

Towong Shire Council

Decision on application for higher caps 2017-18 to 2020-21

July 2017

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1. Our decision

This is the second year of the Fair Go Rates system and councils can apply for higher caps for up to four years.

Towong Shire Council (Towong) applied for higher caps of 5.55 per cent for four years (2017-18, 2018-19, 2019-20 and 2020-21), which is inclusive of the Minister's rate cap. Towong estimates the extra 3.55 per cent above the Minister's rate cap for 2017-18 will generate approximately \$235 000 of additional revenue in 2017-18. It estimates the overall effect of the higher caps over the four years being approximately \$2.5 million of additional revenue compared to the Minister's rate cap.¹

The Essential Services Commission (the Commission) assessed Towong's application, and approves the proposed higher caps of 5.55 per cent for each of the four years.

We are satisfied that the higher caps are appropriate because the application demonstrates a long-term funding need to deliver services at existing levels and maintain financial sustainability.

As the approval applies for four years, we expect council to continue to engage with its community on major service and financial trade-offs as part of its corporate planning and budget processes.

¹ A higher cap represents a permanent increase in a council's rate base that will continue to apply in each subsequent year. The additional revenue has been calculated based on an assumption that the Minister's rate cap will remain at 2 per cent over the four years.

2. Background

Under the Fair Go Rates system, established under the *Local Government Act 1989* (the Act), councils must limit their average rate increase to a cap set by the Minister for Local Government. The Minister set a 2 per cent rate cap for the 2017-18 financial year.

Councils wishing to increase their average rate by more than the cap must get approval from the Essential Services Commission. From this year, councils can apply for up to four years of higher caps. We assess each council's application and we either approve, approve in part or do not approve the higher cap(s).

In assessing applications, the Commission must take into account the six legislative matters² and the statutory objectives³ of the Fair Go Rates system (box 1). We must also consider a council's compliance with previous years' caps.

Box 1 The Fair Go Rates system

The **legislative matters** are:

- the proposed higher cap for each specified financial year
- the reasons for which the council seeks the higher cap
- how the views of ratepayers and the community have been taken into account in proposing the higher cap
- how the higher cap is an efficient use of council resources and represents value for money
- whether consideration has been given to reprioritising proposed expenditures and alternative funding options and why those options are not adequate
- that the assumptions and proposals in the application are consistent with the council's long-term strategy and financial management policies set out in the council's planning documents and annual budget.

The **statutory objectives** are:

- to promote the long-term interests of ratepayers and the community in relation to sustainable outcomes in the delivery of services and critical infrastructure
- to ensure that a council has the financial capacity to perform its duties and functions and exercise its powers.

² *Local Government Act 1989* Section 185E(3).

³ *Local Government Act 1989* Section 185A.

Affordability

Affordability is an important consideration for a council when setting its rates. We expect that councils take this into account when they make their decisions about whether to apply for a higher cap.

We do not assess affordability in councils' higher cap applications. The legislation does not require us to do so, nor is it appropriate.⁴ Councils are best placed to determine their community's capacity to pay after taking into account all major factors that may affect their communities. The decision on the appropriate trade-off between service impacts and the level of rates rightly sits within the council's jurisdiction.

Our role, as defined in legislation, is limited to ensuring that the higher cap application process undertaken by councils is robust and transparent.

Monitoring outcomes

Each year we report on each council's compliance with its rate cap, and every two years we report on outcomes from the Fair Go Rates system. When doing so, we will monitor and report on whether councils have spent the extra revenue from a higher cap in line with the expenditure needs cited in their applications. While we approve rates and not expenditure, it is important that the community and ratepayers receive confirmation that councils have met their commitments. If the extra revenue is redirected to other areas, we will seek and publish a council's explanation for the reallocation of those funds.

⁴ Affordability is not one of the matters listed in the legislation that councils must address in their applications — section 185E(3).

3. What did the council apply for and why?

Towong applied for higher caps of 5.55 per cent (inclusive of the Minister's rate cap), for each of 2017-18, 2018-19, 2019-20 and 2020-21. Towong estimates the extra 3.55 per cent above the Minister's rate cap for 2017-18 will generate approximately \$235 000 of additional revenue in 2017-18. Council estimates the overall effect of the higher caps over the four years being approximately \$2.5 million of additional revenue compared to the Minister's rate cap.⁵

Towong applied for the higher caps so it can continue to deliver services at existing levels and remain financially sustainable.

