



The impact of the freeze to indexation - Case Studies

ALGA has sourced and compiled the following case studies since the announcement of the freeze in the 2014-15 Budget. These case studies provide real examples of the impact that the freeze on the indexation of FAGs is having on Australian councils. The case studies illustrate that:

- the impact of the freeze varies between councils and communities;
- some councils can mitigate the impact of the freeze with rate increases but some are unable to do so due to rate capping;
- most councils have already reduced operating costs to minimum levels and there is very limited opportunity for further reductions to be identified without significantly impacting the delivery of services and infrastructure;
- some councils have already been forced to cut services in areas such as childcare, bike paths, road works, landfill, reduced operating hours for libraries and public pools; and
- there is limited, or no, ability for smaller councils to raise additional own source revenue.

City of Whittlesea, Victoria

The impact of the freeze is a shortfall of approximately \$1.77 million over the next three years compounding in the future should the freeze continue.

Council's total pool of funds available has decreased due to the freeze on indexation of FAGs. This has meant that scheduled capital works have had to be deferred to later years which, in an area of such high growth, is extremely difficult to manage.

Yarriambiack Shire Council, Victoria

Council will receive \$4.755 million in FAGs money in 2015/16. Council had budgeted for \$4.808 million based on the previous years' allocation. So there will be a shortfall of \$53,000 in the 2015/16 budget. Council has previously been very conservative about the increases in grant funding and has generally budgeted for a 2% increase per year on the FAGs funding. Based on the 2014/15 allocation Council's loss of this funding over the 4 year period will be approximately \$300,000.

Yarriambiack Shire Council is heavily reliant on rates and grants, with rates and charges forming 52% of our income budget and grants a further 41%, so our capacity to raise revenue is extremely limited. As a result of the freeze and the proposed rate-capping Council has had to look closely at the services and contributions we provide to the community and as a result reduce spending and make cost savings where possible.

Examples that Council has highlighted as cost savings are as follows:

- Rupanyup Office – Council has maintained a municipal office in Rupanyup since amalgamation. This office in recent years has been managed by 1 staff member who is

about to retire. The pros and cons of maintaining this office beyond 2014/15 have been considered by Council and they have resolved to close the office and therefore not replace the staff member, with the possibility of transferring or selling the building to community groups or individuals or businesses.

- Council in the 2015/16 year will increase rates and charges by 5%. Due to the proposed introduction of rate capping Council has budgeted a 2% rate increase beyond 2015/16. A 2% rate increase will only generate approximately \$160,000 compared to a 6% rate increase which would normally generate an extra \$480,000. This is a decrease in our rate revenue of \$320,000 per year. Over 3 years this is a loss close to \$1 million.
- Contributions & Donations - Council annually provides a contribution to community groups who manage community halls, swimming pools, weir pools, and recreation reserves to assist with maintenance, insurance (where not owned by council) and general upkeep. These increases have historically been higher than 2%. In 2015/16 Council has resolved to only increase the contributions by 2% therefore having an impact on these community groups capacity to continue to maintain the facilities.
- Economic Development – Council previously has had an Economic Development Officer. After a review of this area it was identified that Council could not justify a full time position and as a result the position has been made redundant and the workload has now been absorbed by current staff members.
- Environment and Sustainability Officer - This position was a full time position but after a review of this area it was identified that Council could make savings by absorbing sustainability into the duties of other current staff members and the environment proportion of the position has been reduced to 0.5 fulltime equivalent.
- Plant and Equipment – Council has generally had a very robust plant replacement program. Since the flood events, Council has leased various items of heavy plant to complete the works. To reduce the lease costs Council has endeavoured to find extra savings in our budget by selling off excess equipment and purchasing second hand plant.

Shire of Jerramungup, Western Australia

13% of our FAGs grants is approximately \$153,000 in revenue. To put this into perspective the following items within our budget are the equivalent to the anticipated reduction:

- 1) 1 x Council Gravel Re-Sheet project which would reduce our road re-sheeting programme by approximately 4km;
- 2) 3/4 of the financial assistance which we provide to attract and retain a General Practitioner within our Shire;
- 3) Three footpath construction projects to service our residential areas;
- 4) Our whole rural road maintenance contractor budget each year which backs up our Council workforce to meet winter grading and bitumen patching activities;
- 5) 2 outdoor works staff used to maintain roads or town sites.

Currently our Council has downsized our operations workforce which is directly impacting on service delivery capacity. Two positions which became vacant this year have not been replaced.

In addition we are reviewing all service areas and reducing activities and staff availability for non-critical business such as NRM, Ranger Services and limiting overall external expenditure which will have direct impact on the local economy. To recover the proposed loss of \$153,000 our Council would be required to increase rates by 5% in addition to usual rate increases which cover the costs of inflation.

Livingston Shire Council, Queensland

Livingston Shire Council received \$3.76M in Financial Assistance Grants funding for 2014-15, which has enabled projects such as The Gateway Business and Industry Precinct to commence. This project is of significant regional importance and is expected to bring some 80-100 new businesses to the local area as well as creating 800-1,000 new jobs when fully completed.

The decision by the Australian Government in the 2014 Federal Budget to freeze indexation of Financial Assistance Grants for three years commencing in 2014-15 will result in a cumulative loss in revenue of \$2.7 million for Livingston Shire Council over the three year period from that financial year. This represents a permanent loss in revenue which will negatively impact on Council's capacity to implement job creating projects like The Gateway as well as negatively impacting on Council's ability to provide services and infrastructure to the broader community.

Falling levels of Financial Assistance Grants threaten the provision of important services for all local communities not just Livingston and ensuring financial sustainability of local government is of the utmost importance if those communities are to continue to thrive.

City of Greater Geraldton, Western Australia

This year the loss equates to around \$175k based on 3% indexing. The cumulative impact over the three year period would be around \$1m.

