



**ESSENTIAL SERVICES COMMISSION**  
Local Government

## Higher cap – Application cover sheet (2017-18)

Council name

Towong Shire Council

Contact person and phone number

Juliana Phelps

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Base Average Rate (\$): (e.g. \$1,800)

\$1,483.49

Proposed increase for 2017-18: (e.g. 5%, \$4,000,000)

Proposed increase in Average Rate (%)	5.55%
Proposed increase in prescribed rate revenue (\$)	\$365,000

Proposed increase for following year(s): (e.g. 5%, 2%, \$4,000,000)

2018-19	Proposed increase in Average Rate (%)	5.55%
	Proposed increase in prescribed rate revenue (\$)	\$387,000
	<i>Note: Assumed rate of forecast CPI (%)</i>	2%
2019-20	Proposed increase in Average Rate (%)	5.55%
	Proposed increase in prescribed rate revenue (\$)	\$408,000
	<i>Note: Assumed rate of forecast CPI (%)</i>	2%
2020-21	Proposed increase in Average Rate (%)	5.55%
	Proposed increase in prescribed rate revenue (\$)	\$427,000
	<i>Note: Assumed rate of forecast CPI (%)</i>	2%

Please attach:

- evidence of council sign-off/approval of application
- 2015–16 Annual Report + 2016–17 Budget + Draft 2017–18 Budget
- Council Plan / Strategic Resource Plan
- any other information supporting the application

Summary of the key reason(s) for the application: (Please limit response to two pages)

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. Council believes that increased ongoing government funding is essential for small rural Councils such as Towong to be able to continue to deliver services to rural communities.

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. Council has maintained a consistent strategy over six to seven years of reducing its underlying deficit, implementing innovative approaches to reduce costs or increase revenues and where possible, reducing the impact of any service reductions on the community.

# **Application for a Higher Rate Cap**

2017/18

Adopted by Council – 2 May 2017

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## Towong Shire Council

### Application for a higher cap - The Statement

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#### Criterion One – Proposed higher cap

Towong Shire Council is proposing a higher cap at 3.55% above the Minister's set cap for each of the next four financial years 2017/18 to 2020/21.

To put this in context, a 1% increase to Council's general rates income and municipal charge yields additional income of approximately \$65,000. Accordingly an additional 3.55% above the 2017/18 cap of 2.0% will yield approximately \$230,000.

#### 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. Council believes that increased ongoing government funding is essential for small rural Councils such as Towong to be able to continue to deliver services to rural communities. 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.

Council has maintained a consistent strategy over six to seven years of reducing its underlying deficit, implementing innovative approaches to reduce costs or increase revenues and where possible, reducing the impact of any service reductions on the community.

Accordingly the proposed higher cap also aligns with Council's 2016 higher rate cap application to the Essential Services Commission (ESC) relating to the 2016/17 year. In March 2016, Council applied to the ESC for a higher rate cap of 6.34% relative to the 2.5% average rate cap declared by the Minister for Local Government. On 31 May 2016 the ESC released its report approving the higher rate cap at 6.34% (Appendix 1).

In the first year of the *Fair Go Rates System*, the Essential Services Commission commissioned Deloitte Access Economics to provide assistance with the review of the higher rate cap applications. Their report is attached at Appendix 2. In their concluding remarks, Deloitte stated "Towong has already made cost savings in a range of areas that are in excess of what is yet common elsewhere. Even if the sought after rate increase for 2016-17 was approved Towong would still need to seek further revenue increases in future if service level expenditure cutbacks were to be avoided. A future application for further rate increases beyond 2016-17 is therefore possible in due course"<sup>1</sup>.

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<sup>1</sup> Assistance with review of 2016-17 rate cap variation applications, Shire of Towong, Deloitte Access Economics May 2016

## Background

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 rate cap or through additional financial support from the Victorian and / or Federal Governments), Council will not be able to continue to provide services and infrastructure at current levels and be financially sustainable.

This will lead to one or a combination of the following outcomes:

- cuts to already limited services delivered to the community
- cuts to infrastructure maintenance and renewal, which reduces the service levels to our community, to business operators and to visitors to our Shire
- operate with ongoing underlying deficits, which will ultimately mean Council is not sustainable and is inconsistent with Council's long term financial planning strategy.

We are very serious about spending ratepayer funds wisely. 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 its 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 relates to the 2015/16 financial year and is taken from the *Know Your Council Website* (<https://knowyourcouncil.vic.gov.au>):

### Infrastructure per head of municipal population

Value of property, plant and equipment excluding land at the end of the year divided by the population of the municipality



### Population density per length of road

Population of the municipality divided by the total kilometres of roads under the control of council



## Relative Socio-Economic Disadvantage of the municipality

Score out of ten measuring the relative socio-economic disadvantage of the area in which the municipality is located as reported by the Australian Bureau of Statistics



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 3) 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 4). As a result of a recommendation from this report, Towong's sustainability challenges are clearly set out in our 2015/16 Annual Report (Appendix 5).

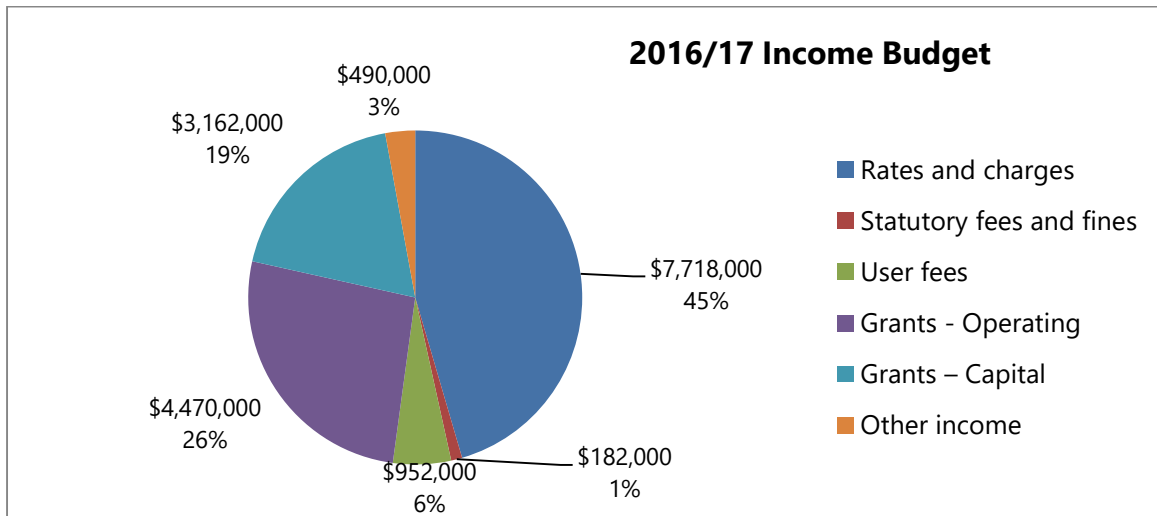
More recently, the Victorian Auditor-General has raised concerns regarding the financial sustainability risks with the smallest nineteen (19) shire councils in its most recent report on the local government sector<sup>2</sup>.

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 (90.4% of Towong's income comes from rates and charges and grant income).

<sup>2</sup> Victorian Auditor-General's Report 2016–17:11, Local Government: 2015–16 Audit Snapshot, November 2016

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



*Long Term Financial Plan and Cost Reduction Strategy*

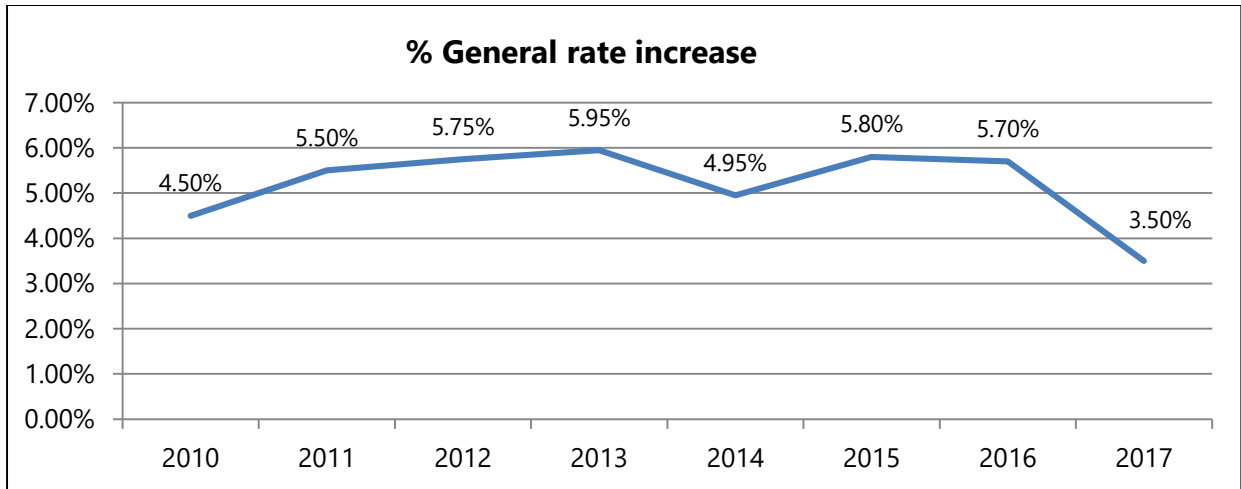
Around seven years ago we developed our Long Term Financial Plan (LTFP) using a robust and detailed model capable of considering innumerable financial scenarios for Council. The LTFP is reviewed annually as part of the budget process to ensure it accurately reflects the current economic environment Council is operating in. The LTFP plan gives a clear picture of Council’s financial future.

What our modelling highlights clearly 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 has been clear; to adequately fund the maintenance and renewal of community assets (such as roads, bridges and recreation facilities) and ensure services were delivered (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 historically has 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.

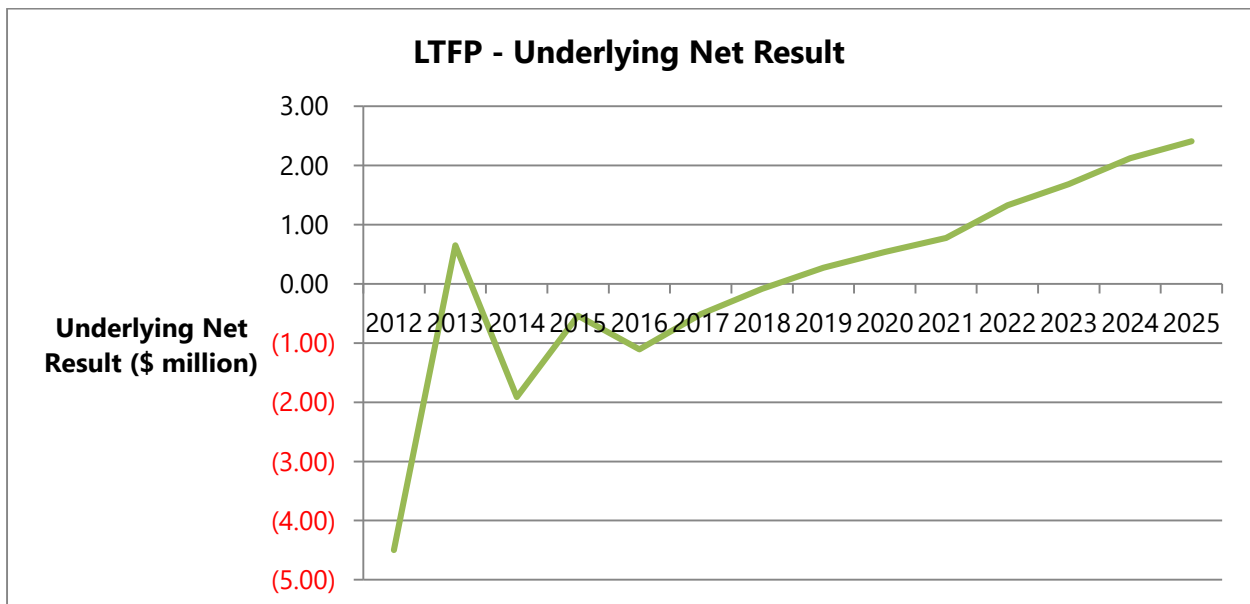
The following graph shows the actual rate increases adopted by Council since 2009/2010.



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 6 is a case study in relation to this shared service together with the most recent service review (Appendix 7). 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 (e.g. 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.

