

Response – Request for information 08/06/2017

185E(3) (a) Higher Cap

For each year, could Council please confirm the higher cap it wishes to apply for?

For 2017/18, 2018/19, 2019/20 and 2020/21 Council is requesting a higher rate cap of 3.55% above the respective annual Minister's announced cap, as detailed in the following table:

	2017/18	2018/19	2019/20	2020/21
Rate cap (2% assumed for 2018/19 onwards)	2.00%	2.00%	2.00%	2.00%
Rate increase above the cap	3.55%	3.55%	3.55%	3.55%
Higher rate cap	5.55%	5.55%	5.55%	5.55%

We note that there are some rounding factors that are impacting on the results being calculated from the Budget Baseline. Our Long Term Financial Plan is rounded to the nearest \$1,000 and an allowance has been provided for three additional properties per year to be charged the Municipal Charge. This has caused some variances in the % applied for as per the Budget Baseline Template. Variances are outlined in the table below.

	2017/18	2018/19	2019/20	2020/21	Total
Base - prior year general rates and municipal charge (per LTFP)	\$6,560,000	\$6,925,000	\$7,312,000	\$7,720,000	\$28,517,000
@ 5.55% per request	\$6,924,080	\$7,309,337	\$7,717,816	\$8,148,460	\$30,099,693
Per Budget Baseline template					
- 2017/18 @ 5.56%	\$6,924,736	-	-	-	\$6,924,736
- 2018/19 @ 5.59%	-	\$7,312,107	-	-	\$7,312,107
- 2019/20 @ 5.58%	-	-	\$7,720,010	-	\$7,720,010
- 2020/21 @ 5.53%	-	-	-	\$8,146,916	\$8,146,916
Total	\$6,924,736	\$7,312,107	\$7,720,010	\$8,146,916	\$30,103,769
Variance	\$656	\$2,770	\$2,194	(\$1,544)	\$4,076

185E(3)(b) – Reasons

Council proposes to increase its FTE count significantly from 62.78 in 2016/17 to 73.13 in 2017/18. Council to confirm this is the reason for applying for a higher cap. If so in what areas will the additional staff be employed and what will be the service impacts?

The increase in FTE is not the reason that Council is applying for a higher rate cap. Council is seeking a higher rate cap to generate additional income from ratepayers to maintain existing service delivery and recommended asset renewal.

By way of background the FTE count of 62.78 is Council's forecast for 2016/17. With updated information as at 13 June 2017 this is likely to be 65.0 FTE. Council had budgeted for a staffing level of 70.1 FTE in its 2016/17 budget; however some positions have remained vacant longer than anticipated or have been backfilled with contractors (and are therefore not included in the head count).

The additional 3 FTE in the 2017/18 budget when compared to the 2016/17 budget is due to a number of circumstances:

- 1 - Council is now providing the Secretariat function for Rural Councils Victoria (RCV), resulting in additional resourcing of 1 FTE (funded by RCV)
- 2 - Restructuring of our Corporate Services department to better manage/address workloads (1 FTE)
- 3 - Restructuring the management and delivery of the capital works program to better manage/address workloads (1 FTE).

Over the past two years it has become apparent that we are too lean which is putting an unreasonable amount of work and stress on our CEO and our two Directors. Whilst the two director model will remain, Council has agreed to the appointment of a Manager Corporate Services to manage HR, OHS, IT, Customer Service and Records. These five positions currently report directly to the Director Community and Corporate Services.

A new Capital Works Engineer will also be appointed to coordinate the capital works program. These duties have historically been shared between the Director Technical Services, Civil Asset Engineer and contractors.

It has become very obvious to Council over the past 18 months that the steps we have taken to keep rate increases to a minimum (eg. by being as lean as we are) are having a detrimental impact in so far as services we are able to provide to the community and the health and wellbeing of the staff (particularly the senior staff) who have taken on more and more to ensure that we are the best we can be and that our ratepayers are getting value for money.

Where we are at presently in terms of staffing levels is not sustainable and we run the risk of not meeting the needs of our communities as well as the responsibilities we have to the State Government. Despite the undeniable loyalty and dedication of our key people, there is a real risk we will lose very good people from the sector.

Council states on page 28 of the application that if they are unsuccessful in getting the higher cap or rate payers and residents find the higher cap unacceptable, then Council will make further expenditure cuts. These are listed in the table on page 28. Can Council confirm whether under this situation there will be any associated expenditure increases and if so, what the net reduction in expenses would be?