Given a combination of reduced grant funding from the Commonwealth and State Governments over the last two years, the requirement to increase renewal funding on our aging assets and ratepayers sentiment to reduce rate increases, the City of Greater Geraldton has had to reduce expenditure levels which has resulted in an organisational restructure that has reduced our number of FTE's from 358 to 312 to produce estimated savings of \$2.7m. A further estimated \$1.6m is expected to be trimmed from the City's operating budget in 2015-16 to allow us to redevelop a LTFP that allows for growth, sustains service levels and allows for the City to generate enough funds to renew assets as they wear out.

Diamantina Shire Council, Queensland

It is estimated that the Diamantina Shire Council will lose as much as \$1,122,420 by the time the freeze ends in 2017-18. This comes on top of the changes to the NDRRA guidelines

whereby Council will not be reimbursed for day labour or plant hire costs and reduced expenditure by the Queensland Government on upgrading Main Roads within the shire. The current drought conditions mean increased costs for Council when undertaking road maintenance due the extra need for water in the process and the greater cartage distances to water sources.

Diamantina Shire has limited options for revenue raising with a low general rate revenue of \$610,000 and the loss of FAGs indexation equates to 1.84 times our annual net general rate collection.

With a shire population of 300, Council has a very small rate base and this is compounded by the fact that Council owns or controls 80% of property in Bedourie and Birdsville. Council's ability to increase general rates to make up the shortfall is unrealistic, as it would need to increase rates by 61.5% to cover the shortfall. This is significantly more any other council in Queensland and demonstrates our reliance on the Financial Assistance Grant to provide services to our residents. This has obvious impacts on our ability to retain employees as Council will be reviewing the services that it provides due to a constrained budget.

With Council being the biggest employer in the shire this will impact across the whole Diamantina Shire community.

Being in a very remote area of Queensland means that the cost of living is high for residents and the cost to Council to provide services is significantly more than almost all other councils.

Burnie City Council, Tasmania

The Financial Assistance Grant for Burnie City Council for the 2014/15 year is \$2,522,257. The grants represent 7.2% of Council's total operational funding source.

In order to be financially sustainable, Council must set appropriate levels of tax to adequately fulfil its roles and responsibilities. Council is not immune to the pressures being faced by ratepayers and other levels of government and has increasing costs and pressure on income streams.

A freeze on Financial Assistance Grant income has a direct impact on the level of rates set by Council. The revenue lost is equivalent to around 0.5% of an increase in the general rates for Burnie each year. The impact of the freeze on general rates over the 3 year period has been 1.5%.

The Burnie City Council is recognised as one of the higher rating Councils in the state. The Auditor General's recent findings support this proposition. The issue for Burnie is the provision of regional facilities with a small population base in comparison to the bigger cities in Tasmania.

Budgets in recent years have been challenging due to the economic environment and the desire of Council to reduce the rate burden to the community.

Over the last 2 years, significant operational adjustments have been made with the aim of reducing rates. The efforts however have merely contained rate increases to equivalent to or less than CPI.

Operational adjustments made include the consolidation and reduction of services provided to the community, including changes to the Makers workshop operations: exiting child care operations; and winding up non-profitable controlled entities. The operational changes at the Makers' Workshop reduced Council's annual recurring operating costs by some \$200,000 per annum. The net cost to Council of delivering the child care operations for the 2013-14 year was \$63,648.

Council's ability to continue with cost reductions without significantly impacting services is limited. A continued freeze on the Financial Assistance Grants would place significant pressure on Council's budget and rates would result in an increase in rates of greater than CPI which would be a very poor outcome for the Burnie community who already pay a high level of rates in comparison to other municipalities.

Murweh Shire Council, Queensland

Council revenues in small communities are very restrictive due to the small population base and limited diversification opportunities. There is greater reliance on government assistance to provide many of the fundamentals that communities expect in today's environment.

The decision not to enable the indexation increase on local government Financial Assistance Grants will cripple this local government with expected loss of revenue of over \$2.5M by the time the freeze ends in 2017-18. Inevitably this will see a downturn in both council employment and fundamental lifestyle initiatives including improvements to council halls, libraries and even important upgrades to our water and sewerage infrastructure.

Most rural and remote Councils in Queensland are currently facing increasing economic pressures through the rural economic downturn and severe drought conditions and this decision only exacerbates an already volatile situation.

South Burnett Regional Council, Queensland

Council in 2014/15 received \$7.1 million in FAGs funding which was invested in essential community infrastructure and services ranging from local roads, parks, swimming pools and libraries. With the indexation freeze in place, the Australian Local Government Association (ALGA) estimates that the South Burnett Regional Council alone will lose as much as \$2.7 million by the end of the freeze in 2017/18.

Without this funding to sustain a level budget, South Burnett Regional Council will be required to increase rates and/or to reduce vital services that Council currently provides to the South Burnett Region. The breakdown of this implication to Council over the indexation freeze period and years beyond the freeze is outlined below.

- Potential general rate increase of 12.1%;
- Staff reduction of 28 - 30 full time equivalents;
- Closure of community facilities such as libraries and pools;
- Reduction of repairs to local roads; and
- A general impact on the sustainable delivery of services.

