

Towong Shire Council

Juliana Phelps – 02 6071 5100

Base Average Rate \$1,432

Proposed increase in average rate – 6.34%

Proposed increase in rate revenue - \$242,000

Summary of key reasons

Towong Shire Council is proposing a cap of 6.34% for the 2016/17 financial year.

To put this in context, a 1% increase to Council's general rates income and municipal charge yields additional income of approximately \$63,000. Accordingly, an additional 3.84% above the cap of 2.5% will yield approximately \$242,000.

The purpose of the higher cap is to enable Council to continue to provide day-to-day community services (such as kindergartens, libraries, swimming pools, maternal and child health, etc) and infrastructure maintenance and renewal at the modest levels required by its residents and ratepayers.

Towong's financial position is primarily due to the many external factors that bear upon Council which are outside of Council's control. Factors such as the large geographic area we cover (6,635 sq kms), the significant amount of infrastructure that we are required to maintain (1,183 km of roads, 168 major bridges and culverts), our small, socio-economically disadvantaged, declining, dispersed population (21 towns and villages, 2,336 households and a total population of 5,896) and low rate base (\$7.5m in rates and charges).

The freeze on indexation of the Federal Financial Assistance grants has significantly impacted on Council's already lean financial situation. This decision has resulted in a \$658,000 decrease to Council's projected income over the 2014/15, 2015/16 and 2016/17 financial years with a compounding flow-on effect to future years.

The reality for Council is that if we are unable to secure additional income (be that by a higher cap or through additional financial support from the Victorian and Federal governments) we will not be able to continue to provide services and infrastructure at current levels and it will be necessary to cut services and infrastructure maintenance and renewal or alternatively operate with a larger underlying deficit which will ultimately mean Council is not sustainable in the short term.

Towong Shire Council

Application for a higher cap - The Statement

Criterion One – Proposed higher cap

Towong Shire Council is proposing a cap of 6.34% for the 2016/17 financial year.

To put this in context, a 1% increase to Council's general rates income and municipal charge yields additional income of approximately \$63,000. Accordingly, an additional 3.84% above the cap of 2.5% will yield approximately \$242,000.

Criterion Two – Reasons

The reasons for which Council seeks a higher cap

The purpose of the higher cap is to enable Council to continue to provide day-to-day services and infrastructure maintenance and renewal at the modest level required by its residents and ratepayers. The higher cap is in accordance with Council's Long Term Financial Plan and at the level proposed will ensure Towong Shire Council is financially sustainable for the short to medium term.

This is not about Towong being a wasteful, irresponsible Council, rather it is quite the opposite. For a number of years now Towong has been held up as one of the shining lights in the local government sector. This is because of the many innovative practices it has adopted in order to be as lean and efficient as possible, whilst providing an appropriate level of services and infrastructure to the communities it serves.

The reality is that if Council is unable to secure additional income (be that by a higher cap or through additional financial support from the Victorian and Federal governments), Council will not be able to continue to provide services and infrastructure at current levels. This may lead to a necessary cut to services and infrastructure maintenance and renewal or alternatively operate with ongoing underlying deficits which will ultimately mean Council is not sustainable in the short term.

We take our responsibility to spend ratepayer funds wisely very seriously and for many years we have been on the front foot implementing cost saving measures to ensure value for money for ratepayers. We have also been very successful in securing State and Federal funds through grant applications.

Towong's financial position is primarily due to the many 'environmental' factors that bear upon Council which are outside of Council's control. Factors such as the large geographic area we cover (6,635 sq kms), the significant amount of infrastructure that we are required to maintain (1,183 km of roads, 168 major bridges and culverts), our small, socio-economically disadvantaged, declining, dispersed population (21 towns and villages, 2,336 households and a total population of 5,896) and low rate base (\$7.5m in rates and charges).

To put this in perspective, the following information is taken from the *Know Your Council Website* (<https://knowyourcouncil.vic.gov.au>):

Infrastructure per head of municipal population:

Towong \$29,344 Similar Councils \$22,359 All Councils \$13,106

Population density per length of road:

Towong 4.98 Similar Councils 9.83 All Councils 101.20

Relative Socio-Economic Disadvantage of the municipality:

Towong 7.0 Similar Councils 4.00 All Councils 5.61

With the many environmental factors that impact upon Towong, providing services and infrastructure at an appropriate level for our residents and ratepayers, with the very limited means available to us, is increasingly difficult and brings in to question Council's ability to remain sustainable into the future.

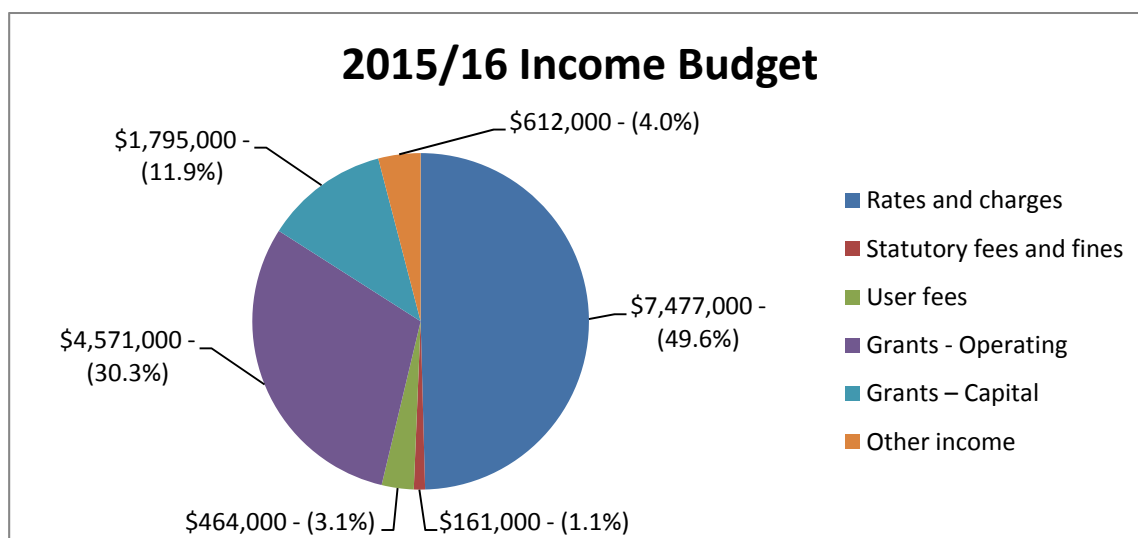
Council's very low sustainability rating was confirmed in the 'Whelan Report' (Appendix 1) and the sustainability of small rural Councils was also highlighted in the Victorian Auditor General's Report: *Organisational Sustainability of Small Councils June 2013* (Appendix 2).