Council very much respects and supports the State Government's Local Government Reform Agenda. Equally, Council strongly agrees with the State's position in relation to keeping rate increases to a minimum and providing value for money for ratepayers.

Over past years we have done everything in our power (and probably far more than most other Councils) to ensure our own backyard is in order.

Whilst we have stated that Council may consider service reductions the stark reality is that if we keep reducing and cutting our communities will have very little if anything in some areas.

With a new Council in place questions are being asked around the Council table about the lengths we have gone to to be financially sustainable while keeping rates as low as possible. There is certainly a view that we have gone too far and this has been to the detriment of our residents and the sustainability of our small communities.

The 'new' Council also has different views to the previous Council. There are a number of items that were reduced or cut during the 2016/17 budget process that the new Council believes should be reinstated resulting in costs being added back into our budget.

The areas we have highlighted in our application for consideration for service level reductions (Maternal and Child Health, School Crossing Supervisors, Kindergartens, Immunisation and Asset Renewal) are the services our community expects us to provide and Council is very concerned at the prospect of having to reduce or cut these services. Even at current levels the services we do provide across these areas are modest.

In order to be sustainable we need to 'find' relatively significant savings. A couple of thousand dollars here or there, while it all helps, is just playing around the edges and given the work we have done in past years, it is harder and harder to find these small wins. Significant savings at this point can only be achieved by making radical changes to service levels or infrastructure maintenance.

It was clear from the feedback at the Community Consultation workshops earlier in 2017 that whilst 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/increased to meet community needs.

During the 2016/17 budget process Council was very conscious of the need to keep the rate increase as close to the Ministerial cap as possible. To that end, decisions were made to reduce or cut services in order to keep the rate increase low. These decisions were certainly not appreciated by our communities and in hindsight it is questionable whether these decisions were in the interests of the organisation or communities we serve.

For example, Council's decision to not provide funding to the SES created significant ill-will in the community with a robust campaign led by local SES volunteers for Council to re-instate the funding. The ill-will has created a divide between Council, Council staff and community members which will take some time to overcome.

We were extremely fortunate that the State Government was able to assist and meet the funding shortfall. The funding assisted Council in being able to reduce the rate increase.

Without doubt if Council was able to secure additional external funding (State or Federal) this would enable Council to reduce the rate increase (depending on the level of funding). However, in the absence of any additional funding commitments, and taking community feedback into account and Council's view that services should not be further reduced, there appears to be no other option available to reduce the rate increase.

In light of the feedback from our communities around service provision Council does not wish to further reduce services or infrastructure delivery and maintenance. Quite the reverse is true, Council, having heard the strong views of the community, sees the need to reinstate and/or increase the level of service provided to our communities.

The management team is working very hard to guide Council in getting the balance right in terms of the rate increase and delivery of services and infrastructure, so that service levels are not affected. To this end (and in the absence of additional external funding) we believe the rate increase figure of 5.55% is our best position.

Certainly, if additional funding was forthcoming from Government to support provision of services and infrastructure Council would be in the position where lower rate increases would be possible.

It would give Council no end of pleasure if it was able to provide its communities with an appropriate level of service and keep rate increases at or below the Ministerial cap. The reality is, in the current environment, for Towong this is just not possible.

As stated above, there is a strong view around the Council table and from the senior staff that we have gone too far with cuts and service level reductions and the community is being impacted in an undesirable way.

The areas for service level reduction on page 28 of our application. whilst conceivable, could only be described as desperate, undesirable measures to deliver a lower rate increase.

We have updated the table from page 28 of the application to reflect the savings in each of the next four years (please refer overleaf). The only qualification is in relation to asset renewal. As stated in the application, reducing asset renewal of roads and bridges would result in an increase in roads that are outside of an acceptable intervention level, and over time this will become more noticeable to road users and require a greater financial contribution for renewal into the future. At this point in time we are unable to quantify what the additional maintenance will cost into the future. We are reviewing our asset renewal modelling to better understand this future cost.