South Australia

Council	operating revenue 2012-13 \$000	Estimate FAGs 2014-15 \$'000	Approximate Loss as a result of 'pause' in FAGs indexation			Combined loss over 3 years \$000	201 loss % Cou 201 oper reve
			2014-15 \$000	2015-16 \$000	2016-17 \$000		
District Council of Cleve	\$4,159,000	\$1,325,000	\$ 54,000	\$118,000	\$ 172,000	\$ 344,000	4.1
Flinders Ranges Council	\$4,071,000	\$1,511,000	\$ 62,000	\$134,000	\$ 196,000	\$ 392,000	4.8
DC of Franklin Harbour	\$3,274,000	\$1,281,000	\$ 53,000	\$114,000	\$ 166,000	\$ 333,000	5.3
DC of Karoonda East Murray	\$4,000,000	\$1,552,000	\$ 64,000	\$138,000	\$ 201,000	\$ 403,000	5.0
DC of Kimba	\$3,464,000	\$1,312,000	\$ 54,000	\$116,000	\$ 170,000	\$ 341,000	4.9
DC of Orroro	\$3,078,000	\$1,229,000	\$ 51,000	\$109,000	\$ 160,000	\$ 319,000	5.2
Carrieton	\$4,423,000	\$1,584,000	\$ 65,000	\$140,000	\$ 206,000	\$ 411,000	4.6
DC of Peterborough	\$6,367,000	\$ 135,000	\$ 6,000	\$ 12,000	\$ 18,000	\$ 35,000	0.3
Wudinna District Council	\$4,166,000	\$1,628,000	\$ 67,000	\$144,000	\$ 211,000	\$ 423,000	5.1
TOTAL	\$37,002,000	\$11,557,000	\$475,000	\$1,025,000	\$ 1,500,000	\$ 3,000,000	4.1

Frankston City Council, Victoria

The freeze on indexation has seen Council's grant fall from a level of \$8.68 million in 2013/14 to the recently announced amount of \$8.54 million for 2015/16.

This grant represents almost 6 per cent of Council's total revenue base and is important in recognising the increased costs that Frankston City Council faces in providing services. These same services that the grant supports have annually increased by approximately 4.5 per cent for Council to continue to provide year on year. The reduced level of funding of \$148,000 therefore actually represents a loss against providing these services in real terms of over \$1.0 million over the two years – and with a third year of the freeze remaining.

To date Council has eliminated its services for Before and After School Care, Vacation Care and has recently made the decision to move away from Family Day Care services. Council is currently considering closure of customer service centres on weekends. Council has also been able to transfer the loss of Financial Assistance Grant income into the annual rate increases.

The more difficult scenario for Council will come next year with the implementation of a rate cap – and then Council will need to determine more globally what reductions to services will occur.

Shire of Mukinbudin, Western Australia

Current Budget for 2014/15 was pruned back to accommodate the reduced FAGs payment not being indexed.

The 13% reduction from the freeze equates to \$210,600 over the 3 years . The Long term Financial Plan adopted 2 years ago made an assumption that its FAGs payment would be indexed at 3% per annum. This equates to a 22.5% rates increase over the three years, over and above any normal rate increase, if Council decided to pass on the loss of revenue to the Ratepayers.

The Shire of Mukinbudin has had to postpone essential roadwork projects planned in its Long Term Financial Plan for the next three years due to the freezing by the Federal Government of its indexation of its Financial Assistance Grants.

Council has decided not to pass on the loss of income by not increasing its rates due to the fact that the area has suffered several years of low rainfall/drought conditions.

Major building projects such as stage 4 of the Swimming pool rebuilding project and 80th anniversary Town Hall capital works have also been postponed.

City of Logan, Queensland

The Federal Government's decision in the 2014 Federal Budget to freeze the indexation of Financial Assistance Grants for three years, beginning in 2014–15, will cost Australian councils an estimated \$925 million by 2017–18. Using a projected, yet conservative indexation rate of 2%, this freeze on indexation could equate to a loss of vital revenue source of approximately \$1.3 million over three years for Logan City Council.

Falling levels of Financial Assistance Grants threaten the provision of important services in all local communities and in turn places additional burden on Council's existing rate base. This grant program has assisted Logan City Council in delivering much needed community infrastructure and services including, but not limited to, sport and recreation facilities; safety cameras; parks and playgrounds; pavement rehabilitation; and maintaining local roads.

Mildura Rural City Council, Victoria

Financial Impact – 2014/2015: \$ 570,537 or 0.96% of Rates and Charges

Financial Impact – 2015/2016: \$ 976,856 or 1.59% of Rates and Charges

Financial Impact – 2016/2017: \$1,597,514 or 2.49% of Rates and Charges

Financial Impact – Cumulative: \$3,144,908

This is based on Council's Long Term Indexation Average of 4.30%

As the Financial Assistance Grants Scheme is provided on an 'untied' basis, Mildura Rural City Council does not apply the 'general purpose' funding to specific services, projects or facilities but treats it more like general revenue. Consequently, the impact of the freeze is felt or borne by ratepayers as service levels have not been reduced as a result of the freeze.

Where the 'local roads' funding is concerned, no reduction in service levels (maintenance regime) has been implemented in the 2014/2015 or 2015/2016 budgets therefore ratepayers also bear this additional burden. Future budgets although may dictate that service levels may be required to be reduced which will place even greater pressure on Council's already ageing infrastructure. Mildura municipality covers nearly one tenth of the state of Victoria and Council is responsible for maintaining a road network of over 5,200 kms so any further deterioration of that network will have a severe impact on both Council's ability to deliver services and the community's ability to access them.

Shire of Goomalling, Western Australia

The FAGs freeze severely impacts this Council to continue to provide a General Practitioner (Doctor) to the Shire and surrounding shires and beyond. More than 50% of patients are from outside of the Shire of Goomalling and do not pay any additional payments other than Medicare. Currently the practice loses around \$85,000 per year and the increase in FAGs assists Council to offset the loss. The only way Council manages this impact is to cover the costs by rates. The loss is distributed amongst all of our ratepayers. Council is disappointed with the Federal Government's plan to free the indexation of FAGs.

Shire of Merredin, Western Australia

Over the term of the freeze it is estimated that it will result in a reduction of \$635,000.

This equates to an increase of 19.30% in rates should Council not resolve to defer projects or reduce service delivery levels; the latter being the expectation.

In real terms it is estimated that the freeze will defer Council's road resealing program by 23km's.