As a result of a recommendation from the Victorian Auditor General's report, Towong's sustainability challenges are clearly set out in our 2014/15 Annual Report (Appendix 3).

The unfortunate reality for our municipality is that if Council is unable to provide appropriate levels of service and infrastructure for our communities, people will prefer to live in other municipalities where the services and infrastructure provided meet their needs. Such outward migration will only further exacerbate our position.

Unlike larger Councils who can generate income through parking fees and fines, and development contributions and levies, Councils like ours are heavily reliant on rates and charges income as well as funding from the Victorian and Federal governments, to deliver core services (91.8% of Towong's income comes from rates and charges and grant income).

The following graph shows the relative amount of income we receive from each source:



Around six years ago we developed our Long Term Financial Plan (LTFP) using a robust and detailed model capable of considering innumerable financial scenarios for Council.

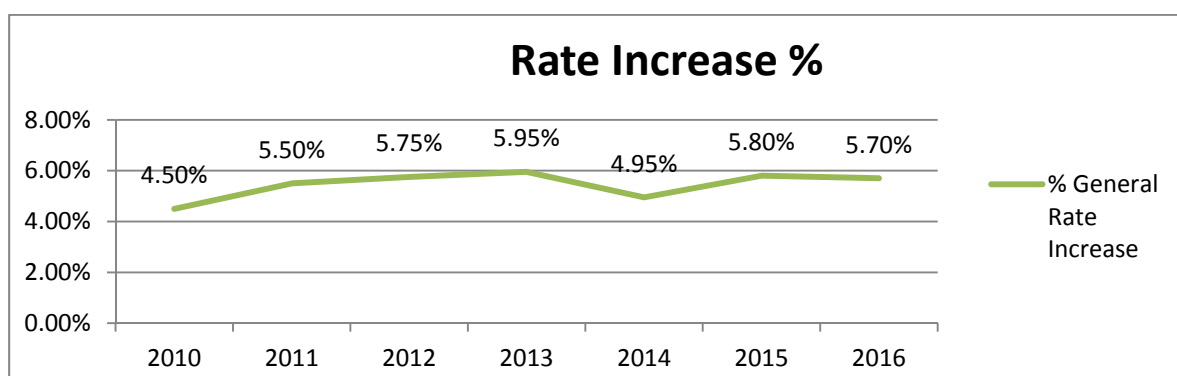
The LTFP plan gave a clear picture of Council’s financial future.

What our modelling effectively told us is that small Councils like Towong, with the many environmental factors that bear upon them, cannot be sustainable purely relying on rates and charges and own source revenue alone. Sustainability is only possible with an adequate level of financial support from the State and Federal governments.

Despite this Council’s objective was clear; to adequately fund the maintenance and renewal of community assets (such as roads, bridges and recreation facilities) and deliver services (such as libraries and kindergartens) that meet the needs of the community, whilst proactively managing our finances with a view to achieving a small underlying annual surplus.

In order to meet this objective our LTFP required an ongoing annual increase to rates and charges of 6%. Recognising the challenge we faced to remain sustainable, we also introduced a systematic and aggressive cost reduction program and incorporated these savings into the long-term financial plan.

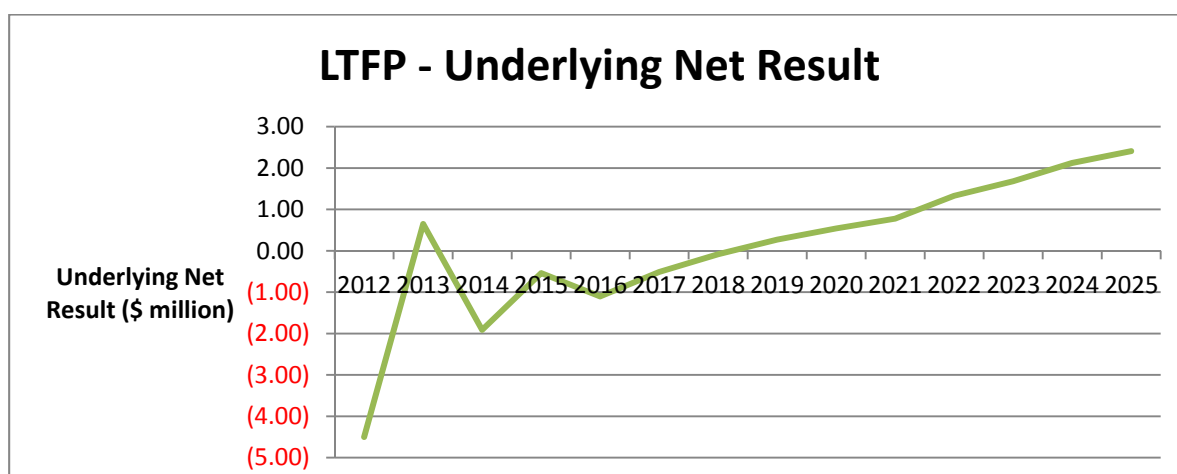
The following graph shows the actual rate increases adopted by Council since 2009/2010.



On the basis of:

- maintaining existing levels of service and the current approach to asset renewal,
- continuing to implement our cost reduction program,
- adopting annual rates increases of between 4% and 6%, and
- an assumption that Financial Assistance Grants would continue to indexed at a level of 3%pa;

we had been looking forward to a ‘break-even’ underlying financial result in 2017/18 as shown in the following chart.



