimum rate is payable by the ratepayer. Where a Council imposes a minimum rate it must not apply to more than 35% of properties in the Council area.

For 2016-17 Council will impose a minimum rate of \$300 (the same rate charge in 2015-16). Council considers it appropriate that all rateable properties make a base level contribution to the cost of Council's activities, including the cost of maintaining the physical infrastructure that supports each property. Kimba's minimum rate is one of the lowest in the State and significantly less than half of the average rate charged by other Councils.

SERVICE CHARGES

Council provides specific services for the benefit of specific properties for which specific service rates and/or annual charges are levied. Where a service that is subject to a service charge is available to non-rateable land, a service charge is levied against that land. Service rates and/or charges may be raised to cover the cost of establishing, operating, maintaining, improving and replacing such services. Funds raised must not be utilised for any other purpose, noting that some funds may not be immediately required until future capital expenditure is required on renewing or replacing assets employed in the provision of the service.

Council plans to impose the following services rates and/or charges for the 2016-17 financial year:

Kimba Community Wastewater Management System (CMWS)

All connected properties \$240.00

Council have elected to a flat fee for all CWMS properties as opposed to the previous separate charges for occupied and vacant allotments.

Waste Management fee

All Township Properties \$160.00

Council charges all properties within the Township of Kimba who are serviced by Waste Collection a base fee of \$160.00 regardless of whether the property is Residential or Commercial. This fee will cover the collection costs of one green lidded waste bin per property. Should further green lidded bins be required an additional cost of \$160 will be charged per bin per year through the rating system. Recycling Bins will be collected free of charge regardless of the number of bins, however, only one bin will be provided to each property free of charge.

Council decided move forward with the above waste management fee after taking account of:

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

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

2015-16 ACHIEVEMENTS

Council considers it important that this draft Annual Business Plan for 2016-17 takes the opportunity to provide an assessment of the extent to which Council's objectives for 2015-16 are being attained. The following provides a progress report on the more significant items identified in the 2015-16 Annual Business Plan:

▪ Total cost of Waste Pickup, Recycling and Refuse Depot	\$170,000
▪ Continued beautification of Memorial Gardens and maintenance of Hall	\$35,000
▪ Maintaining of Parks, Gardens and Playgrounds	\$65,000
▪ Maintaining of Recreation Reserve and Oval	\$60,000
▪ Kerb and Water Table and Footways Maintenance	\$40,000
▪ Road Maintenance	\$545,000
▪ Cost of Maintaining Plant	\$372,000
▪ Maintenance of Kimba Pioneer Memorial Village Units and surrounding grounds	\$60,000
▪ Replacement of Isuzu Tipper	\$66,000
▪ Replacement of Administration Vehicle	\$15,000
▪ Office Extensions	\$157,000
▪ Road Re-sheeting and Re-sealing	\$640,000
▪ Kimba Pioneer Memorial Village Upgrades	\$25,000
▪ Footways Construction	\$89,000
▪ High Street Kerbing Upgrade – Design Works	\$20,000

Additional Items Achieved in 2015-16

• Purchase of a Second hand DR7 Dozer	150,000
• Additional maintenance and upgrades to the Medical Centre	\$60,000
• High Street upgrade designs	\$60,000



Attachment A - Uniform Presentation of Finances

UNIFORM PRESENTATION OF FINANCES	2014-15	2015-16	2016-17
	Actual \$'000	Revised Estimate \$'000	Prelim Budget \$'000
Income			
/less Expenses			
Operating Surplus / (Deficit)			
Less: Net Outlays on Existing Assets			
Capital Expenditure on Renewal / Replacement of Existing Assets			
/less Depreciation, Amortisation and Impairment Expenses			
/less Proceeds from Sale of Replaced Assets			
Net Outlays on Existing Assets			
Less: Net Outlays on New and Upgraded Assets			
Capital Expenditure on New / Upgraded Assets			
/less Amounts received specifically for New / Upgraded Assets			
/less Proceeds from Sale of Surplus Assets			
Net Outlays on New and Upgraded Assets			
Net Lending / (Borrowing) for Financial Year			

Income available for delivery of services. Includes all grants except those received specifically to acquire or enhance assets.

Cost of services, including depreciation expenses.

The extent to which income is sufficient or insufficient (bracketed) to fund the cost of services. Operating Surplus / (Deficit) is the key measure of a Council's financial performance.

Expenditure which returns the service potential of existing assets up towards that which they had originally.

Depreciation and amortisation expenses represent the systematic allocation of the depreciable amount of assets over their useful lives. Impairment recognises other diminutions in the carrying amount of assets.

Consistent negative net outlays on existing assets (bracketed) indicates that, overall, existing assets may be deteriorating at a greater rate than expenditure on their renewal or replacement.

Expenditure to acquire new assets or enhance existing assets to provide expanded, or a higher level of, services.

Amounts received from others specifically to acquire or enhance assets. These amounts are not included as Income above.

Net cost of acquiring or enhancing assets.