Bass Coast Shire Council, Victoria

Using the more historic average increases that would have been applied to the Financial Assistance Grants, our estimate is that the Bass Coast Shire will be cumulatively worse off by \$1.836 million at the end of the "pausing in indexation" period.

In simple terms, Council has been forced to make a choice between reducing the level of services and increasing rates at a higher level than would otherwise be the case. These choices have meant balancing things like not mowing local parks, reducing community grants programs, reducing the opening hours of waste transfer stations, customer service centres and libraries with the impact of rate increases on the hip pocket of ratepayers.

Bass Coast Shire has made the choice to increase rates by any additional 1% to compensate for the “pausing of indexation”. This has also increased the level of anger in the community over the level of rate rises and no matter the explanation provided, Council wears the flack. This will cease to be an option for Council once “rate capping” is introduced and services will have to be cut.

Northern Grampians Shire Council, Victoria

The freeze will have a \$485,000 impact on councils Budget. The freeze has impacted on both asset renewal and service delivery. In the area of asset renewal the road resealing budget was reduced. In service delivery Council reduced the availability of childcare.

Shire of Mundaring, Western Australia

The financial impact is that the Shire is about \$330,000 worse off over the three years. This is because we are still delivering all our services and have not deferred any project including for roads and bridges (untied), with the main impact is the pressure on rates.

Southern Grampians Shire Council, Victoria

The freeze will have a \$1,431,903 impact on council's Budget. A major impact is the reduction to the capital works capacity across a number of key strategic projects listed in the Long Term Financial Plan. Council has also embarked upon a savings program which will be incorporated through the Service Planning Review process. While service costs have been reviewed and reduced across the breadth of services for 2015/16 budget; more significant cuts or reductions will need to be delivered in future years.

Shire of Irwin, Western Australia

The Shire of Irwin is experiencing a general decrease in the Grants Commission Grant for the each year irrespective of the indexation freeze.

However using the base grant that was received in 2013/14 of \$312,396, and a 13% loss due to that freeze, the reduction in income would amount to \$40,611 over three years. This equates to almost 1% of rates and whilst the grant is generally used to fund operational requirements such an amount would enable a reasonable community project to be undertaken.

Whilst the freezing of the indexation of the Grants Commission Grant has not resulted in a reduction of community levels of service, Council has determined that additional rates income needs to be raised to compensate for that loss. Essentially income has transferred from being borne by the taxpayer to ratepayer.

Shire of Broome, Western Australia

As Broome has already had a reduction over the last 2 years, we did not have our General Purpose FAGS impacted last year. We will be impacted in 16/17 by the indexation freeze when we are due to no longer receive a reduction.

We have lost approx \$35,000 p.a in the roads component.

Overall, it appears that it is difficult to forecast the cumulative impact. At a best estimate, it looks like we will be impacted approx \$200,000. (1% rate increase).

The Shire of Broome has had a loss in FAGS over a three year period that has already had significant impact on the shire's financial sustainability. The further loss of funding through the index freeze was not forecast in our Long Term Financial Plan and will impact service delivery further.

The Shire has just completed an organisational restructure that has seen 15 positions made redundant. New and upgrade projects have been reviewed and minimised and are heavily dependant on external funding. Funding allocations to renewal do not currently meet our desired levels.

The indexation will mean further scrutiny of human resources over the next few years and potentially the inability to fund and deliver priority projects and/or a rate increase to cover the loss of projected funds.

This will impact on the Shire of Broome as it will be impossible to provide the same level of services and achieve its strategic direction utilising the same resources without adversely impacting rate payers.

The loss in grants currently equates to a 2.5% rate increase.

North Burnett Regional Council, Queensland

Financial Assistance Grants (FAGs) from the Commonwealth Government are an integral part of North Burnett Regional Councils (NBRC) budget, making up 32% of our annual income.

FAGs funding is currently not keeping pace with demand for services and infrastructure in local community, and a three freeze of indexation will worsen this situation leaving NRBC with a shortfall that will further hinder economic development in our already financially pressured region. Modelling undertaken by LGAQ and ALGA shows an expected loss of \$4.2 million for North Burnett Regional Council over the three years of the freeze.

Indigo Shire, Victoria

At the time it was announced, the freeze on indexation was projected to cost Indigo Shire \$1.05 million over the 4-year SRP horizon. For the current 2015 financial year the freeze has cost approximately \$100,000, which is the equivalent of around 1% of rates.

Indigo Shire has worked hard to absorb the impact of the freeze without impacting the provision of services to the community. This has been mostly achieved for the current and upcoming budget year; however the freeze was a large part of the reason for Council's inability to reduce the rate increase to CPI (as per the Minister for Local Government's

advice to Councils). Currently council is expecting that the FY16 rate increase will be 4.5%, and without the indexation freeze it is possible that this may have been 1% to 2% lower.

Indigo Shire has not yet fully balanced the long-term impact of the indexation freeze and work continues to develop a balanced long-term financial plan that takes into account this permanent lowering of the assistance grant. Council is currently looking at a number of service areas that are more 'discretionary' or more closely aligned to state and federal government's responsibility. Examples of recent discussions are; support for local SES units, provision of crossing supervisors, and HACC. Whilst no firm decisions have been made, Council will need to address these long-term

Shire of Katanning, Western Australia

2014-15 ≈ \$60,000

2014-15 ≈ \$120,000

2014-15 ≈ \$180,000

Total ≈ \$360,000

This will be embedded in perpetuity without a one-off catch-up at the end of the indexation freeze.

Rate base ≈ \$3.2m therefore approximately 1.8% of last year's rate increase was attributable to replacing lost FAGs. It is expected similar proportions of 2015-16 and 2016-17 increases will be required to replace lost FAGs as the Shire has little capacity to manage through reduced services and has to maintain co-contributions to funded projects.

Moira Shire Council, Victoria

The impact of freezes to grants will mean Council will have less funding available to provide services and projects for its community. All of Council's costs are rising, and by more than CPI.