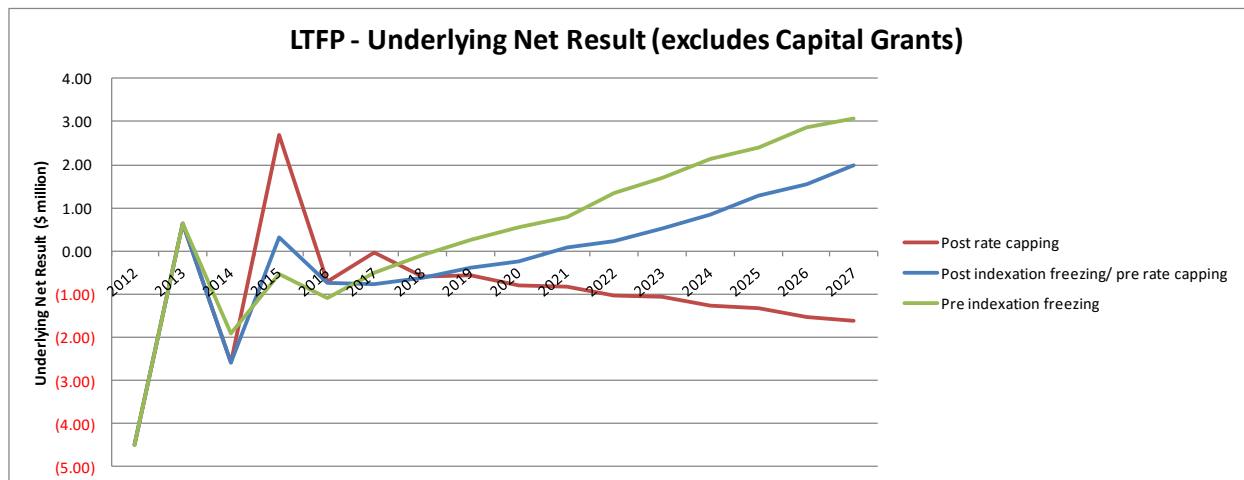
These include:

- 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 \$65,000 in additional revenue).

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

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



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 now 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). This was recognised in the Deloitte's report that was commissioned by the Essential Services Commission in 2016 with the report stating "given that Towong has already actively pursued and realised noteworthy savings initiatives it is reasonable to assume that further material operating cost reductions would be hard to realise without reductions in service levels"<sup>3</sup>

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 were only able to 'find' \$145,800 during 2015/16.

Measure	Savings realised 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

<sup>3</sup> Assistance with review of 2016-17 rate cap variation applications, Shire of Towong, Deloitte Access Economics May 2016

<b>Measure</b>	<b>Savings realised for 2015/16</b>
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
<b>Total for 2015/16</b>	<b>\$145,800</b>

In addition Council conducted a roads analysis and audit in 2015/16 to improve the accuracy and currency of roads-related data reported to the Victoria Grants Commission, This resulted in Towong having a greater claim on the Financial Assistance Grants pool, with the full impact being realised over coming years due to the capping that is applied to grant increases and decreases.

Our cost reduction program has continued to be implemented through 2016/17 with additional savings now also being achieved through the following measures:

<b>Item</b>	<b>Saving</b>
Switching phone services to a VOIP system	\$6,000 pa
Converting street lighting to LED technology	\$25,000 pa
Reducing the scope of the Fleetcom radio service	\$4,500 pa
Moving electricity to the Procurement Australia contract	\$14,000 pa
Transferring general valuation responsibility to the Valuer General	\$3,000 pa
Engaging labour hire / technology shared service company to provide lifeguards for Council operated swimming pools	\$14,000

In addition Council has established a new labour hire / technology shared service company with Alpine Shire Council. This company commenced providing swimming pool staff to Towong and Alpine Shire swimming pools. These services have now extended to a number of other local government areas providing Council with an additional revenue stream to support its operations.

### VAGO Sustainability indicators

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 8. In the following tables; red represents high risk, amber represents medium risk and green represents low risk.

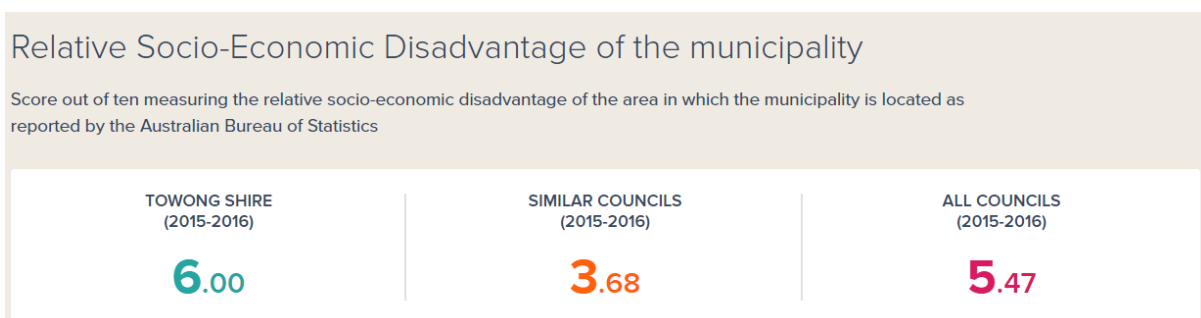
Based on Council's Long Term Financial Plan, if general rates and the municipal charge were to be set at the rate cap of 2.0% ongoing, Council would return a 'high risk' rating in the liquidity indicator as per the VAGO financial sustainability indicators, that is from 2023/24 Council would have insufficient current assets to cover its liabilities (this can be seen in the following information from Council's LTFP):

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Underlying result (1yr)	-6%	12%	-20%	-5%	-7%	-7%	-8%	-8%	-9%	-10%	-11%	-12%
Underlying result (4yr)	0%	2%	3%	-3%	-4%	-9%	-6%	-7%	-8%	-9%	-10%	-11%
Liquidity	5.61	6.44	5.06	4.42	3.99	3.21	2.39	1.40	0.35	(0.89)	(2.19)	(4.18)
Self financing	44%	56%	33%	36%	28%	25%	22%	22%	20%	20%	17%	18%
Indebtedness	7%	11%	30%	33%	38%	42%	38%	35%	31%	28%	23%	23%
Capital replacement (1yr)	1.86	2.58	1.71	1.46	1.19	1.28	1.07	1.21	1.16	1.30	1.25	1.39
Capital replacement (4yr)	1.68	1.89	1.89	1.89	1.71	1.41	1.25	1.19	1.18	1.19	1.23	1.27
Accounting Renewal gap (1yr)	0.61	1.82	0.88	0.94	0.99	1.03	1.07	1.11	1.15	1.19	1.24	1.29
Accounting Renewal gap (4yr)	1.08	1.17	1.03	1.06	1.14	0.96	1.01	1.05	1.09	1.13	1.17	1.22

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 5.55% per annum commencing from 2016/2017.

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Underlying result (1yr)	-6%	12%	-18%	-1%	-2%	0%	1%	2%	3%	5%	6%	8%
Underlying result (4yr)	0%	2%	3%	-2%	-1%	-4%	-1%	0%	2%	3%	4%	6%
Liquidity	5.61	6.44	5.15	4.72	4.58	4.23	3.95	3.62	3.38	3.09	2.90	3.03
Self financing	44%	56%	34%	38%	31%	29%	28%	30%	29%	30%	30%	32%
Indebtedness	7%	11%	29%	31%	35%	37%	33%	30%	25%	22%	18%	17%
Capital replacement (1yr)	1.86	2.58	1.71	1.46	1.19	1.28	1.07	1.21	1.16	1.30	1.25	1.39
Capital replacement (4yr)	1.68	1.89	1.89	1.89	1.71	1.41	1.25	1.19	1.18	1.19	1.23	1.27
Accounting Renewal gap (1yr)	0.61	1.82	0.88	0.94	0.99	1.03	1.07	1.11	1.15	1.19	1.24	1.29
Accounting Renewal gap (4yr)	1.08	1.17	1.03	1.06	1.14	0.96	1.01	1.05	1.09	1.13	1.17	1.22

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*:



Whilst Council was successful in obtaining a higher rate cap of 6.34% for the 2016/17 year, when Council balanced this 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
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

In addition, Council undertook to review the maternal and child health service, transfer station operations and swimming pool services.

Council's limited and low level of income, coupled with the limited financial capacity 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.

### Financial Assistance Grants

Council welcomes the Federal Government announcement regarding the reinstatement of indexation on Financial Assistance Grants and the recent advice from the Victorian Grants Commission on Towong's allocation for 2017/18. The three year Financial Assistance Grants indexation freeze has had a significant impact on Council's ongoing financial sustainability. A total of \$658,000 of expected grant revenue was foregone over the three years and Council has been committed to reducing recurrent expenditure to counteract the resultant impact on Council's underlying deficit. Council has been operating in an environment where to date, there is still a shortfall of \$145,000 to be found to fully absorb the impact of the reduced funding. Council was pleased to receive advice that the capping applied to Financial Assistance Grant increases and decreases has been lifted for 2017/18. As a result Council will be receiving a 14% increase in its allocation for 2017/18, when compared to 2016/17.

Whilst the restoration of indexation is welcomed it is not expected to significantly resolve Council's need for additional funding support. With the Victorian Financial Assistance Grants pool increasing by CPI (or an equivalent) and then being allocated to individual Victorian councils according to the distribution model, Towong expects an increase well less than CPI, if an increase at all. This is primarily due to Towong Shire's slightly declining population and a large road network that is static relative to many other local government areas (i.e. as the State network of roads increases, Towong's share of the pie in relation to roads decreases as our road network is not increasing).

The additional funding allocated in 2017/18 will permit Council to improve its communication and community engagement with residents and ratepayers. With the financial constrained environment Council is operating within, we have been operating with a communications officer eight (8) hours per week. This has effectively enabled statutory communications to be delivered in accordance with the legislation and extremely limited general communications on Council activities and operations. During the recent Community Forums, community members requested improved communications as a priority for the next Council Plan. It is also proposed to introduce a community development role to improve community engagement relating to the delivery of key strategies in the Council Plan 2017-2021. Improved communication and community engagement will ensure that the community is front and centre of service and project delivery in Towong Shire.

## Criterion Three – Engagement

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

Council has considerable experience in obtaining the view of community members. There are a range of legislative processes that require Council to seek feedback and provide input into key Council decisions, such as Council Plans, budgets, setting of Councillor allowances, Planning Scheme amendments, etc.. There are also many other decisions that Council makes where it seeks community input; where it can add value to the outcome. Council has also consider the guidance material contained in the *Fair Go Rates System: Community Engagement – reference material* to determine how we consulted this year.

Our experience has demonstrated to us that more traditional engagement approaches are most effective in obtaining the views of our community in relation to complex matters. We have a small dispersed population with an aged demographic (median aged 47 years old compared to the state median of 37 years old) and limited digital connectivity available in many areas of our Shire (mobile and internet). Community forums enable us to better explain the complexities within which Council operates, the constraints and the opportunities and have a broader discussion about options available. This also enables forums to be conducted in localities most affected by the decision, thus supporting increased participation.

### Community forums on sustainability, service delivery priorities and forward planning

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.

Council has been particularly focused on increasing the knowledge within the community regarding Council's financial sustainability and capacity challenges. The community engagement program was developed to align with the four Key Engagement Principles that are contained in the FGRS guidance material, with a particular focus on clearly informing community members about data and factors available to and considered by Council in its decision making, and at the same time providing opportunity to get feedback from the community on their priorities and the impact of Council decisions. The feedback we have received indicates that the forums met these outcomes.

Building on forums conducted in early 2015, a series of workshops were conducted in February and March 2017 to hear community members' views on the priorities for the next four years. *Let's Talk About The Future* workshops were conducted in Bellbridge, Bethanga, Corryong, Mitta Mitta, Tallangatta and Walwa. A number of distribution networks were used to ensure that knowledge of the scheduled workshops was widespread. An unaddressed mailout to all residences, fliers in local general stores, post offices and business, advertisements in local media, emailed invitations, and social messaging through Facebook, all assisted with us achieving an unprecedented turnout of participants, with a total of 196 attendees at the workshops (3.3% of the population).

The workshops commenced with a presentation by the Chief Executive Officer detailing:

- Projects and services delivered in your locality
- Projects 'in the works' for your locality
- Our finances (and rate capping)
- Cost saving and efficiencies we have achieved
- Your feedback and guidance
- Future opportunities
- General discussion

The finances and rate capping segment of the forum is focused on increasing broad awareness of Council's financial sustainability challenges, particularly in an environment where the indexation of Financial Assistance Grants have been frozen for three years and a rate capping framework has been introduced.



Analysis of Council's Long Term Financial Plan is presented, detailing the need for additional revenue to provide services. Based on there being no expected changes in government funding to Council this equates to a long term need for rate increases above the cap. The Victorian Auditor-General's financial sustainability indicators are included to give a visual representation of the current risk environment, through the lens of this independent authority.

At the conclusion of the formal presentation community members were invited to provide feedback on five specific questions:

1. What does Council do well (what is working)?
2. What would you like us to do better (or more of)?
3. What are the two or three projects or programs you would like to see Council deliver over the next 3-4 years?
4. Are you getting 'Value for money' from Councils and if not, why not? How do you measure 'value for money'?
5. 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?

Participants formed small groups around tables to discuss, debate and share responses to the above questions. Councillors and the CEO facilitated these smaller group discussions, listening to discussions and provided a summary back to the larger group at the end of the forum.

The feedback from these forums is driving the development of the 2017-2021 Council Plan and the detailed Annual Budget for 2017/18.



Based on feedback and early analysis, there is general support to maintain the current strategic direction being pursued by Council. The detail will be used to fine tune the approaches to deliver on this strategic direction. It is therefore expected that the scope and quantum of Council's budget is not expected to change markedly.