Service area	Possible savings	Savings 2017/18 \$	Savings 2018/19 \$	Savings 2019/20 \$	Savings 2020/21 \$	Savings over four years \$
Maternal and Child Health	Cease Council contribution thereby reducing service from 3,280 hrs pa to 2,193 hrs pa or outsource the service. If Council was to reduce the service to this level it would be necessary to pay redundancies totalling approx. \$120,000.	(67,000)	53,000	53,000	53,000	92,000
School Crossing Supervisors	Cease Council contribution. This would result in a reduction in supervision hours from 1,186 hrs pa to 278 hrs pa (approx 1.4 hrs per school day over two sites/ 0.7 hr per crossing per day)	27,000	27,000	27,000	27,000	108,000
Kindergartens	Cease kindergarten services or outsource to private provider. These savings are based on the service being outsourced and transmission of business arrangements being in place. No redundancies would therefore be payable. If the services were to cease and redundancies be payable, redundancy payments would exceed \$150,000.	154,390	154,390	154,390	154,390	617,560
Immunisations	Cease providing immunisation clinics for young children. Contracted service so no redundancies payable.	4,000	4,000	4,000	4,000	16,000
Asset renewal	Reduce asset renewal of roads and bridges. This would result in an increase in the roads that are outside acceptable intervention levels, and over time this will become more noticeable to road users and require a greater financial contribution for renewal in the future.	200,000	200,000	200,000	200,000	800,000

In addition Council is continuing to pursue expenditure savings wherever possible. Some recent examples include:

- Councillor Allowances, with Councillors agreeing to reduce Councillor Allowances by 1.5% from June 2017 (noting that Councillors did not believe it responsible in a rate capped environment to accept the 2.5% Ministerial increases granted at the end of 2016)
- Enterprise Agreement negotiations are currently underway with the annual increase to the wages in August 2016 at only 1%. It is unlikely that Council will be in a position to offer an increase above 1% for 2017. A wage freeze for 2018 is under consideration in these negotiations.

Our Chief Executive Officer also declined the CPI increase to her remuneration package (which is provided for in her contract) for 2016 and 2017 to further assist in reducing costs.

Whilst the good will of staff and Councillors in getting to this point is a clear reflection of the commitment across the organisation to being sustainable and delivering value for money, it is not reasonable to expect Councillors and staff to make future concessions in this regard.

Council's current longer term plans are based on rate increases of approximately 6.0 per cent can Council please confirm the reasons why this application is based on rate increases of 5.55 per cent?

Historically Council's LTFP has had ongoing rate increases each year at approximately 6.0%. This was also confirmed in the independent review undertaken by Deloitte as part of the higher rate cap application process for 2016/17. The reason for the approximate 0.5% drop is that assumptions were reviewed in light of the current financial climate, particularly:

- The downgrading of forecast CPI
- The Commonwealth Government's announcement regarding the reinstatement of indexation on Financial Assistance Grants from 2017/18
- The Victorian Grants Commission advice that the cap would be removed on Financial Assistance Grants increases and notification of 2017/18 allocations. The additional funding announced for 2017/18 was approximately \$517,000.

185E(3)(c) – Engagement

Could Council confirm that it has assessed the level of community satisfaction with Council's consultation process? And if so what was the result?

Council conducted a comprehensive community consultation exercise earlier in 2017 with Community Forums being conducted in six locations throughout the Shire. In total 196 people attended. Council has incorporated the views of the community into the draft Council Plan 2017-2021. In releasing the draft Council Plan for community input, we have released a document that details all the feedback that was received and provided information on how it has been incorporated into the draft Council Plan or how it results in an operational response or identified where it is not a Council priority for this Council Plan.

Along with the feedback we have sought the views of Community Forums participants on their satisfaction with the venue, content, level of input and requested overall ratings on the Community Forums and Council's engagement process. Please refer to Survey Monkey survey in Dropbox link.

This survey is currently being populated.

In addition a small amount of feedback was provided at the Community Forums. This has been included in the Community Forum feedback document that has been released with the draft Council Plan and is also summarised below.

This is what you told us we are doing well

Community engagement

Transparency with finances

We are listened to and would like more regular community consultation

This is what you told us we could do better

Presenters talk too fast

Not the best venue for public meeting of this size. Difficult to move around and too noisy.

See outcomes from these sessions

More forums like this

Enormous amount of numbers in reports and graphs – feel maybe data needs to be relooked at how much runs to Shire office, what %. Data is great but needs to be clearer.

This is what you told us in relation to whether you are getting 'Value for money' from Council and if not, why not? How do you measure 'value for money'?

Yes – "coming here tonight has done me the world of good" Jean

Yes with money available after such a good presentation

Council state on page 16 of the application that it currently consolidating feedback from the recent engagement process and will release feedback to the community in June 2017. Could Council also please forward a copy of the feedback to the Commission?

This has now been completed and included in the Dropbox link.

185E(3)(d) – Value and efficiency

No further questions in relation to this matter.

185E(3)(e) – Trade offs and alternative funding

Council state for 2016-17, additional funding sources would not be via finance leases or special charges, what is Council's outlook from these funding sources over the next four years?