Towong's application and its responses to our request for information (RFI) and additional questions are available on our website (www.esc.vic.gov.au). Appendix A shows the communications between the Commission and Towong during the assessment period. We thank council for providing information in response to our requests during the assessment period.

⁵ A higher cap represents a permanent increase in a council's rate base that will continue to apply in each subsequent year. The additional revenue has been calculated based on an assumption that the Minister's rate cap will remain at 2 per cent over the four years.

4. How did we reach our decision?

As required under the Fair Go Rates system, we examined each of the six legislative matters addressed in Towong's application. Our observations on the extent to which the application addresses each of the legislative matters is summarised in Appendix B. Further, the Act requires the Commission to have regard to a council's record of compliance with previous years' caps.⁶

Our assessment takes into account the statutory objectives and legislative matters that applications must address. This approach ensures that the assessment includes all relevant factors covered by the legislation that impact on whether the application demonstrates a long-term financial need that should be funded through a higher cap.⁷

To assist in our assessment we sought external advice from Deloitte Access Economics (Deloitte), KJA and MosaicLab, which is published on our website. The advice covers technical areas of financial capacity and community engagement.

Our assessment is set out below.

4.1. What is council's underlying financial position?

We have examined Towong's underlying financial position (table 1 and figure 1). The application provides forecasts of the impacts on its local government performance reporting framework financial indicators (under both 'with' and 'without' higher cap scenarios). These forecasts show that Towong will operate with a significant negative adjusted underlying result, averaging — -6.1 per cent over the next four years — without a higher cap. Even with a higher cap, the average adjusted underlying result is still negative (-2.2 per cent over the four year outlook).

⁶ In 2016-17, Towong adopted a 3.5 per cent increase which is below the 6.34 per cent higher cap approved by the Commission. This is discussed in more detail in section 4.3.

⁷ Our earlier decision on Pyrenees Shire Council differs in terms of presentation; we followed the same approach in assessing all applications.

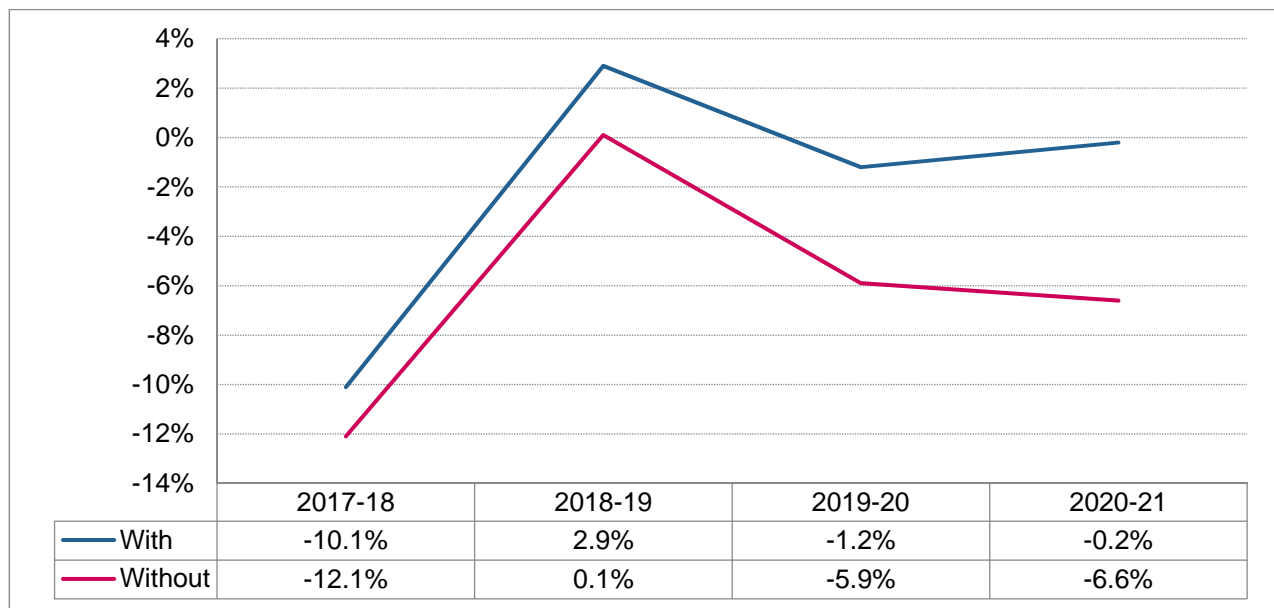
Table 1 Towong’s forecast local government performance reporting framework indicators^a