Through our systematic and aggressive demand and cost reduction program we have been able to achieve the following savings over the past six years without impacting on service levels to our communities:

Item	Saving
Delivery of kerbside waste collection services 'in-house'	\$1million over a 7 year period
Organisational restructure	\$250,000pa
Motor vehicle policy changes and fleet reduction	\$130,000pa
Changes to water supply and usage arrangements	\$20,000pa
Consolidation of fuel suppliers and fuel cards for plant/fleet	\$1,300pa
Banking moved to State contract (Westpac)	\$7,000+pa
Rationalisation of multifunction devices and printers	\$4,000pa

In addition to our demand and cost reduction program we have also engaged in innovative shared service and collaborative arrangements with neighbouring Councils (Indigo Shire Council and Alpine Shire Council) with a view to achieving efficiencies and reducing costs.

Our flagship project is the Rates and Property Service which we deliver on behalf of our partner Indigo Shire Council. Attached at Appendix 4 is a case study in relation to this shared service together with the most recent service review (Appendix 5).

Not only has this arrangement reduced operational risk for both Councils, there have also been cost savings of approximately \$25,000 pa.

Despite the significant steps Council had taken to be sustainable into the future (eg. demand and cost reduction initiatives, process efficiencies, maximising external funding for community projects, etc) decisions made outside of Council's control have negatively impacted our long-term financial outlook:

These include:

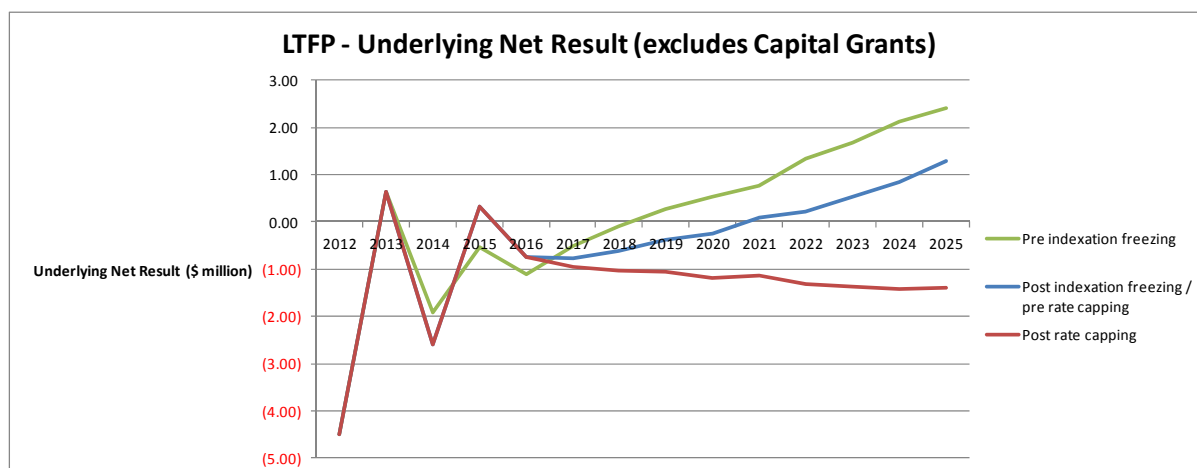
- The freezing of indexation on Federal Government Financial Assistance Grants
- The introduction of the *Fair Go Rates System* (rate capping)

The indexation freeze has significantly impacted on Council's already lean financial situation. This decision has resulted in a \$658,000 decrease to Council's projected income over the 2014/15, 2015/16 and 2016/17 financial years with a flow on effect to future years (a 1% increase to Council's general rates income and municipal charge generates around \$63,000 in additional revenue).

Council is extremely concerned about the impact the above decisions will have on Council's ability to provide services and infrastructure to its communities and Council's future sustainability.

Because we have pursued an aggressive cost reduction program over recent years we simply don't have 'fat' to cut from our organisation and accordingly we will either have to reduce the level of services we provide to our communities or operate with an increasing underlying result deficit (which is not appropriate or responsible financial management).

The following graph demonstrates the impact on our underlying result of the indexation freeze and rate cap:



In an attempt to offset the \$658,000 loss of income from the indexation freeze, Council has taken a number of steps and these are listed below. Unfortunately, as a result of already being a very lean, efficient organisation we are extremely limited in what additional efficiencies we can achieve or cuts we can make without having a significant impact on the level of service we provide.

As the table below shows we have only been able to 'find' \$145,800.

Measure	Forecast savings for 2015/16
Swimming pool staff engaged through a labour hire company	\$14,000
Swimming pool season reduced by one week	\$3,100
Roads maintenance workforce reduced	\$60,000
Mobile library services discontinued	\$45,000
Towong Health Alliance partnership position terminated	\$11,000
Corryong Library and Council office hours reduced	\$2,900
Public toilet cleaning not carried out on weekends	\$3,000
Phone system moved to VOIP and communication provider changed	\$3,500
Reduction in fleet/plant running costs as a result of fleet rationalisation (eg. registration costs)	\$1,300
Street lights changed to energy efficient LED globes (due for completion in April 2016)	\$2,000
Total for 2015/16	\$145,800

The Victorian Auditor General's Office (VAGO) provides a number of 'financial sustainability indicators' for Local Government for Councils to use as part of their financial modelling. The VAGO risk parameters are included at Appendix 6. In the following tables; red represents high risk, amber represents medium risk and green represents low risk.

Based on Council's Long Term Financial Plan, if general rates and the municipal charge were to be set at the rate cap of 2.5% ongoing, Council would return a 'high risk' rating in the liquidity indicator as per the VAGO financial sustainability indicators, that is from 2022/23 Council would have insufficient current assets to cover its liabilities (this can be seen in the following information from Council's LTFP):

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Underlying result (1yr)	-22%	17%	-13%	-7%	-7%	-7%	-7%	-7%	-9%	-9%	-10%	-10%	-11%
Underlying result (4yr)	-13%	-7%	-2%	-5%	-1%	-8%	-7%	-7%	-7%	-8%	-9%	-9%	-10%
Liquidity	3.97	6.33	5.13	4.83	4.65	4.21	3.40	2.29	1.25	(0.08)	(1.37)	(2.95)	(4.53)
Self financing	32%	61%	36%	37%	27%	26%	21%	20%	19%	19%	18%	17%	17%
Indebtedness	4%	6%	2%	18%	17%	16%	16%	15%	14%	13%	12%	11%	11%
Capital replacement (1yr)	1.69	1.38	2.15	1.72	1.02	1.15	1.15	1.28	1.20	1.34	1.27	1.42	1.36
Capital replacement (4yr)	1.42	1.50	1.75	1.74	1.57	1.50	1.25	1.15	1.19	1.24	1.27	1.31	1.35
Accounting Renewal gap (1yr)	1.41	0.77	0.88	-	0.97	1.04	1.09	1.12	1.15	1.18	1.22	1.26	1.31
Accounting Renewal gap (4yr)	1.12	1.18	1.14	0.76	0.66	0.73	0.78	1.06	1.10	1.14	1.17	1.20	1.24

For comparison purposes the table below shows the VAGO sustainability indicators for Council if the annual increase to general rates and charges was set at 6.34% per annum commencing from 2016/2017.