Council predominantly purchases labour and construction materials. Labour is the primary cost in delivering many services. Construction of roads and buildings comprises another major area of Council expenditure.

The cost of construction is rising more than CPI. Rawlinsons, a widely used system for calculating construction costs, indicates in Edition 33 2015 of the Australian Construction Handbook that construction costs in Melbourne are rising more than the CPI, and have been since 2007. Costs in regional areas are subject to greater rises also documented in the Handbook.

Labour costs are also rising and greater than the CPI. The following provided from "Forecast Growth in Labour costs in Victoria" Report prepared for the AER 28 May 2012, by Deloitte Access Economics, predicts growth at approximately 4%.

If funding is frozen the net loss is between 3.5 and 4% available to spend. The total loss is \$1M over the period.

Less funding will affect the budget primarily, or firstly, or in the short term, by reducing the amount of Capital funding. This is the area that Council has control of and can change without adversely affecting the services that are normally provided to the community. Reasons why Capital is affected firstly are;

- Many services are provided by Contract, in which case there will be a provision for the Contractor to raise prices, and no practical provision for Council to reduce costs.
- Other services are provided by staff as employees of the Council. Staff costs are related to enterprise agreements and other legislation. All of these agreements and Contracts have provisions for rises in costs.

Council’s Capital budget is approximately \$11.5 M. The loss of \$1M together with a rise in costs over the period will mean a net loss of more than \$2M in Council’s ability to fund Capital Works.

It is anticipated that some key Capital Works programs will need to be deferred due to the freeze. These are likely to impact on the provision of Community Facilities and provision of essential works to provide for high growth centres.

Mitchell Shire Council, Victoria

2015/16	\$127,900
2016/17	\$263,500
2017/18	\$407,000
2018/19	<u>\$559,000</u>
Total	<u>\$1,357,400</u> (over 4 year life of the SRP 2015/16 to 2018/19)

The freeze in Financial Assistance Grants reduces the cash available from operations that goes towards the funding of asset renewal capital works. With the Shire’s growing population, there is increased pressure to create more infrastructure assets to serve our growing community. Which puts additional stress on the funding available for renewal of Council’s existing assets. This in turn results in a greater focus on borrowing as a means to fund the capital works program. Council is already working towards providing more with less resources in order to improve our financial sustainability into the long term.

Murrindindi Shire Council, Victoria

Council’s total allocation under the Victorian Grants Commission for 2014/15 is \$4,309,791, which is \$92,421 (2.1%) less than the amount budgeted for 2014/15 of \$4,402,212. Council’s 2014/15 budget was prepared on the assumption of a 2.5% indexation increase, however as final confirmation of this was not received until August 2014, Council’s budget had already been adopted at this level. The expectation of the impact on Council’s total revenues over the years up until 2017/18 is further impacted by the compounding effect of not having this value indexed on an annual basis to cover inflationary pressures. As such, it is estimated that the total lost revenue to Council over these three financial years will be \$610,180. If Council were to attempt to recover these funds from ratepayers over the same period, with

no change to its service delivery model and capital works program, it would need to raise rates by an additional 2.35% to generate the same amount of revenue to cover the shortfall now caused by the indexation of the Commonwealth Grant Funding.

Grants Commission funding contributes more than 14% of total revenue to Council, so any impact is felt significantly by small rural Councils like Murrindindi.

The Council has managed the funding freeze during 2014/15 through diligent budget management throughout the year to absorb the shortfall across its operational budget. There has not been the need to reduce service levels or adjust the capital works program as a direct consequence of the freeze.

Murrindindi Shire Council has a well acknowledged infrastructure funding challenge following the 2009 bushfires. With more than \$33 million of new and gifted public infrastructure now requiring ongoing maintenance, operational and renewal funding at an average additional cost of \$1.76 million per annum, any freeze of indexation of the Financial Assistance Grants only makes it more difficult for Council to meet its ongoing funding challenges.

Corangamite Shire Council, Victoria

	14-15 Forecast	15-16 Budget	16-17 SRP	17-18 SRP	18-19 SRP
Annual Impact	1,657	(173,750)	(371,522)	(417,757)	(466,257)
Cumulative Impact	1,657	(172,093)	(543,615)	(916,373)	(1,427,630)

Council has undertaken a combination of the following measures:

- Limiting new capital expenditure
- Deferral of (some) capital expenditure for renewal purposes
- Reduction in new initiatives
- Focus on identifying alternate income sources
- Reduction in recurrent operating costs
- Review of staff vacancies as they arise

Parallel to the above measures Council has embraced this as an opportunity for cultural change through the encouragement of innovation and learning. This has resulted in additional productivity gains and recurrent savings as a result of the efficiency measures identified.

Additionally, Council has also committed to shared services at a regional and state level where it is economically beneficial.

Shire of Nannup, Western Australia

It simply means that Council will have to source the loss of revenue from ratepayers over the period of the freeze.

Raising rates on or around CPI is normally acceptable however, adding an additional 3 – 4% for the loss in FAG's indexation places an undue burden on Council and its ratepayers in providing the expectation of services.

Current and proposed project costs will be borne totally by the ratepayers over this period. Maintenance costs have been removed from budgets, ultimately being that life expectancy of assets is reduced. Contributions to reserves are reduced which will result in planning for future projects/costs not being achieved. Reduction in service levels as a result of the above points.

Golden Plains Shire, Victoria

The cash impact for 2014-15 is estimated to be \$130,000. Depending on the assumed growth rate in funds without a freeze, the impact over three years could be in the order of \$1.5m in today's terms. Also, there is a permanent 11% reduction in the Base ongoing which equates to approx. \$650,000 pa or 4% of rate revenue.

Due to community pressure resulting from the publicity regarding the impending Rate Capping System, Council has not increased rates to compensate for the loss of FAGs funding.