Council has considered these alternative funding sources. There are no significant infrastructure projects that it would be appropriate to raise a special charge for. At the time of procurement for major items of plant full consideration will be given to financing options.

In the next four years does Council anticipate that it may receive grant funding in excess of its normal allocation? If so please provide details.

Unfortunately, Council does not anticipate receiving grant funding in excess of its normal allocation. As stated above if Council was able to secure additional external funding (State or Federal) this would enable Council to reduce the rate increase (depending on the level of funding).

Has Council applied for any granting funding that is not accounted for in the SRP or LTFP?

Council has a policy of only budgeting for grants that have been successful with a signed funding agreement in place. This is to assist with managing community expectations (with respect to a project progressing) and Council officer expectations (with respect to commencing work on projects). Generally where Council has applied for funding to deliver a project, the project will not proceed unless funding is secured. There are a number of applications for grant funding that have been submitted and which Council is waiting for the outcomes to be advised. Projects for which funding applications have been submitted include:

Connecting Corryong	\$2,600,000
Upper Murray Sports and Events Centre	650,000
Great River Road	330,000
Community building workshops	100,000
Eskdale cricket upgrade	65,000
Tallangatta Skate Park upgrade	30,000

185E(3)(f) – Long term planning

Could Council please submit the following documents:

- *A version of the Long term financial plan (LTFP) with based on rates and charges increasing by 5.55 per cent*

This was originally provided and is still available in the Dropbox link provided.

- *Draft budget 2017-18*

A draft Budget for 2017/18 is still being considered by Council. The Budget will be forwarded once it has been adopted in-principle. This is anticipated to occur at the Council meeting on 4 July 2017.

- *Draft Council Plan 2017-21*

Please refer to Dropbox link for this document. The draft Council Plan is currently out for public exhibition.

In addition the Commission seeks clarity on a number of assumptions underpinning the submitted LTFP (rates increase at 2.00 per cent). Could Council please:

- *confirm the grant amounts “VGC General Purpose Funds Government” and “VGC Roads Funding Government Grants” for the year 2017 as they are significantly higher than future years*

The expected VGC grants for 2016/17 are significantly higher due to the Commonwealth Government announcing that 50% of the 2017/18 Financial Assistance Grants allocation will be paid in advance in June 2017. The amount paid in advance is \$1,905,749. Please refer to VGC notification in Dropbox link.

- *confirm the grant “Roads to Recovery Government Grants” for the year 2016-17 as it appears significantly higher than future years*

Please refer to ‘R2R additional funding 2016-16 second announcement’ in Dropbox link.

The amount of R2R funding received for 2016/17 was \$2,214,494, with \$671,139 expected to be received in 2017/18 and 2018/19.

- *explain why indexation of VGC general purpose grants are forecast to increase at 0.00 percent and VGC roads funding grants are forecast to increase at -1.25 per cent.*

Whilst indexation has been re-introduced to the VGC general purpose and VGC roads funding, these grants are not expected to grow over time. This assumption is derived from two factors:

- Towong Shire’s declining population
- Towong Shire’s stagnant local road network.

These two factors have a significant direct impact on the final allocation of VGC general purpose and VGC roads funding grants.

Based on the current allocation model, when Towong’s declining population is compared to the increasing Victorian and Australian populations, Council’s expected share of the Financial Assistance Grants decreases. The following table and chart demonstrate this factor based on Census data from 2001, 2006 and 2011. We are currently awaiting the release of data from the 2016 Census.

Population			
(ABS Census data)			
	2001	2006	2011
Towong LGA	5,942	6,019	5,891
Victoria	4,644,950	4,932,423	5,354,042
Australia	18,769,249	19,855,288	21,507,717

Year	Proportion (%)
2001	0.128%
2006	0.123%
2011	0.110%

In the same way, with Towong’s stagnant road network being compared to the expanding Victorian local road network, Council’s expected share of the Financial Assistance Grants decreases.

The table below provides a summary of VGC funding that has been received or allocated since 2009/10. The percentage change was decreasing prior to the introduction of indexation freezing (2014/15) and this is primarily as a result of our declining population and stagnant road network. We expect this to continue into the foreseeable future and have therefore factored this into our Long Term Financial Plan.