LGPRF indicator ^b	2015-16 actual	2016-17 forecast actual	2017-18 budget	2018-19 forecast	2019-20 forecast	2020-21 forecast
Adjusted underlying result (%)						
pre application	8.6	22.40				
without higher cap (a)			-12.1	0.1	-5.9	-6.6
with higher cap (b)			-10.1	2.9	-1.2	-0.2
difference (b-a)			2.0	2.8	4.7	6.4

^a See Appendix C for definition. ^b Table only includes local government performance reporting framework indicators considered in making our decision.

Data source: Towong Shire Council, 2017, *Towong Budget Baseline Information Template Final*, May

Figure 1 Towong’s adjusted underlying result is negative and significantly lower without a higher cap



Source Towong Shire Council 2017, *Application for a Higher Rate Cap 2017-18*, May.

This trend indicates that in the absence of a higher cap, projected expenditure exceeds projected adjusted revenue.

We examined the key financial challenges faced by Towong and consider that the impacts identified by council are reasonable.

Towong faces a number of factors that are largely outside of its control and these factors significantly affect its underlying financial position. These factors include:

- the large area it services with an extensive road and bridge network⁸
- a small, dispersed⁹ and declining population¹⁰ contributing to a low rate base (currently \$7.5 million).
- limited sources of alternative revenue.

As a result, Towong relies heavily on rates, charges and grants to fund its operations (90 per cent of total revenue).

4.2. What has been done to manage the underlying financial position?

Towong's application demonstrates that it has undertaken and continues to undertake measures to improve its financial position, including:

- undertaking a range of major cost reduction initiatives over the past six years, such as bringing kerbside waste collection back in house. This was estimated to save \$1 million over seven years
- other major initiatives such as an organisational restructure estimated to have saved \$250 000 per year and motor vehicle policy changes and fleet reduction estimated to have saved \$150 000 per year
- finding additional savings of \$330 000 in 2016-17 to offset the lower rate increase of 3.5 per cent
- entering into shared service arrangements with Alpine and Indigo Shire Councils, and
- recently undertaking reviews of its maternal and child health service, transfer station operations and swimming pool services.

More detail on the initiatives Towong has undertaken to reduce costs can be found in table B1.

The application shows that Towong investigated a number of alternate funding sources including borrowing and reprioritising expenditure. The application also provides adequate explanation of why these measures are not suitable.

We are satisfied that Towong's application demonstrates that it has continually sought to reduce costs, seek efficiencies and alternate funding sources.

4.3. How were community views taken into account?

Towong undertook an extensive community engagement program in early 2017. The focus of the engagement was to inform the community of Towong's financial challenges and seek feedback on a range of matters, including major tradeoffs between rate increases and service levels. The application provides evidence that council released feedback to the community and shows how it used the findings from the engagement to inform priorities in its council plan.

⁸ Towong is responsible for 1183 kilometres of roads and 167 bridges compared to the small rural council average of 2250 km of roads and 104 bridges and the Victorian local government average of 1662 km of roads and 76 bridges.

⁹ Towong's population density is 0.9 people per square kilometre compared to the small rural council average of 21.8 people per square kilometre and the Victorian local government average 781.7 people per square kilometre.

¹⁰ Since 2012 Towong's population has declined by 0.4 per cent per annum.

Our assessment is that Towong's community engagement has met the community engagement principles in the Commission's guidance.¹¹ Namely, the program had the following features:

- it was designed to maximize participation
- it contained comprehensive information including discussion on council's priorities, its financial situation and future opportunities. And during and at the end of the forums council sought feedback from participants
- engagement on council's financial situation has been ongoing over a number of years
- the latest engagement focused on matters of significance including rate increases and tradeoffs
- council released consolidated feedback to the community. The document includes council's proposed actions to address matters raised. The feedback also helped to inform strategies in the council plan.