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Underlying result (1yr)	17%	-13%	-3%	-5%	-1%	0%	1%	2%	3%	4%	6%	7%
Underlying result (4yr)	-7%	-2%	-4%	0%	-5%	-2%	-1%	0%	1%	3%	4%	5%
Liquidity	6.33	4.93	5.16	5.04	5.09	4.74	4.27	3.99	3.59	3.40	3.12	3.35
Self financing	61%	36%	40%	28%	30%	25%	25%	26%	26%	27%	28%	28%
Indebtedness	6%	1%	16%	14%	12%	10%	9%	7%	5%	4%	2%	2%
Capital replacement (1yr)	1.38	2.15	1.58	0.97	1.10	1.10	1.24	1.16	1.30	1.23	1.38	1.32
Capital replacement (4yr)	1.50	1.75	1.71	1.52	1.44	1.18	1.10	1.15	1.20	1.23	1.27	1.31
Accounting Renewal gap (1yr)	0.77	0.88	-	0.97	1.04	1.10	1.13	1.16	1.19	1.23	1.28	1.32
Accounting Renewal gap (4yr)	1.18	1.14	0.76	0.66	0.73	0.79	1.06	1.11	1.15	1.18	1.22	1.26

Council fully supports the underlying principle of the *Fair Go Rates System* to keep rate increases to a minimum. We do not believe that ratepayers should be subject to ongoing high rate increases; Towong ratepayers simply cannot afford ongoing high rate increases. This is clearly demonstrated by the following data from the *Know Your Council Website*:

Relative Socio-Economic Disadvantage of the municipality

Towong 7.00 Similar Councils 4.00 All Councils 5.61

Council's limited and low level of income, coupled with the financial inability of our ratepayers, means that without additional financial support from other tiers of government Council will not be able to provide an adequate level of services and infrastructure for the communities we serve and we run the risk of people migrating out of the municipality to other areas that are better placed to meet their needs.

Through the development of our Long Term Financial Plan we now have a very clear understanding of the level of funding required for a small rural Council to operate. We are in full support of the *Fair Go Rates System* and it is not our desire for Towong ratepayers to be faced with high rate increases. Accordingly, for a Council like Towong to be financially sustainable, additional financial support from the other two tiers of government is required.

Criterion Three – Engagement

How the views of the ratepayers and the community have been taken into account in proposing the higher cap

In terms of community consultation and engagement, Council performs significantly higher than the State-wide average. The results from the State-wide Community Satisfaction Survey (Appendix 7) are shown below:

Towong 59/100 Similar Councils 56/100 All Councils 56/100

Over a number of years Council has conducted community forums throughout the Shire to determine the views of the ratepayers and residents in relation to what services are important to its communities and to assist in prioritising and aligning the expectations of our residents and ratepayers with Council's capacity to deliver.

In the past 12 months, as a result of Council's desire to undertake extensive consultation and engagement in light of the difficult financial environment, community forums regarding service delivery and service levels (refer to Council resolution attached at Appendix 8) were conducted in four key communities; Tallangatta, Bethanga, Corryong and Mitta Valley. The subsequent workshops were attended by Councillors and the Chief Executive Officer.

The workshops involved a presentation detailing:

- Key achievements of Council
- The journey taken over a five year period to address Council's sustainability challenges (including efforts undertaken to improve financial sustainability both now and into the future)
- A summary of the current fiscal environment and the associated new challenges, particularly:
 - The Financial Assistance Grants indexation freeze
 - The impending *Fair Go Rates System*
- The financial model used by Council to forecast the financial position of Council into the future (Council's Long Term Financial Plan)
- Current service levels and service quality
- Future opportunities

At the conclusion of the formal presentation community members were invited to provide feedback in relation to the services they value and what aspects of Council's service delivery and infrastructure maintenance and renewal could possibly, in their view, be reduced or eliminated.

For example; at the Tallangatta forum when participants were advised of the high cost of providing mobile library services there was a strong view that the mobile library service should be discontinued.

Further to the workshops other Council engagement activities include:

Providing public notice and the opportunity to make submissions (in writing or verbal) in relation to the preparation of the Council Plan, Budget, Strategic Resource Plan, Long Term Financial Plan, Asset Management Plan, Planning Scheme amendments, etc)

Interestingly, despite our best efforts to advertise and promote the above, we generally get little or no interest from our communities.

As an example, the number of submissions from residents or ratepayers on the annual proposed budget for the last three years are shown below:

2015/16 One (1) submission

2014/15 No (0) submissions

2013/14 Two (2) submissions

In addition to the above, Council has engaged with its communities and developed a number of community master plans including "Our Bellbridge", "Tallangatta Tomorrow", "Our Valley Our Future" and "Upper Murray 2030 Vision Plan".

The purpose of these plans has been to understand the needs of our communities and establish community consensus on priority projects/services/infrastructure with a view to Council working with the communities to deliver the priorities over a period of time. The value of these master planning activities is having the communities recognise that everything comes at a cost and given Council's limited financial means, choices need to be made and priorities established.

The community participation for each of these master plans is shown below:

Community Master Plan	Participation and engagement
Our Bellbridge (Appendix 9)	Newsletter distributed to all Bellbridge households describing the masterplan, concept design process and invited them to Community Open Day. Approximately 100 people (20% of residents) attended the open day Community notice board established at Bellbridge Lake Hume Store Community survey delivered
Our Valley Our Future (Appendix 10)	41 people completed Visitor Survey 97 people completed Community Survey 100+ people attended Community Planning Day 64 people took part in survey conducted by Melbourne University PhD student
Tallangatta Tomorrow (Appendix 11)	450+ ideas received from community 400+ surveys received (42% of residents) 300+ attended workshops or focus groups 2000+ hits on Tallangatta Tomorrow website
Upper Murray 2030 Vision Plan (Appendix 12)	Community consultation and feedback concluded in February 2016 with participation numbers not yet confirmed. These will be provided in the final report and plans.