VGC Funding Summary									
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Announced Funding	\$	\$	\$	\$	\$	\$	\$	\$	\$
General	1,996,808	2,153,955	2,231,727	2,212,846	2,218,817	2,243,999	2,209,135	2,275,409	2,502,950
Roads	1,221,218	1,296,562	1,350,171	1,376,348	1,380,801	1,366,993	1,339,653	1,406,636	1,696,687
Total allocation	3,218,026	3,450,517	3,581,898	3,589,194	3,599,618	3,610,992	3,548,788	3,682,045	4,199,637
Change from prior year		7.22%	3.81%	0.20%	0.29%	0.32%	-1.72%	3.76%	14.06%
\$ change									
General		157,147	77,772	-18,881	5,971	25,182	-34,864	66,274	227,541
Roads		75,344	53,609	26,177	4,453	-13,808	-27,340	66,983	290,051
Total		232,491	131,381	7,296	10,424	11,374	-62,204	133,257	517,592
% change									
General		7.87%	3.61%	(0.85%)	0.27%	1.13%	(1.55%)	3.00%	10.00%
Roads		6.17%	4.13%	1.94%	0.32%	(1.00%)	(2.00%)	5.00%	20.62%
Total		7.22%	3.81%	0.20%	0.29%	0.32%	(1.72%)	3.76%	14.06%
						Indexation frozen	Indexation frozen	Indexation frozen	Indexation restored and capping lifted

Could Council please confirm whether it expects any revenue from supplementary rates and charges over the period 2017-18 to 2020-21.

Council does not anticipate any revenue from supplementary rates. In the previous two financial years rates and charges income has actually reduced as a consequence of supplementary rates (per the figures provided in the baseline template). There is no evidence to suggest that additional income should be budgeted.

Other information

Last year (2016-17) Council increased its rates by 3.5 per cent instead of the approved 6.34 per cent. Our analysis of Council's 2016-17 and 2017-18 budget baseline templates shows Council received about \$3.6 million more grant funding than Council forecast at the time of last year's application.

The items that make up majority of the \$3.6million variance are outlined in the table below.

	Amount
VGC Grants (50% of 2017/18 Financial Assistance Grants allocation expected to be paid in June 2017)	\$2,318,000
National Stronger Regions Funding – Destination Tallangatta	\$798,000
Kindergarten funding (including occasional care and cluster)	\$168,000
Corryong Airport upgrade	\$150,000
Maternal Child Health enhanced project	\$100,000
Total	\$3,534,000

Staff's analysis of the baseline information also shows that Council reduced rates and charges revenue by \$125k (from the amount forecast in the 2016-17 budget baseline template with higher cap scenario) which was partly offset by reducing corresponding net expenditure by \$48k.

Can Council confirm that higher than forecast grants funding contributed to the ability that Council increased rates by only 3.5 per cent (rather than 6.34 per cent) in 2016-17?

The higher than forecast grants funding did not contribute to Council increasing rates by only 3.5 per cent (rather than 6.34 per cent) in 2016-17. Higher than forecast grant income was only as a result of grants being provided for new projects during the financial year (which are offset by increased expenditure) or where expected grant income from future years was received earlier than expected.

Council's rates and charges income in 2016/17 did vary by \$125k from the 2016-17 budget baseline template with higher cap scenario because Council did not pass on the full approved 6.34% rate increase in 2016/17.

When Council balanced the approved higher rate cap with the capacity of the community to pay high rate increases, it declared a rate increase of 3.5%. To ensure that this had a negligible impact on the financial sustainability of Council, a number of expenditure reductions were also agreed in order to accommodate the 3.5% increase, as detailed in the following table:

Item	Saving
Cease the Council contribution to the local State Emergency Service units from October 2016	\$24,255
Reduce the number of youth events (2016/17 budget now \$6,000)	\$9,000
Reduce the scope of the annual seniors event (2016/17 budget now \$2,000)	\$9,000

Item	Saving
Reduce funding to the Eskdale community-run pool (Pool contribution now \$11,500)	\$1,000
Reduce the budget available to operate the Tallangatta and Corryong pool (effectively reducing operating hours)	\$10,000
Cease membership of the Murray Darling Association	\$1,506
Cease the community satisfaction survey	\$9,000
Discontinue the local government scholarship for a tertiary student	\$16,000
Reduce the contribution to Murray Arts (Contribution now \$3,000)	\$2,000
Cap the budget available for salary and wage increases to 1% or CPI whichever is the lesser	\$242,000
Reduce the staff training budget	\$9,000
Cease membership of Timber Towns	\$2,500

Can Council confirm that no supplementary rates and charges revenue is forecast over the period 2017-18 to 2020-21.

We confirm that no supplementary rates and charges revenue is forecast over the period 2017/18 to 2020/21.

Essential Services Commission LGPRF indicators

We confirm that the information provided in the tables aligns with our calculations.