More detail on Towong's community engagement can be found in table B1.

4.4. Are the plans, policies and processes in place sufficient to demonstrate a long-term funding need?

Why council didn't apply its approved rate cap in 2016-17

Towong adopted a 3.5 per cent rate increase for 2016-17 instead of 6.34 per cent as approved by the Commission. This caused us to ask questions about the robustness of Towong's estimation of its need last year and whether the revised long-term financial plan is sufficiently robust.

We examined how Towong managed to offset the foregone revenue in 2016-17 (\$125 000), without compromising its financial sustainability. Towong's detailed explanation shows that it was possible through a range of measures, including:

- receiving additional funding from the State Government for council's contribution to State Emergency Service units in the shire
- capping the wages increase to 1 per cent. This included the CEO forgoing annual CPI increases
- ceasing a number of smaller contributions to memberships of community organisations and the school leaver scholarship and participation in the community satisfaction survey, and
- reducing funding of swimming pools and community events.

Towong is also currently considering reversing some service cuts because they are not supported by the community and are unsustainable. Having reviewed council's explanation, we consider that council was only able to implement the lower cap last year through severe and unsustainable measures. In addition, council received additional unanticipated state funding.

Council's long-term financial planning

Given Towong's application is for higher caps over the next four years, we also reviewed Towong's long-term financial plan.¹² While Towong's long-term financial plan covers the period 2009 to 2032, we examined closely the key operating and financial assumptions for the next four years and reviewed whether they are consistent with council's strategic resources plan and other relevant

¹¹ Essential Services Commission, 2017, *Fair Go Rates system, Guidance for Councils, 2017-18(amended)*, March.

¹² A comparison of the long-term financial plans underpinning Towong's 2016-17 and 2017-18 applications shows key assumptions have been updated.

council policies and plans. Further, the application models the effects of different budget scenarios and discusses the consequent impacts on council's key financial indicators.

Towong updated the assumptions underpinning its financial modeling and managed to reduce the required annual rate increases to 5.55 per cent compared to last year's estimate of 6.34 per cent.¹³ In addition, the application provides evidence on the expenditure savings to date and identifies ongoing savings assumed in its long-term financial plan. This gives us confidence that the net funding need as shown in its long-term financial plan is the result of prudent financial planning and can be used to form the basis for seeking community feedback.

Towong's long-term financial plan integrates its asset management plans and financial policies. A fuller discussion of Towong's other financial policies and asset plans (eg debt policy, road asset management plan) is provided in table B1.

We are satisfied that Towong's application demonstrates that council has a robust long-term financial plan and that it has other policies and practices in place to support its estimates of its long-term funding need.

4.5. What have we concluded?

To justify a permanent increase in the rate base, an application should demonstrate a long-term financial need that is consistent with the long-term interests of the council's ratepayers and community for sustainable outcomes in service delivery and critical infrastructure.

Towong's application for a higher cap meets all legislative requirements and it is supported by the following:

- clear reasons and identified impacts on service delivery and financial sustainability
- rigorous long-term financial planning
- demonstrated efforts to reduce cost, increase efficiencies and explore alternate funding options
- community engagement that meets the engagement principles set out in our guidance

Accordingly, we approve Towong's application for a 5.55 per cent increase per year for the next four years.

Deloitte's analysis supports our conclusion:

Towong Shire has demonstrated a strong ongoing commitment to sound long-term asset management and financial planning. It has a good appreciation of the financial challenges it faces and is mindful of the community impact and preferences from the available options and their implications. It has taken many steps to improve ongoing efficiency but it is likely that it will need to generate rate revenue in excess of the cap in 2017-18 and beyond (or at least in the near future thereafter) in order to maintain current service levels.

As the approval applies for four years, we expect council to continue to engage with its community in relation to implementing the higher caps approved for future years. Specifically, this includes ongoing consideration of major service and financial trade-offs as part of its corporate planning and budget processes.

¹³ Towong advises that the main reasons for the lower annual rates increases were lower forecasts of CPI and additional funding from the Commonwealth. Source: Towong Shire Council, *Response to request for information (amended)*, June p.6.