Specific feedback was requested on what was a reasonable rate rise. Feedback from participants at these workshops was mixed:

- 'no rate increase'
- 'keep low as possible'
- 'possibly in-line with CPI'
- 'as required to enable the growth of our area'
- '5% rate increase. With low population we have to pay if we want services'
- 'I could do without pools, children crossing. 2.5% rate increase'
- '4-6%'
- 'No services lost please (prepared to pay a little more)'
- 'More push back on State govt and cost shifting'
- 'Anything. Dad pays the bills'

The feedback that has been received is currently being consolidated with a view to releasing all feedback to the community in June 2017. The feedback document that will be released will also include detail on Council's current action to address the individual matters raised, any proposed actions and potential Council Plan initiatives that could be considered by Council. This will provide a level of confidence to the community regarding how their feedback has been considered through this process.

### **Public exhibition periods for key planning documents and opportunities for submissions**

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

Despite our best efforts to advertise and promote the above, in past years there has been little or no interest from our communities, unless there is a particularly topical matter such as in 2016/17 when Council reduced its contribution to the local State Emergency Services (SES) units.

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

2016/17	Thirteen (13) submissions (all submissions related to SES unit funding)
2015/16	One (1) submission
2014/15	No (0) submissions
2013/14	Two (2) submissions

### Community forums on specific master planning or strategic projects

Council has also 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".

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 (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

Community Master Plan	Priorities	Projects delivered
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 actioned with a community-led organisation now driving progress of this master plan.
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) – completed June 2016  Destination Tallangatta upgrades for the public space, tourism assets, trails and Lake Hume Foreshore currently underway.
Upper Murray 2030 Vision Plan	Agriculture Branding Great River Road Tourism Town Trails	Federal Government funding has been secured to deliver two of the priority areas (Great River Road and Upper Murray branding) with works to commence in coming months.

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.

**Other community engagement approaches**

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.

Councillors and Council officers regularly receive feedback directly from local community members. This feedback is shared and where appropriate is used to inform decision making.

## 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 \$2,241	Similar Councils \$2,745	All Councils \$1,834
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Expenses per property assessment:

Towong \$2,937	Similar Councils \$3,258	All Councils \$2,948
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Cost of governance per Councillor:

Towong \$36,689	Similar Councils \$37,092	All Councils \$48,652
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#### Infrastructure

Cost of sealed local road resealing per square metre:

Towong \$4.48	Similar Councils \$4.83	All Councils \$13.25
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Sealed local roads maintained adequately:

Towong 100%	Similar Councils 97.09%	All Councils 96.64%
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Community satisfaction with sealed local roads:

Towong 54/100	Similar Councils 51/100	All Councils 55/100
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#### Planning

Cost of Statutory Planning service per planning application:

Towong \$1,972	Similar Councils \$2034	All Councils \$2033
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Time taken to decide planning applications:

Towong 18 days	Similar Councils 45.63 days	All Councils 69.46 days
----------------	-----------------------------	-------------------------

Planning applications decided within 60 days:

Towong 97.96%	Similar Councils 78.69%	All Councils 69.79%
---------------	-------------------------	---------------------

Council believes these results clearly demonstrate that Council provides value for money and uses ratepayer resources efficiently.

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 and we pride ourselves on finding innovative cost effective solutions.

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>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>
Street lighting – change to LED	<p>Council changed all street lights over to energy efficient LED globes in April 2016, which will in turn save on electricity and replacement costs.</p> <p>Estimated annual saving of this initiative is \$25,000</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>

Service/ Expenditure item	Value for money
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 \$7,000+</p>
Fuel contract	<p>Council reviewed and consolidated its fuel suppliers from two suppliers to one.</p> <p>Annual savings of \$1,300 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> <p>Estimated savings of \$3,500 per annum.</p>
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 from the 2015/16 summer pool season.</p> <p>Estimated savings are \$14,000 per annum.</p>
Electricity contract	<p>Council moved to the Procurement Australia contract in February 2017.</p> <p>Estimated annual savings of \$14,000 per annum.</p>
Fleetcom radio service	<p>Council reviewed the Fleetcom radio service that is used to communicate with staff operating in areas with no or limited mobile phone service. A reduction in the number of radios and the area of coverage where the radios will operate is expected to result in savings of \$4,500 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

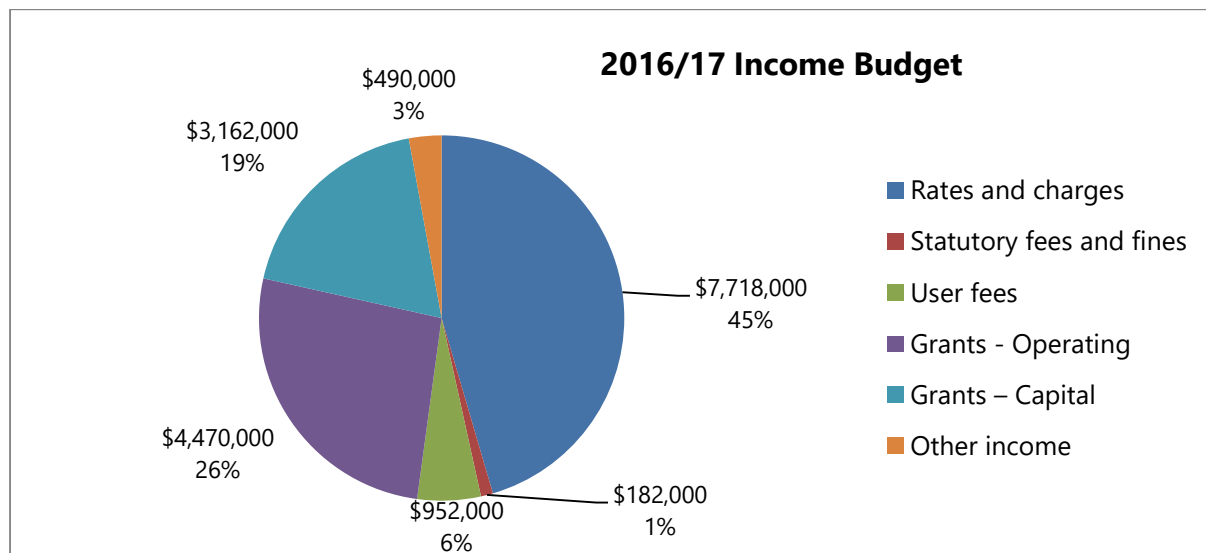
Council has worked very hard over the past seven years to reduce costs and be lean and efficient whilst continuing to provide an appropriate level of services to our communities.

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. This view was reinforced after participating in the higher rate cap application process in 2016 and receiving the reports from the Essential Services Commission and Deloitte Access Economics. 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 2.0%. 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 2016/17 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 \$65,000.

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 90.4% 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 2016 we had \$34,000 in borrowings.

For the 2016/17 year we budgeted 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.

The Deloittes Report confirmed our position stating that Council 'could borrow more if liquidity became a problem but this would not be a long term solution to the challenges the council faces.'

### *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 2016/17 financial year there are no acquisitions of major plant items planned and accordingly no new lease arrangements.

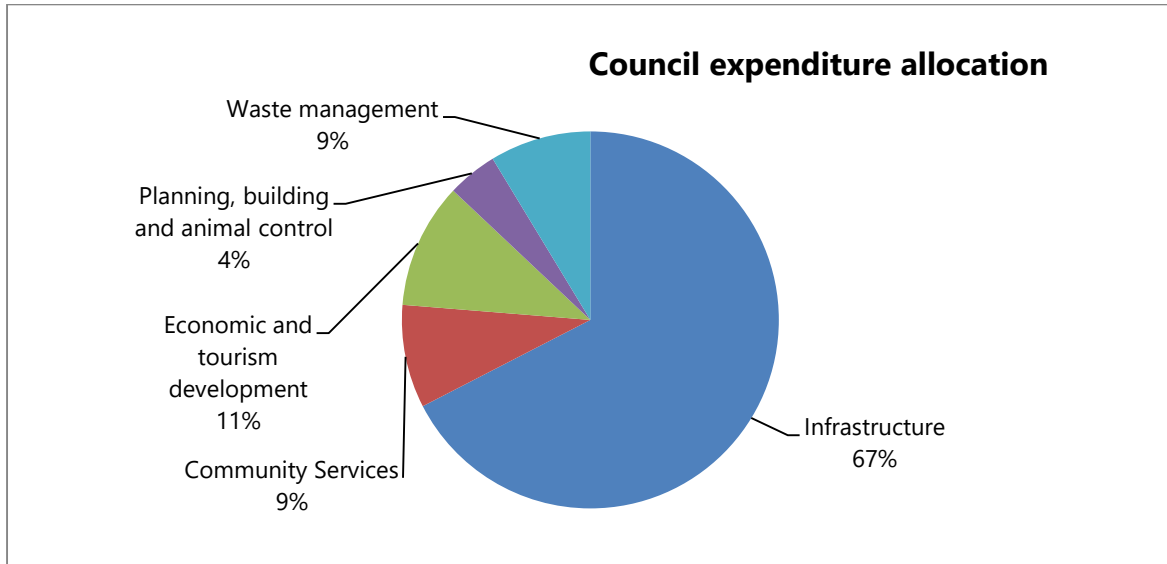
### *3. Special Charge schemes*

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 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 13) 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.

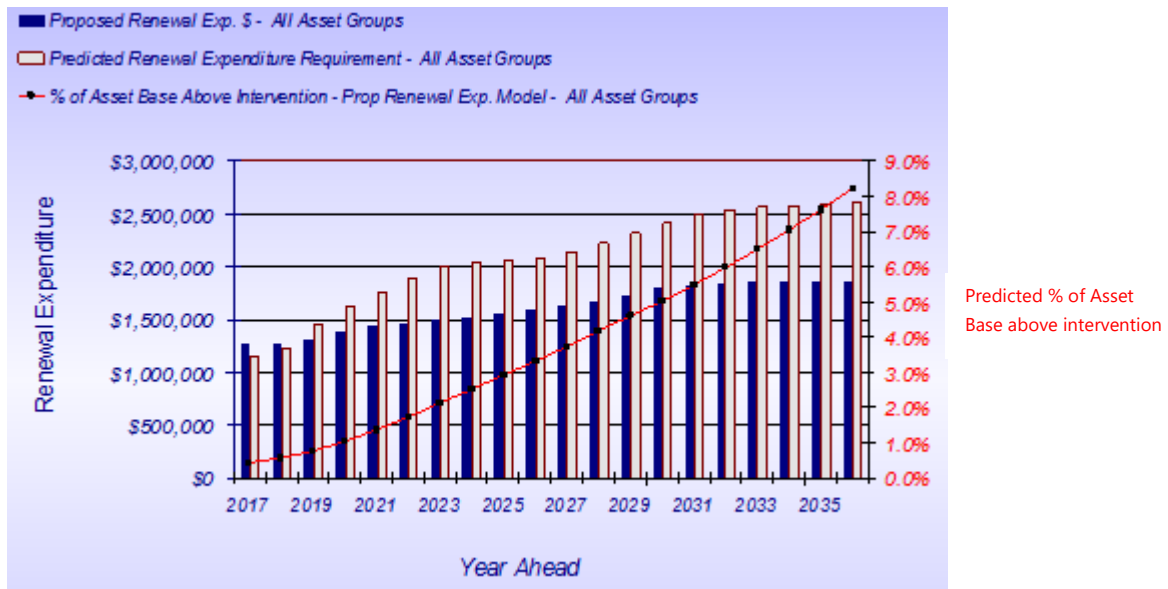
One option (an option that Council and its communities find quite unacceptable) is to reduce the level of asset renewal expenditure to accommodate the rate cap. To achieve this it would be necessary to reduce asset renewal expenditure to 63% of its current level.

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 is outside of intervention the deterioration of assets becomes increasingly more costly to repair and is very noticeable and not acceptable to residents or visitors to our Shire. Our Shire’s three most significant industries are agriculture, forestry and tourism. Each of these requires an acceptable standard of road and bridge infrastructure to continue as economic activity drivers and retain jobs in our Shire. It should be noted that renewing infrastructure tomorrow will cost more than today.



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.

Council considered a number of items with a view to accommodating the 2016/17 rate cap of 2.5% if its application for a higher rate cap was unsuccessful. 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. Although Council was successful in its application for a higher rate cap of 6.34% for the 2016/17 financial year, it did not want to pass on the full burden to its ratepayers and has therefore implemented a number of savings as detailed in the table below.

Item	Savings implemented \$
<b>SES</b> – ceased Council contribution	24,255
<b>Swimming pools</b> - reduced operating hours of pool season	10,000
<b>Eskdale Community Pool</b> – reduced Council contribution	1,000

Item	Savings implemented \$
<b>State-wide Community Satisfaction Survey</b> – ceased 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
<b>Towong Local Government school leaver scholarship</b> – ceased annual contribution and paid semester break work	16,000
<b>Youth</b> – reduced the number of youth activities	9,000
<b>Seniors</b> – reduced scope of annual Seniors event	6,000
<b>Arts and Culture</b> – reduced Council contribution to Murray Arts.	2,000
<b>Memberships</b> – ceased membership of the following: Timber Towns \$2,500 Murray Darling Association \$1,506	4,006
<b>Enterprise Agreement</b> – budget available for increased wages was capped at 1%	242,000
<b>Staff training</b> – reduced budget from \$60,000 to \$51,000	9,000

The implemented savings above meant that Council did not pass on in full the approved rate cap of 6.34%, but passed on 3.5% to the ratepayer.