This has an effect of reducing service levels and minimising staff increasing to meet increasing service demands. Examples are reductions in allocations for roads and community infrastructure maintenance (increasing the infrastructure gap) and deferral of \$200,000 in capital works for 2015-16.

Glenelg Shire Council, Victoria

The freeze to the indexation of Financial Assistance Grants over the immediate and short term period will mean that we are not able to commit to providing some major capital works projects to the Community that we otherwise may have been in a financial position to do so. As the freeze is for a three year period it is with conservatism that we would commence some capital projects due to the unknown nature of grant funding beyond that period.

As Council will be in a position of bearing some operational and capital costs that historically we have not needed to, the need to conduct service reviews is heightened. It will also result in the deferral of projects. We have also needed to forgo some new initiatives in our budget process due to the financial constraints of this economic environment.

East Gippsland Shire Council, Victoria

The impact on Council's 15/16 budget is approximately \$550,000 less than if Council had been receiving indexing at 2% pa. The impact of the indexation freeze, using a 2% CPI, over the three years is approx \$1.67 million.

Council has reviewed its asset renewal program and reduced it slightly as well as building in a 1% rate increase to ensure Council's level of working capital remains at required levels. Council has endeavoured to ensure that the level of service to the community remains the same at this point in time.

Wangaratta Rural City Council, Victoria

This year 15/16 the impact will be \$164,377. The cumulative three year impact \$1,002,800. Wangaratta Council has reduced renewal expenditure in the 2015/16 year to accommodate the reduced income.

In future years Council will further reduce its renewal expenditure to accommodate the cumulative impact of the freeze on indexation.

City of Bunbury, Western Australia

Financial Assistance Grants in 2014/15 for the City of Bunbury equal \$1,550,369 which is made up of \$851,355 for Special Road Works and \$699,014 of General Purpose Funds.

The loss of indexation will mean the loss of around \$331,000 over the next 3 years.

FAGs are absolutely essential to allow the City to provide a reasonable level of service and infrastructure to our residents. These grants are used to maintain a great range of infrastructure including local roads, bridges, parks, swimming pools, libraries and community halls as well as services to the young, the elderly and community groups of all kinds.

The Government's decision will have a major impact on local services and infrastructure.

The loss of indexation of approximately \$331,000 over the next 3 years may see an increase to the City of Bunbury ratepayers to cover these funds or would require Council to further reduce expenditure by an equivalent amount. If the latter is required, any reduction in expenditure is seen as a reduction in services to our community or the effective management of essential infrastructure assets.

City of Darebin, Victoria

For the 15/16 budget, Darebin has a shortfall of \$302,000 compared to our budget estimate based on previous years' allocations. This has an impact on our surplus. The estimated loss over the 3 years is \$1,016,763, which equates to around 7%.

Council has maintained consistent rate increases at 5% based on our long-term financial plan. We've managed the impacts of the freeze through efficiencies across the board and by ensuring that fees and charges rise appropriately each year. To avoid a direct impact to our core services (such as opening hours) we have absorbed the shortfall through efficiencies and a reduction in funds available for new initiatives and projects each year.

West Wimmera Shire Council, Victoria

The impact of the freeze is over \$132,000 in the current year with the three year impact being \$407,000.

Some examples of how this has impacted on council operations include:

1. Council was forced to postpone renewal of infrastructure projects to offset the impact. This will leave Council with unsustainable infrastructure for future years.
2. Increase the fee for some essential services like kindergartens by over 30%
3. Proposed cap on wage increases and staff entitlements over the next 3 years
4. No seed funding on any major capital projects over next 4 years

Maroondah City Council, Victoria

The impact for 2014/15 year is a reduction in funds of \$203,000. The impact over the following 3 years being 2015/16 through to and including 2017/18 is a combined reduction of \$1.389m.

The cumulative effect over the 4 years amounts to \$1.592m. The long term effect over the 10 years of our Long Term Financial Strategy is \$5.604m.

By the year 2016/17 the reduction amounts to approximately a half a percent of rates just to maintain income levels.

Some examples of how this has impacted on councils operations include:

- Deferral of capital infrastructure expenditure particularly drainage
- Realignment of staffing responsibilities and reorganisation of directorates
- Scaling down of major project being the REALM facility
- Review of all grants and subsidies to evaluate the possibility cost shift in the future
- Review and evaluate all services provided to the community for possible reduction.

Monash City Council, Victoria

The Monash community will be \$900,000 worse off (over three years) as a result of the federal government's cuts to Financial Assistance Grants to local government. This represents a significant departure from the previous bipartisan approach of Financial Assistance Grants being increased annually so as to at least take into account price movements and population growth so that the real value of the grants is at least maintained.

This decision will mean that Council will be \$900,000 worse off over the three years (2014-17) and \$1.4M over the course of the current 4 year financial plan. Coupled with rate capping, which is being imposed on Victorian Council's in 2016/17, the long-term effect of the Financial Assistance Grants freeze may force Monash to cut services or run down assets as a result.

City of Armadale, Western Australia

If the funds are frozen over the next three years we will potentially lose income of up to \$550,000.

These funds represent a significant amount of the City's total revenue which allow us to provide new and renewed infrastructure and services for our growing community.

Without this assistance the City would need to increase rates by nearly \$100 per year, per household to maintain the current levels of service we provide.

Some of the projects which were assisted through the aid of Financial Assistance Grants include Jull Street Mall Reactivation Project, Public Art Policy, Urban Forestry Strategy and Parks and Civil Maintenance works.

City of Bayswater, Western Australia

The freeze to FAGs may reduce community service levels and maintenance of infrastructure and cumulatively rates levels will be determined and take into account reduced FAGs with a commitment to financial sustainability. The City is also reviewing its corporate strategic plans and services to ensure they are relevant and accessible.