A summary of the priorities resulting from these master plans are included in the table below.

Community Master Plan	Priorities	Projects delivered
Our Bellbridge	More retail facilities within town Sustainable population growth within town Beautification of the lakefront and foreshore Lack of children's services Rectify issues with waste water treatment	Lakefront and foreshore beautification completed March 2016
Our Valley Our Future	Business and employment sustainability Farming – profitability reducing Tourism – an area of potential Community infrastructure – children and health Communication – poor mobile phone coverage Housing – shortage of residential land and housing Young people – increasingly disengaged with community Ageing population – pressures on aged services and primary health	Plan has been adopted and now ready to action
Tallangatta Tomorrow	Housing Tourism Streets, Triangles and Public Open Space Lake Hume and the Foreshore Reserve Community Facilities and Services Town Identity	Rowen Park Multi Sports Complex completed May 2014 Tallangatta Integrated Community Centre (including kindergarten and childcare facility) – due for completion May 2016
Upper Murray 2030 Vision Plan	Agriculture Branding Great River Road Tourism	Draft concept plans under the priorities are currently out for community consultation and feedback

These master plans and their priorities represent the views of the ratepayers and our communities and accordingly have been used to formulate the 2013-2017 Council Plan and corresponding annual budgets. The master plans will also be used to inform and develop the 2017-2021 Council Plan and future annual budgets.

Council's Audit Committee is comprised of three independent external members who are Towong Shire residents and ratepayers. The Audit Committee plays a key role in our organisation. The Committee reviews Council's key strategic documents including the Council Plan, Long Term Financial Plan, Budgets, Annual Report as well as Council policies. The Committee is another touch stone for Council for obtaining the views of ratepayers and the community.

Other engagement initiatives we have implemented in past years are 'Road Shows' where our Director Technical Services and Asset Engineer visit local communities and speak to residents about road and

related infrastructure. The views obtained from residents have been used to inform the development of our asset management plans and intervention levels for assets.

Council has also, on the advice of the Victorian Auditor General's Office, included a section in its Annual Report outlining Council's sustainability challenges and this report is available to residents and ratepayers from Council's website or Council offices. In addition, material has been published in the local newspaper in relation to the *Fair Go Rates System* and Council's position.

Criterion Four – Value and efficiency

How the higher cap is an efficient use of Council resources and represents value for money

The information provided on the *Know Your Council Website* as well as the results from the *State-wide Community Satisfaction Survey* give a clear indication of how well Towong Shire Council is performing in a wide range of areas and in light of these results, it would appear obvious that ratepayers in Towong Shire are clearly receiving value for money. For example;

Financial performance

Expenses per head of municipal population:

Towong \$2,247	Similar Councils \$2,728	All Councils \$1,805
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Expenses per property assessment:

Towong \$3,011	Similar Councils \$3,373	All Councils \$2,980
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Cost of governance per Councillor:

Towong \$36,800	Similar Councils \$37,384	All Councils \$47,565
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Infrastructure

Cost of sealed local road resealing per square metre:

Towong \$5.77	Similar Councils \$7.00	All Councils \$14.40
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Cost of sealed local road reconstruction per square metre:

Towong \$52.05	Similar Councils \$52.50	All Councils \$83.37
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Sealed local roads maintained adequately:

Towong 100%	Similar Councils 97.14%	All Councils 96.21%
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Community satisfaction with sealed local roads:

Towong 59/100*	Similar Councils 52/100	All Councils 56/100
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Community satisfaction with unsealed roads:

Towong 55/100*	Similar Councils 45/100	All Councils 45/100
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*Towong's results are well above other similar small rural councils

Planning

Cost of Statutory Planning service per planning application:

Towong \$1805	Similar Councils \$2047	All Councils \$2017
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Time taken to decide planning applications:

Towong 24 days	Similar Councils 46.41 days	All Councils 65.67 days
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Planning applications decided within 60 days:

Towong 96%	Similar Councils 79.42%	All Councils 70.50%
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Council believes these results clearly demonstrate that Council provides value for money and uses ratepayer resources efficiently and it could be argued that the community's overall satisfaction with Council is a reflection of this:

Overall Satisfaction with Council:

Towong: 60/100

Similar Councils 55/100

All Councils 55/100

Further to the above results, Council has taken significant steps to review its many services and their associated revenue and costs. Value for money for ratepayers is always front of mind for our Council. We cannot afford to waste money!

The following examples are provided in order to demonstrate Council's commitment to spending rate payer funds wisely and being as efficient and lean as possible while providing an adequate level of service.

Service/ Expenditure item	Value for money
Motor Vehicle Policy	<p>For many years Council's motor vehicle policy was for vehicles to be new Holden Commodores or Ford Falcons which were kept for 18 months to 3 years or 50,000km to 80,000kms.</p> <p>The policy was changed in 2010 and now, wherever possible, Council purchases second hand cars that are either small sedans, hatches or diesel fuelled vehicles (e.g. Hyundai i30) as these are cheaper to buy and a lot more fuel efficient than the V6 Commodore/ Falcon type vehicles.</p> <p>Council's policy is to keep the vehicles for a minimum of 150,000km (however in most cases they are kept for at least 200,000km) before changeover.</p> <p>All accessories are fitted after purchase to minimise ongoing FBT liabilities.</p> <p>Vehicles are no longer available for inclusion in remuneration packages for private use by staff (with the exception of the CEO and two Directors).</p> <p>Estimated annual saving of this initiative is \$150,000+</p>
Insight 360	<p>Insight 360 is an innovative software solution that was developed by Towong Shire Council. The solution uses GPS technology to track Council's heavy plant and light fleet and has translated best practice private thinking to the unique environment of local government.</p> <p>Insight 360 enabled a significant efficiency gain in relation to our grading program. The information provided by Insight 360 allowed us to increase our graders from an average of 500hrs of 'blade on ground' time to 750hrs.</p> <p>Appendix 13 contains further information in relation to Insight 360</p>