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, historically our pool operated from early November to early March for a total of eighteen (18) weeks. Over the last two years the length of the pool season has been reduced by two weeks to sixteen (16) weeks. Community members now need to wait an extra two weeks at the start of the season to access the local swimming pool, This means that children training for swimming carnivals and the regular exercise groups are travelling an extra two weeks to pools outside our municipality (up to 90 minutes away) or are missing out altogether.

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).

Council may consider reductions in services levels in the following areas if it is not able to secure a higher rate cap or if a higher rate increase is not acceptable to ratepayers and residents:

Item	Possible savings \$
<p><b>Maternal and Child Health</b> – cease Council contribution thereby reducing service from 3,280 hrs pa to 2,193 hrs pa or outsource the service.</p> <p>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.</p>	<p>53,000</p> <p>Redundancies (120,000)</p>
<p><b>School Crossing Supervisors</b> – cease Council contribution</p> <p>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)</p>	<p>27,000</p>
<p><b>Kindergartens</b> – cease kindergarten services or outsource to private provider</p>	<p>154,390</p>
<p><b>Immunisations</b> – cease providing immunisation clinics for young children</p>	<p>4,000</p>
<p><b>Asset renewal</b> – reduce asset renewal of roads and bridges</p> <p>This would result in an increase in roads above intervention, which over time will become more noticeable to road users and require a greater contribution for renewal into the future.</p>	<p>200,000</p>

## **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 2016/17 (Appendix 15) which includes Council's Long Term Financial Plan and Strategic Resource Plan. It is also consistent with the direction in which Council is heading with its draft Council Plan 2017-2021.

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.

## Appendices

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

<b>Appendix</b>	<b>Description</b>
1	Essential Services Commission, Towong Shire Council, Decision on application for a higher cap for 2016-17 – May 2016
2	Assistance with review of 2016-17 rate cap variation applications, Shire of Towong, Deloitte Access Economics - May 2016
3	Whelan Report – Local Government Financial Sustainability – Focus on small rural Councils Abridged Report May 2010
4	VAGO: Organisational Sustainability of Small Councils June 2013
5	Annual Report 2015/16
6	Rates and Property Shared Service Case Study
7	Rates and Property Shared Service Review
8	VAGO Sustainability Indicators
9	Our Bellbridge Master Plan
10	Our Valley Our Future Master Plan
11	Tallangatta Tomorrow Master Plan
12	Upper Murray 2030 Master Plan
13	Road Management Plan
14	Council Plan 2013-2017
15	Council's Budget 2016/17 (including Council's Strategic Resource Plan and Long Term Financial Plan)

# CERTIFICATION STATEMENT

Towong Shire Council

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I certify that I have reviewed this completed Budget Baseline Information template, and understand that it will be used by the Essential Services Commission for the Fair Go Rates System.

I confirm that this data represents fairly the forecast financial transactions and position of our council for the period specified and that the forecasts are made on reasonable grounds.

I confirm that this is public data, and that I have no objection to the Essential Services Commission using and publishing this data for the purposes of the Fair Go Rates System.

Signed:



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Juliana Phelps (Chief Executive Officer)

30 May 2017

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[DATE]



# Minutes

## Ordinary Meeting of Council

Corryong Council Office

Tuesday 2 May 2017

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This information is available in alternative formats on request

**AGENDA FOR THE ORDINARY MEETING OF COUNCIL HELD AT TOWONG SHIRE COUNCIL, CORRYONG OFFICE ON TUESDAY 2 MAY 2017 COMMENCING AT 10.30 AM.**

**Commonly used acronyms**

<b>ABBREVIATION</b>	<b>TITLE</b>
Staff	
CAE	Civil Asset Engineer
CEO	Chief Executive Officer
DCCS	Director Community and Corporate Services
DTS	Director Technical Services
EA	Executive Assistant
MCS	Manager Community Services
MED	Manager Economic Development
MES	Manager Executive Services
Government/Organisation	
ACSUM	Alliance of Councils and Shires of the Upper Murray
DEDJTR	Department of Economic Development, Jobs, Transport and Resources
DELWP	Department of Environment, Land, Water and Planning
GMW	Goulburn Murray Water
HRGLN	Hume Region Local Government Network
MAV	Municipal Association of Victoria
NECMA	North East Catchment Management Authority
NEW	North East Water
NEWRRG	North East Waste and Resource Recovery Group
RCV	Rural Councils Victoria
RDA	Regional Development Australia
RDV	Regional Development Victoria
THS	Tallangatta Health Service
UMHCS	Upper Murray Health and Community Services

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The Mayor opened the meeting, the time being 10.35am

## **1 Opening Prayer**

"Almighty God, we ask that you be present at this meeting to assist us in our service to the Community through Local Government.

We pray that our decisions will be wise and taken with goodwill and clear conscience.

Amen."

## **2 Councillor and Officer presence at the meeting**

**Present:** Crs Wortmann, Scales, Star, Tolsher and Whitehead

<b>In Attendance:</b>	<b>Title:</b>
Ms J Phelps	Chief Executive Officer
Ms J Shannon	Director Community and Corporate Services
Mr J Heritage	Director Technical Services

## **3 Apologies and granting of leave of absence**

Nil

## **4 Declaration of pecuniary interest and/or conflict**

For the purpose of this section, Councillors must disclose the nature of the conflict of interest in accordance with s79(2) of the Local Government Act.

Nil

## **5 Confirmation of minutes**

4 April 2017

**CR SCALES  
CR TOLSHER**

**THAT THE MINUTES OF THE ORDINARY MEETING HELD ON 4 APRIL 2017 AS  
CIRCULATED BE CONFIRMED.**

**CARRIED**

## **6 Petitions, joint letters and declarations**

Nil

## 7 Assembly of Councillors

A written record of the Assemblies of Councillors from 28 March to 26 April 2017 is included at [Appendix 1](#).

**CR TOLSHER  
CR WHITEHEAD**

**THAT THE INFORMATION BE NOTED.**

**CARRIED**

## 8 Open Forum

<b>NAME</b>	<b>TOPIC</b>
Mrs. Alice McInnes	<ol style="list-style-type: none"><li>1. Signage for Corryong Council Office and Library</li><li>2. Size of disabled parking space at Corryong Council Office and Library</li></ol>

## 9 Organisational improvement

### 9.1 Finance Report as at 31 March 2017 (DCCS)

#### Disclosure of Interests (S.80C):

This report was prepared by Mr Blair Phillips, Manager Finance.

At the time of preparation of the report the officer did not have a direct or indirect interest in any matter to which the report or advice relates.

#### OPERATING RESULT

	Note	Mar-17	Mar-17	YTD	YTD	YTD	YTD	2016/17	2016/17
		(Actual)	(Budget)	(Actual)	(Budget)	(Variance)	(Variance)	(Budget)	(Achieved)
		\$'000	\$'000	\$'000	\$'000	\$'000	%	\$'000	%
Income	1	1,817	1,221	14,985	14,431	554	4%	16,975	88%
Expenditure	2	770	862	6,726	7,426	700	9%	14,002	48%
Surplus/ (Deficit)		1,047	359	8,259	7,005	1,254	18%	2,973	278%

Table 1: Operating Result

#### Note 1:

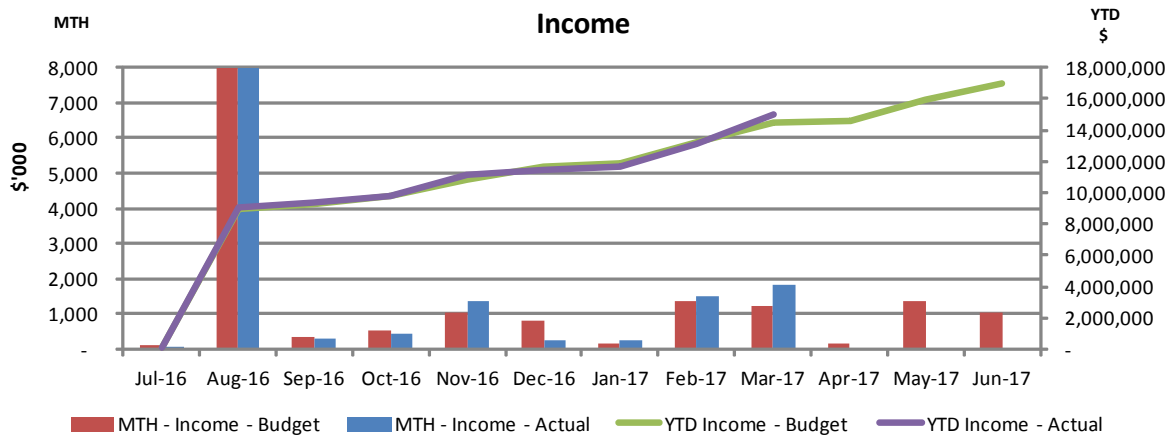
Council's YTD income at 31 March 2017 is \$14.9 million against a budget of \$14.4 million. The major items contributing to the \$554,000 variance include:

- Revenue expected to be received later than anticipated:
  - \$334,000 – for the Roads to Recovery program
  - \$30,000 - for the Municipal Emergency Resourcing Program.
  
- Revenue received that was not budgeted in 2016/17:
  - \$168,000 – grant funding for kindergartens was budgeted on initial incomplete funding advice from the State Government and was therefore understated. Additional funding has also been received:
    - to support more vulnerable users of the service, including those impacted by the dairy industry challenges
    - to cover backpay under the new enterprise agreement
    - to implement an occasional child care program in our kindergartens
  - \$139,000 – North East Water's contribution to Destination Tallangatta project was invoiced and recognised as revenue in September 2016
  - \$135,000 – for the 'Improving Connections' – Hanson St, Corryong Project (new project)

- \$111,000 – income to offset the expenses for providing the Secretariat service for Rural Councils Victoria (new project)
- \$100,000 – the final instalment for the completion of the Tallangatta Integrated Community Centre (timing difference – was originally budgeted in 2015/16)

Further details are provided in the 'Grant Income' section of this report.

- Revenue received ahead of anticipated timing in the budget:
  - \$38,000 – for the Narrows project
- Revenue budgeted that will not be received:
  - \$70,000 – for the State Revenue Office contribution to the Shire revaluation costs
  - \$32,000 – from the State Government for the local State Emergency Services units. A change in procedure was introduced in September 2016 with the State Government paying their funding direct to the individual units and not through Council.



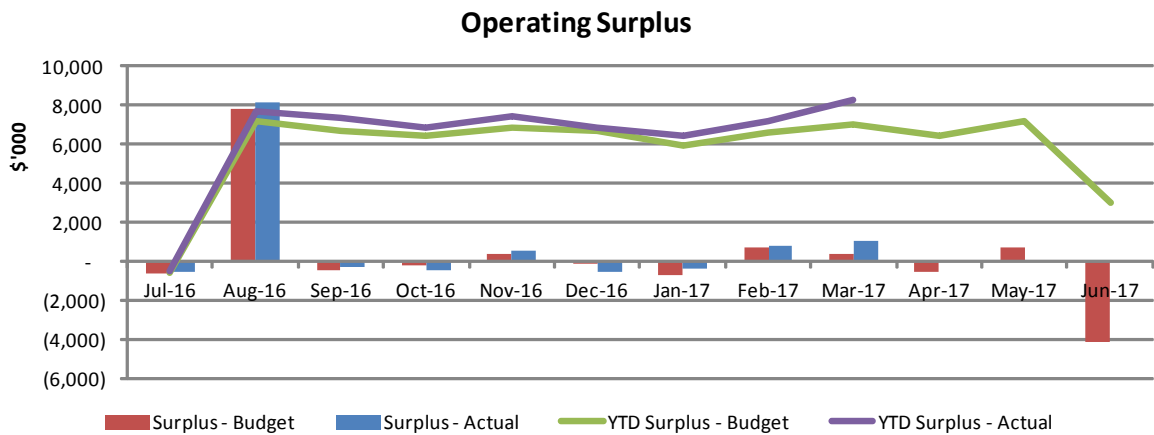
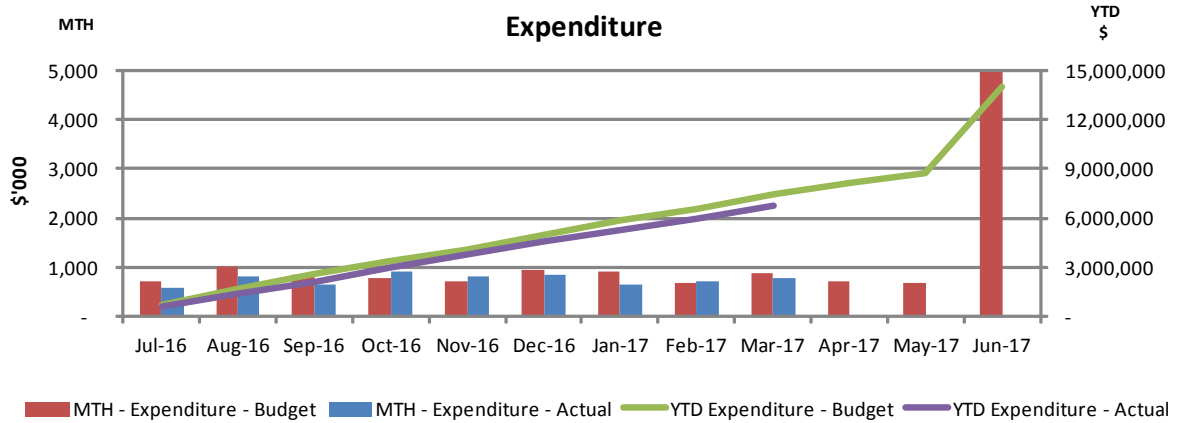
Note 2:

Council's expenditure at 31 March 2017 is \$6.7 million against a budget of \$7.4 million. The major items contributing to the \$700,000 favourable variance include:

- Expenditure that will be incurred later than expected:
  - \$35,000 – for the Narrows project.