In 2014-15 the rates increased by 3.8%, this took into account the reduced FAGs. This grant is a vital source of revenue for the City that is used to fund the maintenance of infrastructure, including roads and provide community services. As such it is imperative this grant funding be indexed each year to ensure the relative value is maintained.

Banyule City Council, Victoria

The implication of freezing the indexation of Financial Assistance Grants (FAG) is significant to Banyule City Council and a further reduction from the existing grants is compounding the impact for the Council over the next three years.

For Banyule City Council, the shortfall from the freezing the indexation of FAG is \$592,000 estimated based on 2014/15 forecasted Victoria Grants Commission (VGC) Grants and an indexation of 13% over the next three years.

In addition to that, Banyule's 2015/16 VGC grants will be cut by \$180,000 compared to what Council received in 2014/15 financial year according to the latest released indicative estimation from the Department of Environment, Land, Water & Planning. Banyule City Council was advised that the factors affecting the 2015/2016 allocation is due to several changes to the grant allocation model. The negative impact on an individual Council is proposed to be capped at 4% for both general purpose grants and local road grants. The impact to Banyule City Council was at the 4% cap. If this is a consistent trend to be expected over the next three years, the total shortfall to Banyule City Council by 2017/2018 would be \$523,000.

Overall, Banyule could potentially experience a shortfall of approximately \$1M over the next 3 years from the combined non-indexation of the FAG and from the VGC grants allocation methodology.

The federal funding cuts to FAG have had a massive negative impact on Council's day-to-day operations. This year alone Banyule has been required to find additional permanent savings from operating budget to compensate the \$150,000 VGC grant budget shortfall.

Further cuts to the 2015/2016 operating budget - across all expenditure activities - were required to meet not only the shortfall in funding from FAGs but also to allow for a capital expenditure plan consistent with our 4 year Strategic Resource Plan (SRP).

Although Banyule has been able to reduce expenditure to compensate for the freeze in the short term, the impact will be evident over the next few years as we have committed to a substantial capital plan, and the reduction of funding (from Government and with rate capping) will impact on the future service delivery to the community.

Shire of Collie, Western Australia

Council has already suffered from the revision in methodology in distributing grants (from grants commission) resulting in approximately \$800,000 loss over last 4 years.

This has a real impact on Councils ability to deliver services, particularly so far a community such as Collie where there is little growth in the rates base.

Measures to be determined for 2015-16, however Council will give consideration to the following cost saving measures:

1. review of maintenance of sporting facilities
2. opening hours of Council facilities
3. reduction in road works program
4. increase in rates.

Council will be making its own submission to the local Federal member and the Australian Government.

Swan Hill Rural City Council, Victoria

Year 1 (2014/15) = loss of \$176,000

Year 2 (2015/16) = cumulative loss of \$312,000 (estimate)

Year 3 (2016/17) = cumulative loss of \$500,000 (estimate)

Resulted in a higher rate rise in years 1 (0.85% approx.) and Year 2 (0.65% approx).

Due to Rate Capping, we will not be able to increase rates in 2016/17 to offset the loss of indexation of FAGs so, Council will be conducting a Service Review and a Review of Fees and Charges over the next 12 months.

As part of the preparation for the Federal Govt Aged Care Reforms and due to loss of FAG indexation and Rate Capping, Council has already decided to progressively reduce HACC

Hours so that the service is fully funded from Grants and User Charges from 2017/18. The progressive reductions commenced in January 2015.

Moonee Valley City Council, Victoria

Moonee Valley City Council is a minimum grant council. Council has been negatively impacted by the decision to freeze indexation of Financial Assistance Grants. To ensure a financially sustainable budget, Council investigates alternate sources of income, in particular non-rate income to ensure programs, activities and services essential to the needs of our community are met. Moonee Valley City Council actively advocates for grant funding across all levels of government to ensure continued investment in vital community infrastructure.

Moonee Valley City Council is committed to prudent financial management. With a strong focus on continued efficiencies and significant work undertaken on service planning, Council's Proposed Budget 2015/16 provides for a total increase in rates of 5%. With a significant reduction in the garbage charge as a result of effective service and contract management, it is proposed the median residential property will see a 3.57% increase in their rates and charges (excluding Fire Services Property Levy).

Shire of Manjimup, Western Australia

The Shire of Manjimup like most rural Local Governments is heavily reliant on grant funding. In the Shire of Manjimup's 2014/15 adopted budget, grants make up 37% of the Shire's overall income. Operational grants and particularly FAG's is an important source of funds to help subsidise the costs of general operations. This funding helps Council to direct important resources to renew aging building and road infrastructure assets. The Shire of Manjimup services ratepayers across a 7,028km² with 1,332km of roads of varying types, and buildings across 4 towns and 5 settlements.

Costs across the majority of functions within Local Government increase each year, particularly in the area of wages. With the freeze to the indexation there will be a significant reduction in funding available to distribute to all areas, this will more than likely see an increase in rates, or a reduction in funding the renewal of important assets. The cumulative effect of the freeze for 3 years is approx \$368,000 or an extra rates increase of 1.6% per year to rate payers

Asset renewal is the most significant issue affecting all Local Governments in rural Australia, any freeze which essentially is a reduction in funding, has a direct affect on asset renewal and ultimately the sustainability of rural local governments.

Council have considered this issue seriously and at the meeting 7 May 2015, Council of the Shire of Manjimup passed the following resolution:

That Council:

1. Acknowledges the importance of federal funding through the Financial Assistance Grants program for the continued delivery of Council's services and infrastructure;

2. Acknowledges that the Council will receive \$3,965,737 in 2014/15; and
3. Will ensure that this federal funding, and other funding provided by the Federal Government under relevant grant programs, is appropriately identified as Commonwealth grant funding in Council publications, including annual reports.