Appendix A: Summary of communications with Towong

Towong submitted its application for a higher cap on 23 May 2017. In response to its application, the Commission sought additional information from Towong (table A1). Towong's application and its response to our requests for further information can be found on our website.

Table A1 Communications between Towong and the Commission

Date (2017)	Nature of communication
31 May	Towong submitted its application
8 June	Commission issued Towong a request for further information (RFI)
23 June	Towong sent response to RFI
23 June	Commission requested community engagement policy and strategy
29 June	Towong sent an amended response to RFI
29 June	Towong sent community engagement policy and strategy

Appendix B: Summary of legislative matters

Table B1 summarises the Commission’s observations on how Towong has addresses each of the legislative matters in its application.

Table B1 How the application addresses the legislative matters

Legislative matter	Summary
185E(3)(a) — proposed higher cap	<p>The Commission verified that the higher cap is appropriately calculated by the council in its application.</p> <p>Towong is seeking higher caps of 5.55 per cent for 2017-18 (3.55 per cent above the Minister’s rate cap), 2018-19, 2019-20 and 2020-21. The overall effect of the higher caps will result in additional revenue over the four year period of approximately \$2.5 million.^a</p>
185E(3)(b) — reason(s) for which the council seeks the higher cap	<p>Similar to the 2016-17 application, council is applying for higher caps to continue to provide day to day services and infrastructure maintenance and renewal at the existing level required by residents and ratepayers.^b The higher caps are in line with its long-term financial plan and will ensure that it is financially sustainable in the short to medium term.</p> <p>Council provides financial analysis that suggests its financial position will deteriorate in the medium-term (liquidity will fall into Victorian Auditor-General’s Office high risk band in 2024) without an increase in revenues.^c</p> <p>Council also claims that if it doesn’t receive a higher cap(s) then it may be forced to reduce services levels for maternal and child health, school crossing supervisors, kindergartens, immunisations and asset renewals.^d</p>
185E(3)(c) — how the views of ratepayers and the community have been taken into account in proposing the higher cap	<p>Towong submitted a copy of its community engagement strategy. KJA added:</p> <p><i>This is a good document which clearly shows Council’s commitment to engagement and provides some guidance for Council officers undertaking engagement programs, including an excellent and simple pro forma which should be able to be used by non-engagement specialists.</i>^e</p>

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Table B1 (continued)

Legislative matter	Summary
185E(3)(c) (continued)	<p>Towong’s application notes that it undertook an extensive community engagement program over February and March this year titled “Lets talk”, which included holding six workshops throughout the shire. Council drew on its experience and used more traditional forms of engagement because the population is dispersed and older and parts of the shire have limited digital connectivity.</p> <p>Towong considered community forums most appropriate for the shire because they allowed for better discussion of complex issues and options available. Towong stated forums were held in localities most affected by decisions. This approach resulted in an unprecedented attendance of 196 people (3.3 per cent of the population) attending the forums. The forums built on engagement conducted in early 2015. The focus of the workshops was to increase community knowledge of council’s financial challenges and seek community input into priorities for the next four years. ^f</p> <p>The workshops began with a presentation from the CEO including detail on:</p> <ul style="list-style-type: none">• projects and services delivered in each locality• cost savings and efficiencies achieved• council finances (and rate capping)• future opportunities. ^f <p>Staff presented the long-term financial plan which detailed the need for additional revenue to provide services.</p> <p>Participants were asked five key questions:</p> <ul style="list-style-type: none">• what does council do well (what is working)?• what would you like us to do better (or more of)?• what are the two or three projects or programs you would like to see council deliver over the next three to four years?• are you getting ‘value for money’ from council and if not, why not? How do you measure ‘value for money’?• what rate increase (if any) are you prepared to pay to maintain the current level of services and infrastructure? And what are you prepared to do without?^f <p>The CEO and councillors facilitated small group discussion amongst participants to discuss and debate the five questions. At the end of each session a summary from of all groups’ discussion was provided to the larger group.</p>

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Table B1 (continued)