Service/ Expenditure item	Value for money
Kerbside garbage and recycling collection – moved to 'in-house' service delivery	<p>Council undertook an analysis of providing the kerbside waste collection service in-house rather than participating in the Regional Waste Management contract. Insight 360 was instrumental in providing us with essential information about routes and truck speed.</p> <p>As a result of this analysis Council resolved to bring the kerbside waste collection service fully in-house as of May 2015.</p> <p>Estimated savings of \$1m over a seven year period</p>
Street lighting – change to LED	<p>Council is in the process of changing all street lights over to energy efficient LED globes, which will in turn save on electricity and replacement costs. The savings forecast for the 2015/16, year is \$2,000.</p> <p>Estimated annual saving of this initiative is \$43,000</p>
Shared Service – Rates and Property	<p>Towong and Indigo Shire Councils have a shared service arrangement for the Rates and property function. The details of this service and the most recent service review is included in Appendix 5.</p> <p>Estimated annual savings of \$25,000</p>
Building Services and Environmental Health Services	<p>Council has a shared service arrangement with Indigo Shire Council for the provision of Building Services and Environmental Health Services.</p> <p>Small councils like Towong generally do not require full-time building or environmental health staff however due to our remote location it is unlikely that we are able to attract staff who are prepared to take on part-time work. At best, if we were able to attract the professional staff, they would require full-time employment.</p> <p>The shared service with Indigo allows us to have professional staff available in these areas and we only pay for the time they spend on Towong matters.</p> <p>Not only does this arrangement save us having to pay unnecessarily for a full-time staff member it also provides certainty of service provision to our communities.</p>
Banking services	<p>Council moved to the Victorian State contract in August 2014 changing from ANZ to Westpac Banking Corporation. This will realise savings in account fees and charges and transaction costs.</p> <p>Estimated annual savings of \$7000+</p>
Fuel contract	<p>Council reviewed and consolidated its fuel suppliers from two suppliers to one.</p> <p>Annual savings of \$1300 per annum.</p>
Telephones	<p>Council has changed providers for fixed line services as well as moving to a Voice Over Internet Protocol (VOIP) system for both internal and external calls.</p>

Service/ Expenditure item	Value for money
	Estimated savings of \$3,500 per annum.
Swimming pool staff	<p>Council no longer directly employs lifeguard staff for its swimming pools. Council engaged a company to provide lifeguard services to Council's two swimming pools in Corryong and Tallangatta for the 2015/16 summer pool season.</p> <p>Estimated savings are \$14,000 per annum.</p>

Criterion Five – Trade-offs and alternative funding options

What consideration has been given to reprioritising proposed expenditure and pursuing alternative funding options and why those options are not adequate

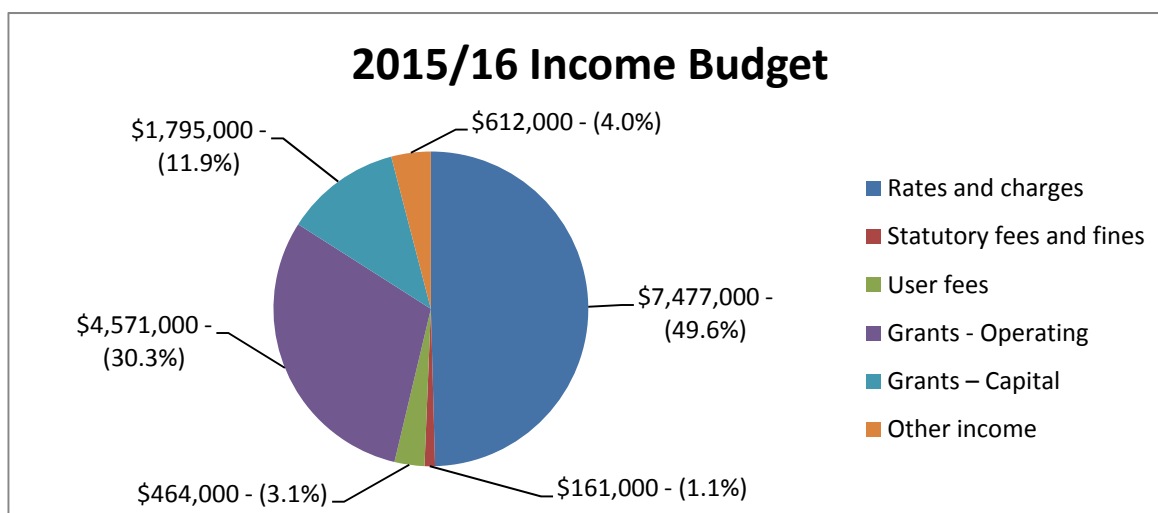
Council has worked very hard over the past six years to reduce costs and be lean and efficient whilst continuing to provide an appropriate level of services to our communities.

Because we have been proactive in past years in reducing expenditure and eliminating waste we are in a very difficult position where we do not have any 'fat' to cut from our operations. The problem for Towong Shire Council is on the income side, not the expenditure side, of our operations.

We believe there are only three possible courses of action for Council to accommodate the rate cap at 2.5%. Unfortunately these options are not based on sound financial management and do not accord with the needs of our residents and ratepayers:

1. Severely cut expenditure, by reducing services; or infrastructure maintenance
2. Severely cut infrastructure maintenance and asset renewal expenditure,
3. Utilise Council's existing cash resources to fund an increasing underlying deficit until such time as cash reserves are exhausted and Council is no longer sustainable (which is only five years away).

Council's budgeted income for 2015/16 is broken down as follows:



As stated previously a 1% increase to Council's general rates income and municipal charge yields additional income of approximately \$63,000.

Towong Shire Council does not have access to alternative funding options available to larger Councils such as parking fees and fines. We are totally reliant on rates and charges revenue and Victorian and Commonwealth grant funding to fund our day-to-day operations. State and Commonwealth grant funding and rate and charges revenue account for 91.8% of Council's total revenue.

Alternative funding options

1. Borrowing

Historically Council has had a very low level of borrowings as a result of our concerns about future cash flows and not wanting to over-commit our organisation. As at 30 June 2015 we had \$32,000 in borrowings.