- Expenditure savings of:
  - \$250,000 – in staff costs for the Tallangatta Long Day Care, due to not becoming operational until January 2017, though budgeted to be operational from July 2016.
  - \$116,000 – in Executive Services due to a vacancy and variation to employment structure compared to budget
  - \$98,000 – other associated costs of the childcare facility that commenced operation in January 2017 (permanent difference). These costs were budgeted from July 2016
  - \$80,000 – in the Planning department due to two vacancies. Contractors have been engaged to cover these planning vacancies.
  - \$66,000 – operational costs of the Bushfire Camera Network
  - \$48,800 – in election costs due to voting not being required for Councillor election as the number of nominations filled the number of vacancies
  - \$32,000 – contribution to local State Emergency Service units due to new State Government funding model being implemented. The State Government is paying their funding direct to the SES units rather than through Council
  - \$25,000 – there has been a one-off reduction in the fee payable for the 2016/17 Tourism North East membership and program participation levels have also been reduced.
  
- Expenses that were not budgeted for in 2016/17:
  - \$287,000 – for works to repair infrastructure due to flood damage. This is expected to be reimbursed by the State Government once all works are complete (timing difference)
  - \$148,000 – for the Corryong Tennis Court upgrade
  - \$60,000 – ‘Bushies Hit for Six’ cricket net upgrade at Rowen Park, which is offset by unbudgeted grant income received (new project)
  - \$59,000 – expenses incurred in providing the Secretariat service for Rural Councils Victoria (new project).
  
- YTD to 31 March 2017 Council is operating at 63.5 EFT staff against a budget of 70.1 EFT.



**Grant Income**

	Note	Mar-17	YTD	YTD	YTD	YTD	2016/17	2016/17
		(Actual)	(Actual)	(Budget)	(Variance)	(Variance)	Full	Full
		\$'000	\$'000	\$'000	\$'000	%	Year	Year
							(Budget)	(Achieved)
							\$'000	%
Recurrent	1	1,365	4,612	4,860	(248)	(5%)	6,488	71%
Non Recurrent	2	323	1,452	724	728	101%	1,146	127%
<b>Total</b>		<b>1,688</b>	<b>6,064</b>	<b>5,584</b>	<b>480</b>	<b>9%</b>	<b>7,634</b>	<b>79%</b>

Table 2: Grant Income

**Note 1:**

Council's YTD recurrent grant income at 31 March 2017 is \$4,612,000 against a budget of \$4,860,000. The major items contributing to the \$248,000 unfavourable variance include:

- Revenue that will be received later than anticipated:
  - \$334,000 – from the Roads to Recovery program
  - \$30,000 – for the Municipal Emergency Resourcing Program.

- Revenue budgeted that will not be received:
  - \$32,000 – from the State Government for the local State Emergency Services units. A change in procedure was introduced in September 2016 with the State Government paying their funding direct to the individual units and not through Council.
  
- Revenue received that was not budgeted:
  - \$168,000 – grant funding for kindergartens was budgeted on initial incomplete funding advice from the State Government and was therefore understated (permanent difference). Additional funding has also been received:
    - to support more vulnerable users of the service, including those impacted by the dairy industry challenges
    - to cover backpay under the new enterprise agreement
    - to implement an occasional child care program in our kindergartens.

Note 2:

Council's YTD non-recurrent grant income at 31 March 2017 is \$1,452,000 against a budget of \$724,000. The major items contributing to the \$728,000 favourable variance include:

- Revenue received that was not budgeted in 2016/17:
  - \$135,000 – for the 'Improving Connections' – Hanson St, Corryong Project (new project)
  - \$100,000 – for the final instalment of the Tallangatta Integrated Community Centre (timing variance – was originally budgeted in 2015/16)
  - \$85,000 – for the Mitta North Road Intersection improvement (new project)
  - \$80,000 – for the Omeo Highway Pedestrian Path, Eskdale upgrade (new project)
  - \$80,000 – for the Walwa streetscape (new project)
  - \$56,000 – 'Bushies Hit for Six' – for cricket nets upgrade at Rowen Park Tallangatta (new project)
  - \$45,000 – the final instalment for the completion of the Wyeetoo Multi Purpose Facility (timing variance – was originally budgeted in 2015/16)
  - \$28,700 – for the 'Banking on Solar Energy' project (new project)
  - \$18,125 – for the Corryong Memorial Hall (new project).
  
- Revenue received ahead of anticipated timing in the budget:
  - \$38,000 – for the Narrows project.

Grants received Year-to-Date (YTD) are in the following table:

	\$'000
<b>Recurring</b>	
Victorian Grants Commission - General Purpose Funding	1,707
Roads to Recovery (R2R)	1,266
Victorian Grants Commission - Local Roads Funding	1,055
Maternal and Child Health	114
Library	105
Corryong Pre School	90
Tallangatta Pre School	76
Berringa Pre School	57
Weed Project	31
Municipal Emergency Resourcing Program	30
Community Access	27
Occasional Child Care	23
Pre-School Cluster	21
School Crossing Supervisor	9
Health Admin	1
<b>Total Recurring Grants</b>	<b>4,612</b>
<b>Competitive and Non-Competitive</b>	
Destination Tallangatta - NSRF	532
Aerodrome Corryong	150
Improved Connections Hanson Street project	135
Tallangatta Integrated Community Centre	100
Mitta North Rd Intersection Improvement	85
Omeo Hwy Pedestrian Path Eskdale	80
Walwa Streetscape	80
Tallangatta Multi-sport Precinct	56
L2P Program	48
Wyeboo Multi Purpose Facility	45
The Narrows Project	38
TICC banking on Solar	28
Corryong Memorial Hall	18
Community Health and Wellbeing	17
Tallangatta Pre School Capital Grants	12
Corryong Tennis Courts Grant	10
Beat the Heat - Tree Project	8
Freeza Funding	6
Seniors Week	2
Youth Week	2
<b>Total Competitive and Non-Competitive Grants</b>	<b>1,452</b>
<b>Total Grants Received</b>	<b>6,064</b>

Table 3: Grant Income received

**Unexpended Grants and Restricted Funds**

Where Council has received grants that are required to be expended in a specified manner, but the funds have not yet been expended, the grant is recognised as an unexpended grant or restricted funds. This identifies cash holdings that are required to be spent on a specified purpose and are not available for other Council priorities.

The following table provides a listing of current unexpended grants:

	<b>\$' 000</b>
<b>Unexpended Grants</b>	
Roads to Recovery (R2R)	572
Corryong Swimming Pool Upgrade Grant	232
Improved Connections Hanson Street project	135
Community Access	109
Country Roads and Bridges	105
Mitta North Rd Intersection Improvement	85
Omeo Hwy Pedestrian Path Eskdale	80
Walwa Streetscape	80
The Narrows Project	55
Maternal and Child Health Enhancement	50
Flood Recovery Officer	42
Local Gov Business Collaboration	32
Tallangatta Neighbourhood House	29
TICC banking on Solar	29
L2P Program	24
Bushfire Management Overlay	13
Kinder Enrolment	12
Children Services Review	10
Improving Liveability of Older People	10
Freeza Funding	9
Beat the Heat - Tree Project	8
Weed Project	7
Fire Access Track Maintenance	1
<b>Total Unexpended Grants</b>	<b>1,729</b>

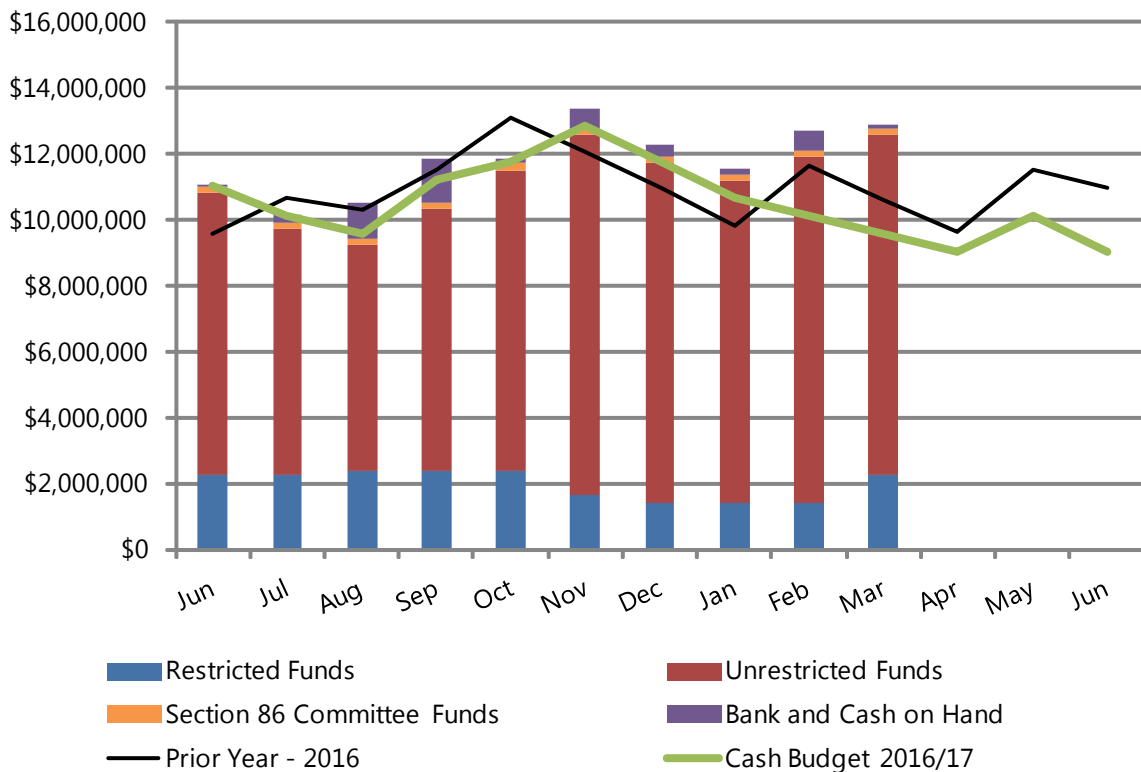
Table 4: Unexpended Grants

**CASH POSITION**

**Cash on Hand**

The cash position moved during the month as detailed below:

	Current Month	Prior Month	Variance	
	Mar-17	Feb-17	\$	%
	\$	\$	\$	%
Unexpended Grants	1,728,991	889,890	839,101	94.3%
Other Provisions and Reserves	541,802	541,802	-	0.0%
<b>Restricted Funds</b>	<b>2,270,793</b>	<b>1,431,692</b>	<b>839,101</b>	<b>58.6%</b>
Provision for Employee Entitlements	1,196,145	1,182,409	13,736	1.2%
Other Unrestricted Funds	9,134,880	9,290,853	(155,973)	-1.7%
<b>Total Unrestricted Funds</b>	<b>10,331,025</b>	<b>10,473,262</b>	<b>(142,237)</b>	<b>-1.4%</b>
Section 86 Committee Funds	190,555	190,039	516	0.3%
<b>Total Investments</b>	<b>12,792,373</b>	<b>12,094,993</b>	<b>697,380</b>	<b>5.8%</b>
Bank and Cash on Hand	86,650	630,210	(543,559)	-86.3%
<b>Total Cash</b>	<b>12,879,023</b>	<b>12,725,202</b>	<b>153,821</b>	<b>1.2%</b>
Average Interest Rate	2.64%	2.63%		



## Investments

Investments were made up of the following at the month end:

Date	Product	Institution	Principal	Yield	Term	Rating	Maturity
17/11/2016	Term Deposit	AMP	1,500,000	2.70%	215 Days	A1	20/06/2017
17/03/2016	Term Deposit	AMP	1,000,000	2.75%	182 Days	A1+	13/09/2017
14/03/2017	Term Deposit	Bendigo Bank	1,000,000	2.55%	184 Days	A2	14/09/2017
16/11/2016	Term Deposit	ME Bank	1,000,000	2.75%	154 Days	A2	19/04/2017
26/10/2016	Term Deposit	Bank of Queensland	1,500,000	2.75%	189 Days	A2	3/05/2017
8/02/2016	Term Deposit	ME Bank	1,000,000	2.70%	273 Days	A2	8/11/2017
18/11/2016	Term Deposit	Bank of Queensland	1,500,000	2.80%	184 Days	A2	18/05/2017
9/03/2017	Term Deposit	Bendigo Bank	1,000,000	2.65%	214 Days	A2	9/10/2017
31/08/2016	Term Deposit	AMP	1,000,000	2.95%	217 Days	A1	5/04/2017
11/01/2017	Term Deposit	WAW	863,327	2.60%	368 Days		11/02/2018
N/A	Cash Management	Westpac	1,238,491	1.55%	On Call	AA-	N/A
N/A	S86 Committees	Various	190,555	4.68%	N/A		N/A
<b>Total Investments</b>			<b>12,792,373</b>				

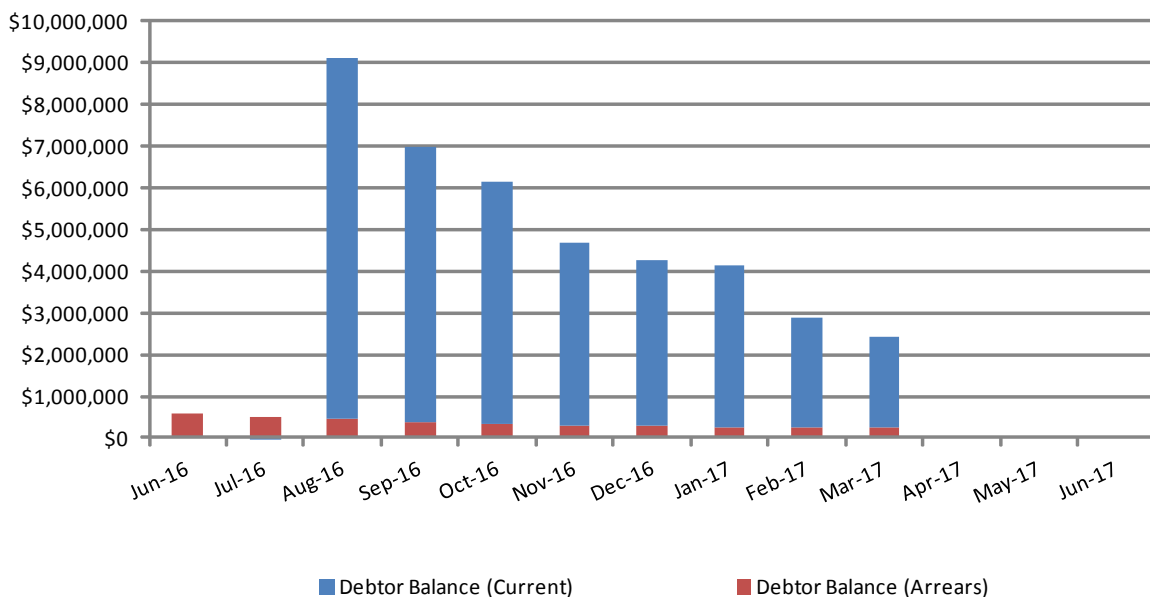
Table 5: Investments at month end

## RECEIVABLES

### Rates, Municipal Charge, Waste Management Charge and Waste Collection Charge

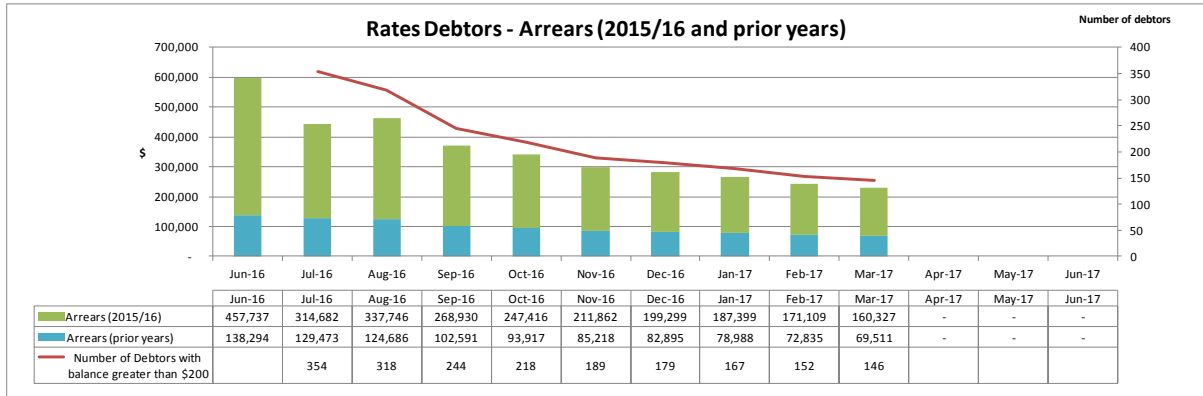
The breakdown of rates received for the current month and year-to-date is shown in the following table and graph:

Rates, charges and FSPL Debtors						
	Amount	Received	% Collected	Received	Collected	Balance
	\$	Mar-17	Mar-17	YTD	YTD	Outstanding
	\$	\$	%	\$	\$	\$
Levied 2016/17	8,771,093	458,355	5.2%	6,585,613	75.1%	2,185,480
Arrears prior to 2016/17	596,030	14,106	2.4%	366,193	61.4%	229,837
<b>Total Charges</b>		<b>472,461</b>		<b>6,951,805</b>		<b>2,415,317</b>



Note – rates were struck in August 2016. Quarterly instalments are due at the end of September, November, February and May.

**Debt Collection**

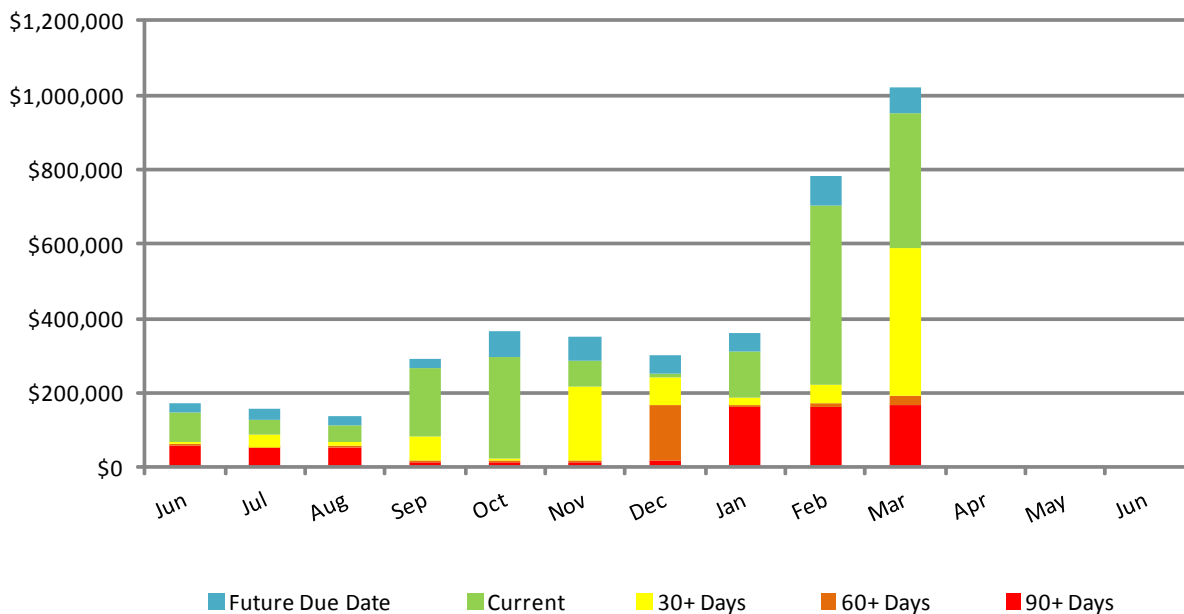


At 31 March 2017 there were 146 rates debtors with an outstanding balance of greater than \$200. This is a reduction of 6 debtors since 28 February 2017.

**Sundry Debtors**

The Sundry Debtors outstanding at month end and the movement from the prior month is shown below:

<b>Sundry Debtors</b>	<b>Future Due Date</b>	<b>Current</b>	<b>30 Days</b>	<b>60 Days</b>	<b>90+ Days</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>March 2017</b>	69,520	359,315	398,369	26,167	165,001	1,018,372
<b>February 2017</b>	79,075	484,905	46,242	8,841	164,855	783,918
<b>Movement</b>	(9,555)	(125,589)	352,128	17,326	146	234,455





Significant debtors (>\$1,000) with ageing of greater than 90 days are as follows:

<b>Debtor</b>	<b>Amount</b>	<b>Description</b>	<b>RO</b>	<b>Notes</b>
Department of Economic Development, Jobs, Transport and Resources	\$150,000	Grant funding	BP	Payment is expected to be received by June 2017 once works are completed to meet milestone 1 of the Corryong Airport upgrade.
Debtor 17007	\$1,540	Cost recovery for slashing	BP	Contact has been made with the debtor and is expected to be recovered.
Debtor 18925	\$3,250	Community contribution	BP	Council considered a proposal at the May 2016 Council meeting. A letter has been issued to the debtor.
Debtor 19755	\$1,548	50% Cost Recovery for weed control	BP	Contact has been made with the debtor and is expected to be recovered.
Debtor 20210	\$1,100	Fees	BP	Contact has been made with the debtor and is expected to be recovered.

Table 6: Significant debtors > 90 days

## LOCAL ROADS

The following tables report on progress of Local Roads and Bridges Capital and Maintenance programs.

### ***Local Roads and Bridges Capital Works***

<b>Local Roads and Bridges Infrastructure</b>	<b>Note</b>	<b>YTD Actual</b>	<b>YTD Budget</b>	<b>Variance</b>	<b>Annual Budget</b>
		\$		\$	\$
410 Road Construction	1	246,910	470,000	223,090	980,523
416 Sealing	2	73,053	50,000	(23,053)	50,000
417 Resealing	3	400,499	825,000	424,501	1,025,000
420 Drainage Construction		68,944	75,000	6,056	130,000
421 Digouts	4	470,391	621,479	151,088	671,479
422 Resheeting	5	172,917	30,000	(142,917)	230,000
432 Footpaths	6	21,005	310,000	288,995	431,496
433 Kerb and Channel	7	21,084	185,694	164,610	460,737
442 Guardrails		18,100	15,000	(3,100)	30,000
450 Bridge Construction		23,330	20,000	(3,330)	20,000
<b>Total</b>		<b>1,516,233</b>	<b>2,602,173</b>	<b>1,085,940</b>	<b>4,029,235</b>

Table 7: Local Roads & Bridges – Capital Works (YTD)

#### Note 1:

The construction of Georges Creek Road and intersection works on Towong Street projects are currently sitting at 55% and 30% of YTD budgeted expenditure respectively. Invoices for work completed are yet to be received (timing variance).

#### Note 2:

A late invoice was received for works completed in 2015/16. This was funded as part of the Roads to Recovery program (permanent variance).

#### Note 3:

Resealing budgeted as part of the Destination Tallangatta project will not be completed until other works are complete. The YTD budget for this resealing is \$350,000, with the total budget being \$525,000 for this project (timing variance). This work is now expected to be undertaken in 2017/18.

#### Note 4:

The digout program is complete with the final invoices yet to be received (timing variance).

#### Note 5:

The resheeting program has progressed earlier than anticipated (timing variance).

Note 6:

Footpath works for the Destination Tallangatta project have not started. The YTD budget is \$300,000, with the total budget being \$411,496 for this part of the project (timing variance). This work is now expected to be undertaken in 2017/18.

Note 7:

The Destination Tallangatta and Walwa streetscape works have not started as anticipated in the budget (timing variance). The Walwa streetscape works will be undertaken in late 2016/17 and the Destination Tallangatta streetscape works will be carried forward to 2017/18.

**Local Roads and Bridges Maintenance**

The table below shows business as usual maintenance of local roads and bridges. Flood damage works are reported in Table 9 later in this report.

	Note	YTD Actual \$	YTD Budget \$	Variance \$	Annual Budget \$
302 Survey and Design		26,666	38,753	12,087	40,000
304 Pavement Maintenance		134,521	120,000	(14,521)	148,000
306 Grading		357,629	344,997	(12,632)	452,000
308 Shoulder Maintenance	1	24,933	74,997	50,064	98,000
310 Drainage Maintenance		139,861	127,503	(12,358)	167,000
312 Call Outs	2	22,202	15,003	(7,199)	20,000
324 General Roadside Maintenance		60,639	56,250	(4,389)	73,000
328 Tree Maintenance		86,475	74,250	(12,225)	99,000
330 Footpath Maintenance		10,247	6,000	(4,247)	8,000
334 Roadside Treatments		5,231	15,000	9,769	15,000
336 Signs Maintenance		9,060	9,000	(60)	12,000
338 Linemarking		378	5,000	4,622	10,000
340 Guideposts	3	14,651	5,247	(9,404)	7,000
342 Guardrail	4	-	2,500	2,500	5,000
346 Bridge Maintenance		17,855	24,273	6,418	32,366
<b>Total</b>		<b>910,348</b>	<b>918,773</b>	<b>8,425</b>	<b>1,186,366</b>

Table 8: Local Roads & Bridges - Maintenance (YTD)

The Maintenance Program is managed within the total annual budget (\$1.18 million) and not on individual estimated line items.