Legislative matter	Summary
185E(3)(c) (continued)	<p>Council states early feedback from the latest community engagement program suggested general community support for maintaining the current strategic direction in line with the reasons for the application.^g</p> <p>Specific feedback on what a suitable rate rise could be was mixed.^g</p> <p>However, the feedback suggested while residents and ratepayers understood why council was only able to provide a modest level of service across a range of areas, they did not support further reductions and most felt that services should be extended or increased to meet community needs.^h</p> <p>Council received 754 comments and suggestions from participants in relation to the questions. Which were later compiled in a document for public release. Council noted in the document where suggestions resulted in a strategy that was included in the draft 2017-21 council plan. It also noted where a suggestion was not included in the council plan and gave reasons why.ⁱ</p> <p>MosaicLab concludes:</p> <p style="text-align: center;"><i>Given the small community and the attempt to access and understand views across the shire, in our view this application meets the basic tenor of the engagement principles as outlined in the Commission’s community engagement guidance and reference materials.^j</i></p>
185E(3)(d) — how the higher cap is an efficient use of council resources and represents value for money	<p>Towong’s application demonstrates it performs well against its peers in terms of unit costs to deliver a range of services (latest data from Know Your Council website).^k</p> <p>Towong’s application notes that it has achieved major cost savings over the past six years including:</p> <ul style="list-style-type: none"> • bringing kerbside waste collection back in-house, estimated to save \$1 million over a 7 year period • motor vehicle policy changes and fleet reduction, estimated to save \$150 000 per year • organisational restructure, estimated to save \$250 000 per year • shared service arrangements between Towong and Indigo Shire Council for rates and property services, estimated to save \$25 000 per year • converting street lighting to LED technology, estimated to save \$25 000 per year • changes to water supply and usage arrangements, estimated to save \$20 000 per year • outsourcing provision of lifeguards for swimming pools, estimated to save \$14 000 per year.^l

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Table B1 (continued)

Legislative matter	Summary
185E(3)(d) (continued)	<p>In 2016-17, Towong adopted a budget with a rate increase of 3.5 per cent (instead of the increase of 6.34 per cent approved by the Commission). Towong’s budget included additional savings of \$330 000 to accommodate the lower rate increase and ensure the effects on its financial sustainability were negligible.^m</p> <p>Towong notes in its response to the RFI, it had continued to pursue expenditure savings wherever possible including:</p> <ul style="list-style-type: none"> • councillors agreeing to reduce councillor allowances by 1.5 per cent from June 2017, as they believed it was not responsible to accept the ministerial increase in a rate capped environment • considering a wage freeze for 2018 as part of enterprise agreement negotiations • the CEO declining a CPI wage increase for 2016 and 2017 to further assist reducing costs.ⁿ <p>Towong’s application notes it has also undertaken reviews of its maternal and child health service, transfer station operations and swimming pool services.^o</p>
185E(3)(e) — whether consideration has been given to reprioritising proposed expenditures and alternative funding options and why those options are not adequate	<p>Towong’s application shows that it has considered alternate funding options and service trade-offs:</p> <ul style="list-style-type: none"> • under the current circumstances borrowing, leasing, and special charges are not suitable ways to fund service delivery. Council advises that it only uses borrowings for projects with intergenerational benefits and not to fund day to day operational needs. There are no major plant or equipment purchases planned so consequently there is no need for lease arrangements. There are no projects planned that meet the criteria for a special charge under the Local Government Act • reducing expenditure on road renewal to levels that will fit under the cap will result in road conditions that are unacceptable to the community • without a permanent source of adequate funding, council’s cash reserves will be exhausted in seven years’ time and council may not be financially sustainable.^p <p>Council has also established a labour hire/technology shared service company with Alpine Shire Council. This company has provided staff to man Towong and Alpine Shire swimming pools. These services have extended to other local government areas providing council with an additional revenue stream to support its operations.^b</p> <p>Council also identifies where it may be forced to reduce service levels if its application for a higher cap was unsuccessful.^d</p>

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Table B1 (continued)