For the 2016/17 year we will budget for \$1.488m in new borrowings, using borrowings as an alternative funding option for funding significant intergenerational capital projects. For the past 4-5 years we have also required significant community contributions (both cash and in-kind) for major projects.

Council believes it is both irresponsible and inappropriate to borrow to meet day-to-day operational costs.

2. Leasing

Council has availed itself of finance lease arrangements in previous years for major items of plant. Two finance leases were paid out in 2015 for plant items. The amount paid out was \$308,000.

For the 2015/16 financial year there are no acquisitions of major plant items planned and accordingly no new lease arrangements.

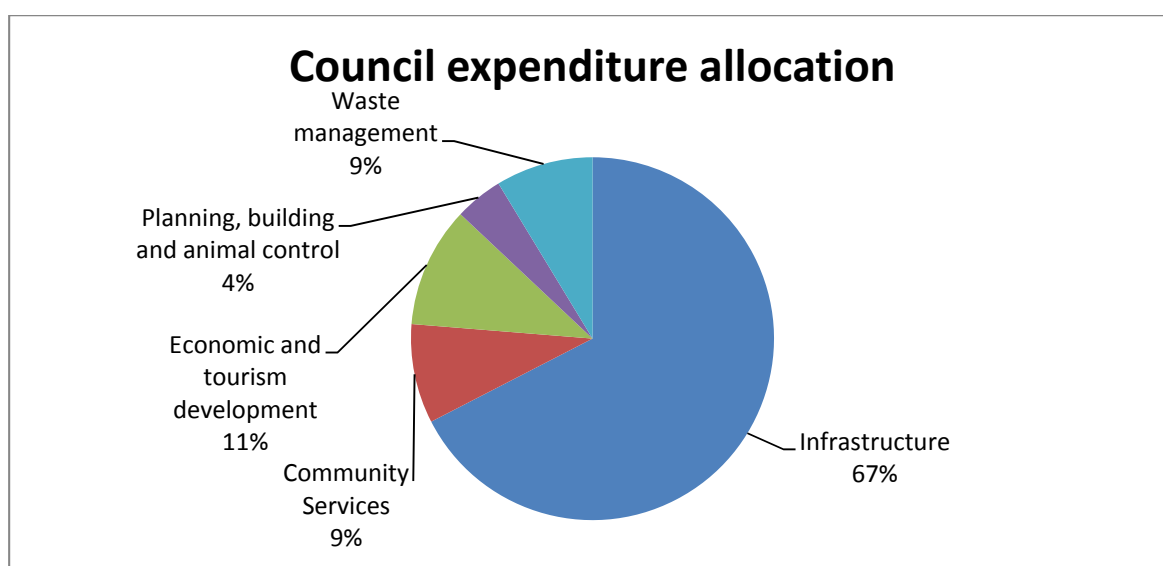
3. Special Charge schemes

In the recent past we have also used the special charge provisions of the Local Government Act 1989 to provide community infrastructure. An example of this is the Walwa Wastewater Scheme.

There are no projects proposed by Council in the 2016/17 for which a Special Charge would be appropriate or allowable under the Local Government Act.

Reprioritising expenditure

Towong Shire covers a very large geographic area (6,635 sq kms) and accordingly we have a significant amount of infrastructure which requires maintenance and renewal (1,183 km of roads, 168 major bridges and culverts). Asset maintenance is a significant area of expenditure as the following graph shows:



Safe and serviceable roads are a critical factor in any rural community. They are the lifeblood of our rural communities. The importance of roads and the crucial role they play in transporting produce to and from the farm gate cannot be overstated.

In recognition of the importance of road and related infrastructure to our communities Council’s asset renewal strategy has been to renew 100% of assets that fall below the intervention level. The intervention levels have been set based on community expectations and are set out in Council’s Road Management Plan (Appendix 14) which was developed in consultation over a period of time with our communities. The condition of Council’s assets are monitored both internally (by staff) and externally (by infrastructure experts) to ensure any assets requiring renewal are actioned as soon as practical.

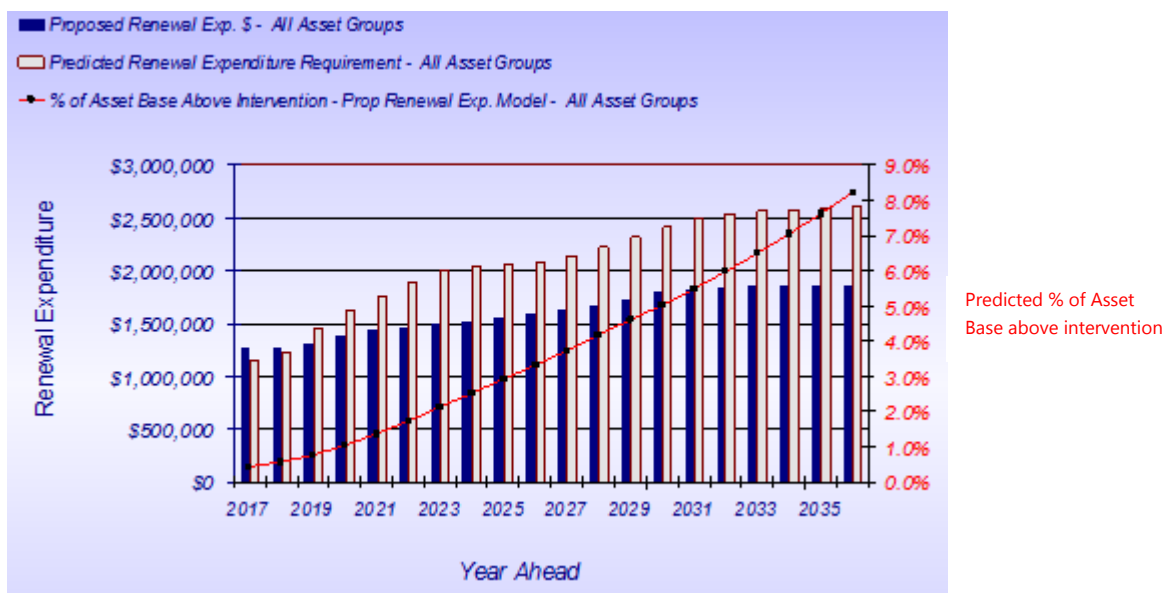
One option (an option that Council and its communities find quite unacceptable) is to reduce the level of asset renewal expenditure to accommodate the rate cap at 2.5%. To achieve this it would be necessary to reduce asset renewal expenditure to 63% of its current level.

