

Buloke Shire Council wishes to apply for a variation to the declared rate cap of 2.5%. The variation sought is for an additional 0.55% resulting in a total rate increase of 3.05%. The reasons for this variation are outlined below.

By the end of 2013/14, Buloke was in an unsustainable financial position. This had been identified through several audits and the government of the day appointed a financial monitor (Stephen Roche) to overview Council's finances. At the same time there was a changeover of Executive Staff including the Chief Executive Officer and Finance Manager.

At this stage Council was in overdraft and the first decision made was to take out a \$7M interest only loan over a 5 year period with the loan becoming due in November 2019. This loan was critical to addressing Council's cash flow issues in reducing Council's overdraft interest expenses.

The interim CEO then embarked on a rigorous service review where the aim was to reduce the annual operating budget of \$26M by \$4M over a two year period. Council made the decision to withdraw from services such as Youth Services and Community Transport along with reducing customer contact points from five towns to one. Another key component of the plan was to examine work practices to either find more efficient work practices or reduce service levels. These changes when put in place would not only reduce the operating budget by \$4M but resulted in a decrease in the workforce from 133 EFT to 115 EFT.

These changes were incorporated into the Strategic Resource Plan along with a planned annual rate increase of 6%. Whilst Council understood that ongoing annual rate increases of 6% were not sustainable, it needed to increase its rates base over the 4 years to put it in a better future position.

In the first year of this plan, Council conducted a budget roadshow visiting all 10 towns in our municipality. Attendance varied between towns and while some people were against the reduction in services such as Community Transport, there was general recognition that Council was addressing its unsustainable financial position.

During 2014/15 many of the changes that were scheduled to occur over the 2014/15 and 2015/16 financial years were put into place resulting in earlier savings. In 2015, Council reviewed its Council Plan with a focus on what it could afford to do in its current financial situation, rather than spending funds it didn't have or creating community expectation that projects would be complete. When the revised Council Plan went out for public submissions, no submissions were received.

When Council developed its 2015/16 budget it again carried out a budget roadshow visiting all 10 towns but only receiving a limited attendance. There were no budget submissions following the submissions period. As part of the revised Council Plan, Council retained a proposed 6% rate increase as part of the Strategic Resource Plan.

Over the past 2 years, Council has worked with each town's community forum to keep them informed of Council business, and in particular Council's financial position. On 20 October 2015 Council conducted a Community Forum Summit with members from all communities. As part of this Summit, Council finances were a major discussion point. A presentation of Council's current financial position was provided including the impact of rate capping. At this time, Council advised

the community of the predicted rate cap scenario (3.05%, 2.85%, 2.8%). Council advised the community that these increases while below the SRP figures, would still allow Council to reach a financially sustainable position. The community was in support of these increases. Importantly it should be noted that the community was also advised that while Council would be in a financially sustainable position, the asset renewal gap would continue to widen.

Council is very limited in its ability to raise income. Council's main two sources of income are rates and grants. As a rural Council, Buloke offers limited services and user fees and charges are benchmarked with other Councils to ensure relevance. The Waste and Recycling fee is based on a full cost recovery. Whilst income is limited, the cost of providing services grows exponentially. A current example of this is the cost for the next Council elections. The state average cost per voter is \$5.40 while for Buloke it will cost \$16.00 per voter. The cost to Buloke for the elections requires a 0.88% rate increase on its own.

In applying for a variation to the proposed rate cap, Council wishes to stress that the variation is not in order to deliver further projects or new services. The variation is purely to enable Council to sustain its existing service levels, which are much reduced on the services enjoyed by its community as recently as two years ago. This will continue to deliver Council a surplus in order to repay its borrowings and to provide Council with working capital to remain financially sustainable. Even with this level of surplus, Council will not be able to invest in its own assets at a level that will sustain them into the future.