Legislative matter	Summary
<p>185E(3)(f) — that the assumptions and proposals in the application are consistent with the council's long-term strategy and financial management policies set out in the council's planning documents and annual budget</p>	<p>The application includes the following in support of the proposed higher caps:</p> <ul style="list-style-type: none"> • a range of masterplans for some communities • strategies to promote tourism and agriculture ^{q,r,s,t} • a road management plan that identifies the roads for which council is responsible and documents the management system in place to ensure that the road assets continue to be effectively maintained to provide a safe road network for the community. The plan also informs the long-term financial plan.^u • draft council plan for 2017-21^v • long-term financial plans modeled with 2 per cent annual rate increases and 5.55 per cent annual increases^{w,x} • community priorities for the next three to four years ⁱ <p>Council also has plans for other asset classes — drainage and building and structures.^y</p> <p>The masterplans, strategies, asset management plans and community priorities inform the 2017-2021 council plan and long-term financial plan which are consistently based on annual rate increases of 5.55 per cent.</p> <p>The application also demonstrates that Towong reviewed and updated the assumptions underpinning its latest long-term financial plan.</p>

^a Towong Shire Council, 2017, *Towong Budget Baseline Information Template Final*, May. ^b Towong Shire Council 2017, *Application for a Higher Rate Cap 2017-18, The Statement*, May, p.3. ^c Towong Shire Council 2017, *Application for a Higher Rate Cap 2017-18, The Statement*, May, p.11. ^d Towong Shire Council 2017, *Application for a Higher Rate Cap 2017-18, The Statement*, May, p.28. ^e KJA, *Assessment of Application for a Higher Rate Cap — Community Engagement Towong Shire Council*, July. ^f Towong Shire Council 2017, *Application for a Higher Rate Cap 2017-18, The Statement*, May, pp14-15. ^g Towong Shire Council 2017, *Application for a Higher Rate Cap 2017-18, The Statement*, May, p.16. ^h Towong Shire Council, *Response to request for information (amended)*, June p.3. ⁱ Towong Shire Council 2017, *Community Forums 2017*, June. ^j Mosaiclab 2017, *Fair Go Rates system Assessment of Application for Higher Rate Cap, Community engagement Towong Shire Council*, June, p.10. ^k Towong Shire Council 2017, *Application for a Higher Rate Cap 2017-18, The Statement*, May, p.20. ^l Towong Shire Council 2017, *Application for a Higher Rate Cap 2017-18, The Statement*, May, pp.21-22. ^m Towong Shire Council 2017, *Application for a Higher Rate Cap 2017-18, The Statement*, May, p.12. ⁿ Towong Shire Council, *Response to request for information (amended)*, June p.6. ^o Towong Shire Council 2017, *Application for a Higher Rate Cap 2017-18, The Statement*, May, p.12. ^p Towong Shire Council 2017, *Application for a Higher Rate Cap 2017-18, The Statement*, May, pp. 23-26. ^q Towong Shire Council 2017, *Application for a Higher Rate Cap 2017-18, Appendix 9*, May. ^r Towong Shire Council 2017, *Application for a Higher Rate Cap 2017-18, Appendix 10*, May. ^s Towong Shire Council 2017, *Application for a Higher Rate Cap 2017-18, Appendix 11*, May. ^t Towong Shire Council 2017, *Application for a Higher Rate Cap 2017-18, Appendix 12*, May. ^u Towong Shire Council 2017, *Application for a Higher Rate Cap 2017-18, Appendix 13, Road Management Plan*, May. ^v Towong Shire Council 2017, *Application for a Higher Rate Cap application response to RFI, Draft Council Plan 2017-2021*, June. ^w Towong Shire Council 2017, *Application for a Higher Rate Cap 2017-18, Long-term Financial Plan Budget 2017-18 v4(2.00% Final)*, May. ^x Towong Shire Council 2017, *Application for a Higher Rate Cap application response to RFI, Long-term Financial Plan Budget 2017-18v4 (Final 5.55%)*, June. ^y Towong Shire Council 2017, *Application for a Higher Rate Cap , Appendix 5*, May.

Appendix C: Local government performance reporting framework indicator definition

- a) **Adjusted underlying result** is adjusted underlying surplus (deficit) as a percentage of adjusted underlying revenue. A surplus or increasing surplus suggests an improvement in the operating position.

Adjusted underlying revenue is total income less non recurrent capital grants used to fund capital expenditure, non-monetary asset contributions and other contributions to fund capital expenditure.

Adjusted underlying surplus is adjusted underlying revenue less total expenditure.