This would result in the unacceptable outcome of over 8% of Council’s asset base being above intervention by 2036. This is demonstrated in the graph below.

The grey bar shows the predicted renewal expenditure required for all asset groups. The blue bar shows renewal at 63%. The red line shows the predicted percentage of Council’s asset base above intervention.

For the past five years we have been working towards only having around 2% of our asset base above intervention.

Our experience has been that once more than 2% of the asset base outside of intervention the deterioration of assets is very noticeable and not acceptable to residents.



Should Towong not be able to secure additional income, Council will be faced with reducing services and infrastructure maintenance and renewal or accepting an increasing underlying deficit which will deplete our cash reserves and result in Council not being sustainable in the short term.

The following areas have been considered by Council with a view to accommodating the rate cap at 2.5%. Please note that these are only conceptual and agreement has not been reached on any of these items. Council does not believe it is appropriate to take these steps and we are confident they will be of great concern to our communities as well as our staff.

Item	Saving \$
SES – cease Council contribution	32,340
Maternal and Child Health – cease Council contribution thereby reducing service from 3,280 hrs pa to 2,193 hrs pa. If Council was to reduce the service to this level it would be necessary to pay redundancies totalling approx. \$120,000. The saving shown does not provide for the redundancy cost.	53,000 Redundancies (120,000)
School Crossing Supervisors – cease Council contribution This would result in a reduction in supervision hours from 1,186hrs pa to 278hrs pa (approx 1.4hrs per school day over two sites/ 0.7hr per crossing per day)	27,000
Kindergartens – cease kindergarten service	154,390
Swimming pools - reduce hours by seven hours per week over season. This would reduce pool operations from 3.5hr/day to 2.5hr/day.	10,000
Eskdale Community Pool – cease Council contribution If Council was to cease its contribution it is likely that this community run pool would close.	12,500
State-wide Community Satisfaction Survey – cease participation Some of the data provided by the survey is required by the State government for the Know Your Council Website. By not participating in the survey Council would not be able to meet the State government requirement to provide the data.	9,000
Towong Local Government school leaver scholarship – cease annual contribution and paid semester break work	16,000
Youth – reduce Youth Workshops budget from \$5,000 to \$4,000	1,000
Seniors – cease Seniors event	6,000
Arts and Culture - cease Council contribution to Murray Arts	5,000
Memberships – cease membership of the following: Timber Towns \$2,500 Murray Darling Association \$1,506	4,006
Enterprise Agreement – zero increase for 2016/17	121,000
Staff training – reduce budget from \$60,000 to \$45,000	15,000

The important thing to note when considering any of the above is that because Towong is such a small Council the items listed, despite being relatively small in dollar terms, will have a significant impact on our communities and our organisation.

For example, we do not have an Arts and Culture team (or even a staff member) for this area. We pay a contribution of \$5,000 to Murray Arts and where possible they involve us in Arts and Culture programs and initiatives. Ceasing Council's contribution effectively eliminates any involvement by Council in the area of Arts and Culture.

This is a similar situation for our expenditure for 'Seniors'. The only activity we engage in for Seniors is a Seniors Week activity which costs approximately \$6,000. If we eliminate this item there will be no direct service provision to Seniors in our communities (Council does not provide HACC services).

Because we have pursued an aggressive cost reduction program over recent years, the reality is that without an appropriate level of additional income we will have to reduce the level of services and infrastructure maintenance and renewal we provide to our communities and/or accept an increasing underlying deficit (and not be sustainable in the short term).

Criterion Six – Long term planning

That the assumptions and proposals in the application are consistent with those in Council's long term strategy and financial management policies set out in Councils planning documents and annual budget

Council seeks a higher cap in order to continue to deliver key community services, maintain and renew infrastructure at an appropriate level, and achieve a balanced financial position. This application for a higher cap is consistent with the 2013-2017 Council Plan, Council's Budget 2015/16 (Appendix 16) which includes Council's Long Term Financial Plan and Strategic Resource Plan.

Council's long term financial plan is formulated on the basis of having enough funds to meet its operating costs, i.e. to ensure we are financially sustainable in the short to medium term. With the higher cap, Council believes it will be able to meet the needs of its residents and ratepayers and remain financially sustainable in the short to medium term.

Documents supporting this application are attached in the appendices as detailed below:

Appendix	Description
1	Whelan Report – Local Government Financial Sustainability – Focus on small rural Councils Abridged Report May 2010
2	VAGO: Organisational Sustainability of Small Councils June 2013
3	Annual Report 2014/15
4	Rates and Property Shared Service Case Study
5	Rates and Property Shared Service Review
6	VAGO Sustainability Indicators
7	State-wide Community Satisfaction Survey results (2015)
8	Council Resolution re: Community Engagement 25 June 2014
9	Our Bellbridge Master Plan
10	Our Valley Our Future Master Plan
11	Tallangatta Tomorrow Master Plan
12	Upper Murray 2030 Master Plan
13	Insight 360
14	Road Management Plan
15	Council Plan 2013-2017
16	Councils Budget 2015/16 (including Council's Strategic Resource Plan and Long Term Financial Plan)

6.2 Application To The Essential Services Commission For A Higher Rate Cap

**CR GADD
CR JOYCE**

THAT:

- 1. COUNCIL APPROVE THE APPLICATION TO THE ESSENTIAL SERVICES COMMISSION FOR A HIGHER CAP OF 6.34% AS PRESENTED AT APPENDIX ONE; AND**
- 2. REGARDLESS OF THE OUTCOME OF THE APPLICATION FOR A HIGHER CAP, COUNCIL MAKE EVERY EFFORT TO KEEP THE 2016/17 RATE AND MUNICIPAL CHARGE INCREASE AT THE CAP OF 2.5%.**

CARRIED

CR FRASER REQUESTED THAT HER VOTE AGAINST THE MOTION BE RECORDED.