Note 1:

Shoulder maintenance has been delayed due to the wet weather (timing variance).

Note 2:

A large volume of callouts have occurred due to the excessive wet weather early in the financial year.

Note 3:

More guideposts have required to be replaced than expected.

Note 4:

No guardrail repairs have been required (timing variance).

***Flood repairs and maintenance***

	Note	YTD Actual \$	YTD Budget \$	Variance \$	Annual Budget \$
313 Storm/Flood Damage		286,900	-	(286,900)	-
<b>Total</b>		<b>286,900</b>	<b>-</b>	<b>(286,900)</b>	<b>-</b>

Table 9: Local Roads and Bridges – Flood damage works

Flood damage works are expected to be reimbursed by the State Government's Natural Disaster Financial Assistance (NDFA) program.

**OTHER FINANCIAL MATTERS**

There are no other financial matters to report.

**CR SCALES  
CR TOLSHER**

**THAT THE FINANCE REPORT BE NOTED.**

**CARRIED**

## 9.2 Essential Services Commission - Application for a higher rate cap (DCCS)

### **Disclosure of Interests (S.80C):**

This report was prepared by Mr Blair Phillips, Manager Finance and Ms Jo Shannon, Director Community and Corporate Services.

At the time of preparation of the report the officers did not have a direct or indirect interest in any matter to which the report or advice relates.

### **Background/History:**

The purpose of this report is for Council to consider if it wishes to apply to the Essential Services Commission (ESC) for a higher rate cap.

The Victorian Government introduced the *Fair Go Rates System* (FGRS) in 2016 to help ease cost of living pressures on Victorians. The system provides a framework that sets the maximum amount council may increase rates in a year, without seeking additional approvals.

Council has long held the view that ratepayers should not be subject to ongoing high annual rate increases. Council fully supports the principle of keeping rate increases to a minimum and the underlying principles of the *Fair Go Rates System*.

The Minister for Local Government has set the average rate cap at 2.0% for the 2017-18 financial year. This is the maximum increase that can be applied to Council's average rates and municipal charge, without applying for a higher rate cap.

Where the average rate cap is insufficient to meet Council's specific needs, Council can apply to the ESC for a higher rate cap for 2017/18 or up to a maximum of four consecutive financial years to 2020/21.

### ***Financial Sustainability challenges***

Whilst Council is clear in its view that ratepayers should not be subject to ongoing high annual rate increases our Council is in a very difficult financial position due to the many 'external' factors that bear upon us and are completely outside of Council's control.

Factors such as the large geographic area covered (6,635 sq km), the significant amount of infrastructure that needs to be maintained (1,183 km of roads, 168 major bridges and culverts), a small, declining, dispersed population and low rate base, all mean that meeting community expectations to provide appropriate levels of service and infrastructure is increasingly difficult and brings Council's future sustainability into question.

Council's very low sustainability rating was confirmed in the 2009 'Whelan Report'.

The Federal Government's Financial Assistance Grants indexation freeze, which equates to lost revenue to Council of \$658,000 over a three year period (1 July 2014-30 June 2017), has also had a significant impact on Council's financial sustainability. Council is still waiting to be advised if indexation will be reinstated from 1 July 2017.

The Minister for Local Government also recognised in her 2015 Ministerial Statement on Local Government that 'rural Councils in particular face some real challenges. They need additional support.'

Council's sustainability challenges are clearly set out in Council's 2015/16 Annual Report.

In late November 2016, the Victorian Auditor-General released a report (Victorian Auditor-General's Report 2016-17:11, Local Government: 2015-16 Audit Snapshot, November 2016), raising concerns regarding the financial sustainability risks with the smallest nineteen (19) shire councils, of which Towong is one. To date Council has not received any advice from the State Government on how it proposes to respond to this finding.

The unfortunate reality for our municipality is that if we don't 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.

### ***Long Term Financial Planning***

Council's Long Term Financial Plan was originally developed seven years ago. Since this time the model has been fine-tuned and improved to ensure that it is a very robust, detailed plan and a very powerful tool for considering various financial scenarios for Council.

On the basis of previous financial performance and the work of staff in preparing a draft budget for 2017/18, the current Long Term Financial Plan requires an increase to revenue which, when based on rates and municipal charge, is a figure of 5.75% per annum ongoing.

Whilst it is clear that Council does not wish for its ratepayers to have high annual increases to rates and charges, our Long Term Financial Plan recognises that to continue to provide services and infrastructure at their current level such an increase to revenue (be it from rates or from other sources) is required.

The opportunity provided by the introduction of the Fair Go Rates System was for the ESC to independently assess Council's Long Term Financial Plan and determine if the rate and Municipal Charge increase set out in the plan is appropriate.

Council applied to the Essential Services Commission for a higher rate cap of 6.34% in 2016/17. This application was successful with the ESC stating that 'based on our analysis of Towong's application, we consider that Council has demonstrated a need for a higher cap in 2016-17 to maintain financial sustainability in the longer term.'

The outcomes from having this independent assessment carried out by the ESC on the 2016/17 application, is that the ESC was satisfied that the application for a higher cap was consistent with Council's well developed long-term financial plan to deliver sustainable outcomes in services and critical infrastructure in the long-term interests of its community. In the ESC's assessment it also stated that Council will need to increase rates by about 6% per year to remain financially sustainable and continue to deliver services at current levels.

In Towong's case the 5.75% increase to rates and municipal charge is in order to enable Council to continue to provide what could be considered to be day-to-day services and infrastructure maintenance and renewal at the somewhat modest level required by its residents and ratepayers and at the same time ensuring Towong Shire Council is financially sustainability into the foreseeable future.

For a number of years now Towong has been held up as one of the shining lights in the Local Government sector as a result of the many innovative practices it has adopted in order to be as lean and efficient as possible.

Council continues to take its responsibility to spend ratepayer funds wisely very seriously and for many years has been on the front foot implementing cost saving measures to ensure value for money for ratepayers. Council has also been very successful in securing State and Federal funds through non-recurrent grant applications.

In light of the information presented above, attached at [Appendix 2](#) is a proposed application to the Essential Services Commission for a higher rate cap.

**Impact on Council Policy:**

Council has been on the front foot for the last 6-7 years taking the necessary steps to ensure it operates a lean, efficient organisation while providing the services and infrastructure required by local communities.

Unfortunately, due to the many external factors outside of Council control, Council will not be able to continue to provide services and infrastructure at their current levels if revenue is not increased.

Council's objectives include ensuring that Council's plans and budgets are both responsible and sustainable.

**State Government Policy Impacts:**

The *Fair Go Rates System* has been explained above.

**Budget Impact:**

Council firmly believes that Towong ratepayers should not be subjected to annual rate increases that are higher than the cap set by the State.

It is important to note that if the ESC does approve Council's application, Council is not obliged to increase their rates by the approved higher cap. Council may still choose when setting its budget to increase rates by any lesser amount.

At the time of setting the Budget if Council is of the mind to approve a rate and municipal charge increase of less than 5.75% it will be necessary to decide what expenditure and associated services are to be reduced or alternatively if Council wishes to operate with a greater underlying deficit.

**Risk Assessment:**

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 modeling. The VAGO risk parameters are included in the attached application.

Based on Council's Long Term Financial Plan, if general rates and the municipal charge were to be set at the rate cap of 2.0% 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.



It is a very important issue and is one of the reasons why Council should make application to the ESC for a higher cap. Services and infrastructure cannot be continued at their current levels without additional income or alternatively being unsustainable in the short-term.

In order to keep any rate and municipal charge increase to 2.0% or less it will be necessary to reduce services or operate with a higher underlying deficit.

Conversely, reducing services is likely to create dissatisfaction with service users and may be inconsistent with Council's vision for Towong Shire to be the ideal place to live.

### **Community Consultation/Responses:**

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.

Council has been particularly focused on increasing the knowledge within the community regarding Council's financial sustainability and capacity challenges. Building on forums conducted in early 2015, a series of workshops were conducted in February and March 2017 to hear community members' views on their priorities for the next four years. Workshops were conducted in Bellbridge, Bethanga, Corryong, Mitta Mitta, Tallangatta and Walwa with a total of 196 participants in attendance.

With respect to reasonable rate increases, feedback from participants at these workshops was mixed:

- 'no rate increase'
- 'keep low as possible'
- 'possibly in-line with CPI'
- 'as required to enable the growth of our area'
- '5% rate increase. With low population we have to pay if we want services'
- 'I could do without pools, children crossing. 2.5% rate increase'
- '4-6%'
- 'No services lost please (prepared to pay a little more)'
- 'More push back on State government and cost shifting'
- 'Anything Dad pays the bills'

**Discussion/Officers View:**

It is the Officers' view that Towong Shire ratepayers and residents should have access to appropriate levels of service and infrastructure and it is incumbent upon Council to ensure these services and infrastructure are provided to ensure the sustainability of the communities throughout our municipality. Equally, where possible, ratepayers should not have annual rate increases that are higher than the rate cap set by the State.

As is demonstrated in Council's Long Term Financial Plan, the annual increase to revenue required for Council to be sustainable and be able to continue the provision of services and infrastructure at the current level is the equivalent of an annual increase to rates and Municipal Charge of 5.75% per annum.

This increase does not necessarily have to come from increasing rates and municipal charge if Council was able to secure additional funding from the State or Federal governments or from some other external source of income.

In preparing the draft budget and application to the ESC a number of areas have been identified where Council could potentially reduce expenditure.

It is the Officers' recommendation that even if the ESC was to approve Council's multi-year application, that Council take whatever steps it can to keep the rate increase for the average ratepayer to as close to the rate cap as possible.

It must be noted that a reduction in expenditure to address getting as close to the rate cap as possible, is likely to have a direct impact on the provision of services to our communities.

**CR SCALES  
CR WHITEHEAD**

**THAT:**

- 1. COUNCIL APPROVE THE APPLICATION TO THE ESSENTIAL SERVICES COMMISSION FOR A HIGHER RATE CAP AS PRESENTED AT APPENDIX TWO AS AMENDED;**
- 2. REGARDLESS OF THE OUTCOME OF THE APPLICATION FOR A HIGHER RATE CAP, COUNCIL MAKE EVERY EFFORT TO KEEP THE 2017/18 RATE AND MUNICIPAL CHARGE INCREASE AS CLOSE AS POSSIBLE TO THE AVERAGE RATE CAP OF 2.0%; AND**
- 3. THE CORPORATE SERVICES TEAM BE CONGRATULATED ON THE QUALITY AND DEPTH OF THE APPLICATION.**

**CARRIED**

### **9.3 Occupational Health and Safety Report (06/04/0212-DCCS)**

The Occupational Health and Safety report is presented every second month. The next report is due in June 2017.

The bi-monthly Council Plan Priorities report is included in this agenda at Item 9.4.

### **9.4 Action Sheet Reports (06/05/0010-EA)**

Items requiring action from the 4 April 2017 Council Meeting are attached at [Appendix 3](#).

**CR STAR  
CR TOLSHER**

**THAT THE REPORT BE NOTED.**

**CARRIED**

### 9.5 Council Plan Priorities (07/05/0022-DCCS)

The monthly updates on the 2013-2017 Council Plan priorities are attached at [Appendix 4](#) for information.

**CR WHITEHEAD  
CR STAR**

**THAT THE REPORT BE NOTED.**

**CARRIED**

### 9.6 Performance Reporting Graphs (DCCS)

The Performance Reporting Graphs are attached at [Appendix 5](#) for information.

**CR TOLSHER  
CR WHITEHEAD**

**THAT THE REPORT BE NOTED.**

**CARRIED**

## **10 Community wellbeing**

The Community Wellbeing report is presented every second month. The next report is due in June 2017.

The bi-monthly Council Plan Priorities report is included in this agenda at Item 9.4.

## **11 Asset management**

The Asset Management report is presented every second month. The next report is due in June 2017.

The bi-monthly Council Plan Priorities report is included in this agenda at Item 9.4.

## **12 Land-use planning**

No Planning reports.

## **13 Environmental sustainability**

The Environmental Sustainability report is presented every second month. The next report is due in June 2017.

The bi-monthly Council Plan Priorities report is included in this agenda at Item 9.4.

## **14 Economic and tourism development**

The Economic and Tourism Development report is presented every second month. The next report is due in June 2017.

The bi-monthly Council Plan Priorities report is included in this agenda at Item 9.4.

## 15 Councillor reports

### 15.1 Murray Arts Committee meeting (04/01/0003 - Cr Star)

<b>Date of Meeting/Event:</b>	23 March 2017 Held at the Mitta Mitta Canoe Club, Noreuil Park Albury
<b>Key information presented/discussed at meeting:</b>	<p>Consultant David Sharpe ran this workshop Discussion included:</p> <ul style="list-style-type: none"><li>• The aim of this workshop was to define the role of the Murray Arts Board into the future, focusing on the desire to find a structure based on board member skills, knowledge and capacity rather than the current arrangement of randomly selected Councillors and community representatives. The intention is to become more professional and to become a registered charitable organisation</li><li>• The responsibility of an Arts Board and the development of a matrix of skills to deliver these responsibilities, particularly the skills base of the executive</li><li>• The development of a needs matrix in order to match these responsibilities with consideration of payment for services or not, was considered</li><li>• The formalisation of board operation i.e. Position roles, constitution, recruitment, term of duty, duties, size of board, succession, number and location of meetings etc.</li></ul> <p>It was believed that the ideal number of members for a board was seven. Australia Council for the Arts has a document outlining the governance responsibilities of the Board of an Arts Organisation. This was given out to those present.</p>

<b>Members Comments Thoughts:</b>	<p>Ms Alyce Fisher, the newly appointed Executive Officer of Murray Arts and other staff are to consider the points discussed and are expected to come up with a possible framework for Board selection sometime in the near future. The AGM is in May.</p> <p>If a Board of seven is to be adopted, not all councils will be represented. Where does that possibly leave Towong Shire Council?</p> <p>Is there anyone within our community who might be skilled in this field, be an advocate for this region and suitably qualified to be on the Murray Arts Board? It is likely to be a pro bono position at this stage I would envisage.</p> <p>If we don't have a resident Board Member, then what should the Towong Shire Council expect to obtain for its contribution? Discussion needs to occur.</p>
<b>Action Required:</b>	Nil.
<b>Additional Info Available:</b>	Nil.

## 15.2 Meeting with Damian Drum MP - (07/05/0007 - Cr Wortmann)

<b>Meeting/Event</b>	Meeting with Damian Drum MP Federal Member for Murray and Mr Sam Birrell Chair of the Regional Jobs and Investment Packages Local Planning Committee (RJIP).
<b>Date of Meeting/Event:</b>	18 April 2017
<b>Location of Meeting/Event:</b>	Shepparton
<b>Key information presented/discussed at meeting:</b>	<p>The CEO Juliana Phelps and I travelled to Shepparton to meet Damian Drum MP and Mr Sam Birrell Chair of the RJIP Committee at his office.</p> <p>Issues for discussion were as follows:</p> <ol style="list-style-type: none"> <li>1. Regional Jobs and Infrastructure Package (RJIP) Towong Project Opportunities: <ul style="list-style-type: none"> <li>• Upper Murray Events Centre</li> <li>• Dairy - Upper Murray Centre of Excellence</li> <li>• Man from Snowy River Bush Festival</li> <li>• Tallangatta Holiday Park</li> <li>• Tallangatta Narrows</li> </ul> </li> <li>4. Funding for Local Government: <ul style="list-style-type: none"> <li>• Indexation of Financial Assistance Grants Scheme</li> <li>• Allocation methodology - minimum 'as of right' allocation.</li> </ul> </li> <li>5. Mobile Telecommunications (including funding criteria)</li> <li>6. Building Better Regions application (Corryong)</li> <li>5. Invitation to visit Towong (Damian Drum and Fiona Nash)</li> </ol>



<b>Members Comments / Thoughts:</b>	<p>This meeting was very worthwhile, it is always important to relay the important issues that are affecting local government and especially small rural shires like Towong.</p> <p>The RJIP is allocated to 10 regions across Australia and we are in the Goulburn Valley region. Towong is the smallest municipality (population based) in this region. We emphasised that our projects if successful would provide increased employment and economic activity and a number of the projects have various stakeholders who are committed to financial and in-kind support of the projects.</p> <p>The invitation to visit our Shire is very important, so politicians can see potential projects and talk to local people about issues in their communities. Damian Drum indicated he is keen to schedule a visit to Towong Shire Council.</p>
<b>Possible Actions:</b>	Nil
<b>Additional Info Available:</b>	Nil

### 15.3 ANZAC Day Ceremonies - (07/05/0007 - Cr Scales)

<b>Meeting/Event</b>	Anzac Day - Bethanga and Mitta Valley
<b>Date of Meeting/Event:</b>	25 April 2017
<b>Location of Meeting/Event:</b>	Bethanga / Eskdale
<b>Key information presented/discussed at meeting:</b>	<p>Both Anzac Day ceremonies were well attended especially with regard to the weather. Both were held inside the respective halls.</p> <p>I had the pleasure of officiating the Mitta Valley Ceremony. It is always in honour to lay a wreath on behalf of Council and also to see the input from the community and school children in singing the National Anthem.</p> <p>Well done to all involved in the running of these annual events.</p> <p>Both events were well supported by the Military with a guest speaker and Catafalque party present at both.</p> <p>The Mitta Valley march was shortened to be indoors due to the inclement weather.</p>
<b>Members Thoughts:</b>	<b>Comments</b> Nil
<b>Possible Actions:</b>	Nil
<b>Additional Info Available:</b>	Nil

### 15.4 ANZAC Day Ceremony - (07/05/0007 - Cr Tolsher)

Verbal report

**15.5 ANZAC Day Ceremony - (07/05/0007 - Cr Star)**

Verbal report

**15.6 ANZAC Day Ceremony - (07/05/0007 - Cr Whitehead)**

Verbal report

**15.7 ANZAC Day Ceremony - (07/05/0007 - Cr Wortmann)**

Verbal Report

**CR STAR  
CR SCALES**

**THAT THE COUNCILLOR REPORTS BE NOTED.**

**CARRIED**

**16 Urgent business**

Nil

**17 Committee minutes**

**17.1 Upper Murray Business Inc (UMBI) (07/01/0045 - Cr Whitehead)**

The unconfirmed minutes of the meeting held on 11 April 2017 are attached at [Appendix 6](#).

**CR WHITEHEAD  
CR STAR**

**THAT THE UNCONFIRMED UPPER MURRAY BUSINESS INC MINUTES BE NOTED.**

**CARRIED**

## **18 Occupational health and safety**

### **18.1 OHS Committee (06/04/0212-DCCS)**

The unconfirmed minutes of the meeting held on 16 March 2017 are attached at [Appendix 7](#) for information.

**CR TOLSHER  
CR WHITEHEAD**

**THAT THE UNCONFIRMED OCCUPATIONAL HEALTH AND SAFETY COMMITTEE  
MINUTES BE NOTED.**

**CARRIED**

## **19 Council policies (10/01/0007-CEO)**

The following policies were tabled for review at the 7 March 2017 Council meeting and are presented at [Appendix 8](#) for adoption. Please note that recommended changes are shown in red.

- Debt Collection (Rate Debtors, Sundry Debtors)
- Employee Code of Conduct and Conflict of Interest Policy and Guidelines.

The following policies were also tabled for review. They are currently having further amendments made and will be presented at the June Council meeting:

- Discrimination, Workplace and Sexual Harassment, Equal Employment Opportunity and Diversity
- Workplace Bullying and Harassment (this Policy has been combined with Discrimination, Workplace and Sexual Harassment, Equal Employment Opportunity and Diversity)

**CR TOLSHER**

**CR STAR**

**THAT THE FOLLOWING POLICIES AS AMENDED AND PRESENTED BE ADOPTED:**

- **DEBT COLLECTION (RATE DEBTORS, SUNDRY DEBTORS)**
- **EMPLOYEE CODE OF CONDUCT AND CONFLICT OF INTEREST POLICY AND GUIDELINES**

**CARRIED**

The following policies are attached at [Appendix 9](#) for review. Councillors are requested to provide feedback on the policy to the Responsible Officer by 6 June 2017.

- Access to Waste Disposal and Recycling Outlets (outside normal operating hours) (DTS)
- Healthy Eating (DCCS)
- Tree (DTS)
- Young Person Award (EA)

## **20 Sealing of documents**

### **20.1 Consideration of Land Transfer from Ambulance Victoria to Council (274800-DTS)**

#### **Disclosure of Interests (S.80C):**

This report was prepared by Mr Jamie Heritage, Director Technical Services.

At the time of preparation of the report the officer did not have a direct or indirect interest in any matter to which the report or advice relates.

#### **Background/History:**

This report provides information on the ownership of land at 10 Banool Road, Tallangatta where the North East Catchment Management Authority (NECMA) building is now located. It also seeks to resolve an unresolved land ownership transfer from North Eastern Victorian Ambulance Service (NEVAS) and Council for two of the parcels of land at 10 Banool Road, Tallangatta.

The NECMA building currently sits across three titles of which the ownership is as follows:

- Lot 2 LP046854 Towong Shire Council
- Lot 28 LP052291 North Eastern Victorian Ambulance Service of Wangaratta
- Lot 7K LP579425W North Eastern Victorian Ambulance Service of Wangaratta.

The initial transaction for the two lots (Lot 28 and Lot 7K) was agreed 'in principle' in 1984 however the formalities of this appear not to have been completed. The situation was close to being addressed in 2008 however an investigation revealed that the change is yet to be properly registered on the titles.

The two titles have Caveats placed on them that are vested in the President Councillors and Ratepayers of the Shire of Tallangatta, attached at [Appendix 10](#).

#### **Impact on Council Policy:**

Nil

**State Government Policy Impacts:**

Nil

**Budget Impact:**

Confirmation that there will be no stamp duty payable on the transaction has been received however there will be a Titles Office fee of \$114.00 for registration of the Transfer. The fee can be accommodated in existing budgets.

**Risk Assessment:**

Nil

**Community Consultation/Responses:**

Not applicable.

**Discussion/Officers View:**

It is the Officer's opinion that proceeding with the land transaction will resolve any ownership issues into the future.

**CR TOLSHER  
CR WHITEHEAD**

**THAT THE CHIEF EXECUTIVE OFFICER BE AUTHORISED TO SIGN AND SEAL THE  
TRANSFER OF LAND.**

**CARRIED**

## 20.2 Section 173 Agreement – PM Kissane (272850-DTS)

The Stock Grid Policy enables Council to enter into a Maintenance and Repair Agreement with a stock grid owner by a Section 173 Agreement under the Planning and Environment Act 1987.

Section 2.1 of the policy states that Council will enter into an Agreement with owners of existing grids which sets out the conditions under which the grid will be permitted to remain on a Public Access Road.

Conditions include:

- The owner is responsible for ongoing maintenance and upgrade of the grid and associated signage to an acceptable standard as deemed by Council
- The owner is responsible for the supply and installation of any upgrade grid and associated signage to Council requirements. A Permit for Works within Road Reserves must be obtained
- The owner is to provide evidence of a current \$10M Public Liability Insurance Policy which is to be ongoing for the life of the grid
- The owner must hold an annual Stock Grid Grazing Permit and pay the associated fee
- If the grid is not maintained to a satisfactory standard, Council may carry out maintenance at the owner's cost or remove the grid
- The owner is responsible for upgrade of the grid if the road is upgraded or minimum standards are altered.

A Section 173 Agreement has been drafted to indicate that the owners and future owners of the land described as:

- Volume 10617, Folio 974 are responsible for the ongoing maintenance and renewal of the stock grid located at 0.60 km along Swasbrick Road as measured from Mitta North Road.

Compliance with the Section 173 Agreements is required to the satisfaction of the Responsible Authority until such time as these requirements are varied or superseded by a subsequent requirement.

The Agreement is in accordance with the requirements of the Stock Grid Policy and it is the officer's recommendation that the Agreement be signed and sealed.



**CR SCALES  
CR TOLSHER**

**THAT THE CHIEF EXECUTIVE OFFICER BE AUTHORISED TO SIGN AND SEAL THE SECTION 173 AGREEMENT RELATING TO LAND DESCRIBED AS VOLUME 10617 FOLIO 974; WHICH HAS BEEN DRAFTED IN ACCORDANCE WITH THE REQUIREMENTS OF THE STOCK GRID POLICY.**

**CARRIED**

## **21 Confidential**

In accordance with S77 (2) information is 'confidential information' if:

(a) the information was provided to the Council or a special committee in relation to a matter considered by the Council or special committee at a meeting closed to members of the public and the Council or special committee has not passed a resolution that the information is not confidential; or

(b) the information has been designated as confidential information by a resolution of the Council or a special committee which specifies the relevant ground or grounds applying under section 89(2) and the Council or special committee has not passed a resolution that the information is not confidential; or

(c) Subject to sub-section (3), the information has been designated in writing as confidential information by the Chief Executive Officer specifying the relevant ground or grounds applying under section 89(2) and the Council has not passed a resolution that the information is not confidential.

In accordance with Section 89(2) and 89(3) of the Local Government Act 1989,

(2) A Council or special committee may resolve that the meeting be closed to members of the public if the meeting is discussing any of the following—

- (a) Personnel matters;
- (b) The personal hardship of any resident or ratepayer;
- (c) Industrial matters;
- (d) Contractual matters;
- (e) Proposed developments;
- (f) Legal advice;
- (g) Matters affecting the security of Council property;
- (h) Any other matter which the Council or special committee considers would prejudice the Council or any person;
- (i) A resolution to close the meeting to members of the public.

(3) If a Council or special committee resolves to close a meeting to members of the public the reason must be recorded in the minutes of the meeting.

Nil

There being no further business the Mayor closed the meeting, the time being 11.40 am.

Minutes confirmed this ..... day of ..... 2017.

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**Mayor**