Council is finalising the 2015/16 budget, because of this reduction greater pressure has been put on Council's forward capital works program. The projects contained within this program are those identified with high need and are essential for our community to grow and prosper. Whilst a reduction in these projects is likely Council will still need to increase rates to cover the loss of income. This may see an increase of rates of up to 1.5% to cover increasing costs.

Horsham Rural City Council, Victoria

Our Council has estimated the impact of the freeze to be around \$150,000 each year (approximately) so over the 3 year period the impact will be between \$900,000 and \$1 million (based on estimated CPI increases of 2.4% indexed over the 3 years so around 7.5% for the 3 year period).

The ongoing impact is possibly in the order of \$500,000 if indexation is restored but the base not adjusted.

It is difficult to calculate the impact with certainty other than estimates of CPI. It is also further complicated by the National Principle where the minimum grant needs to remain at 30% when the base has been frozen. The minimum grant principle means that some Councils will in fact receive increases over this freeze period to the detriment of all those that are not on the minimum. The Victorian Grants Commission has tried to address this with variable capping arrangements but this will lead to distortion and imbalances over time which may require further corrections once the indexation freeze is lifted.

Horsham Rural City Council has treated the FAGs funding as not being tied to any specific items of expenditure. Therefore any cuts to this simply impact on the overall available general sourced revenue and therefore across all areas of Councils operations and rates.

It could easily be argued that each year of the freeze has meant an approximate 0.8% extra rise in rates or a corresponding drop in capital expenditure or tightening of the belt in our service delivery. In reality it is a dynamic process and the reduced indexation has been dealt with by a range of many factors.

In the 2015-16 Budget process Council has largely frozen its expenditure on materials & services at the levels budgeted in 2014-15. At the same time it has not made any reductions in service levels, so effectively you could say we have found some cost savings or efficiencies. Capital works expenditures funded from operational sources have only increased by around 1% and this essentially translates into a reduction in real terms to the capital works projects within the community. Salaries have risen by around 3% in line with our EBA and there have been no reductions in staff levels.

Shire of Cranbrook, Western Australia

Last year we received an increase of \$85,000 from the previous year, assuming we would have received a similar increase this year, the cumulative amount would be in the vicinity of \$255,000

The Council are currently looking at various options which include but are not limited to:

- Increasing charges for community facilities
- Delaying both tourism and heritage projects as Council will not have any contributing/leveraging funds for grant applications
- Minimising operating expenditure
- Reducing service levels
- Increasing rates – the percentage of increase is currently unknown.

City of Greater Geelong, Victoria

The Actual level of Grant funds proposed for 2015-2016 are lower than the actual 2013-2014 grant funds received. Whilst local road funding has increased marginally the general purpose component has reduced. This reduction goes beyond the impact of indexation. Indexing from the 2013- 2014 actual with increases of say 2.5% is equivalent to an extra \$971,737. Instead our Grant has reduced by \$2,986 therefore we are at least \$974,723 worse off.

The impact has been factored into the 2015-2016 budget and forward estimates. There has not been a decision at this stage to reduce service levels but rather to reduce new initiatives in support of Council plan.

City of Wodonga, Victoria

Shortfall of \$0.2 million in 2015/16. Accumulating to \$1.1 million over 3 years, and \$4.0 million over 10-year financial plan.

Has impacted on our capital program with many initiatives having to be curtailed, reduced or deferred. These include programs such as Energy Efficient Lighting, Walking Paths, Cycle paths, Tree planting program, tree audits, landscaping amenity to city, public art, and sustainability projects.

City of Greater Dandenong, Victoria

The freeze on indexation has seen Council's grant fall from a level of \$10.834M in 2013/14 to the recently announced amount of \$10.696M for 2015/16.

This grant represents approximately 6% of Council's total revenue base and is important in recognising the increased costs that the City of Greater Dandenong faces in providing services in a highly multi-cultural environment and to residents who cannot afford to pay market level fees and charges to access various services.

These same services that the grant supports have annually increased by approximately 4% for Council to continue to provide year on year.

The reduced level of funding of \$138,000 therefore actually represents a loss against providing these services in real terms of close to \$1.0M per annum over the two years – and with a third year of the freeze remaining.

No services have had to be cut at this point due to Council being able to transfer this loss of funds into the annual rate increases. Had the grant increased by 4% per annum –that would equate to over 1% of rate increases that would not have had to occur over the two years combined. The more difficult equation for Council will come next year with the implementation of a rate cap – and then Council will need to determine more globally what reductions to services will occur.

Moreland City Council, Victoria

Impact on the 2014/15 budget is \$283,000. The cumulative impact on Moreland City Council for the three years totals \$1.75m.

The accumulated \$1.75m for the 3 years represents 1.58% of rate increase. This is in particular challenging in a rates capping context and adds to the funding gap that Council needs to address.

Shire of Victoria Plains, Western Australia

The Shire of Victoria Plains estimates that the freeze on the indexation of FAGs will reduce the budgeted FAGs for 2015-16 by approximately \$100,000. The Shire of Victoria Plains will require a 4% rates increase annually to make up for the reduced FAGs.

Towong Shire Council, Victoria

The indexation freeze has resulted in the following loss of income for Towong Shire Council:

Year 1 2014/15	\$107,567
Year 2 2015/16	\$218,360
Year 3 2016/17	\$332,478
Total	\$658,405

Towong is one of the smallest Councils in Victoria. A 1% increase to Council's rate revenue only yields an additional \$50,200. The lost income as a result of the indexation freeze is the

equivalent of a 13% rate increase. This would definitely be unpalatable to our ratepayers and given the introduction of the new rate capping regime in Victoria something that is not likely to receive the blessing of the State.

Sustainability has always been a key issue for our Council. We cover a large geographic area with many small towns and communities, we have an ageing, declining population and an extremely small rate base. There is also no opportunity for us to raise additional own source revenue. Over the past five years (prior to the indexation freeze) Council has worked hard to reduce operating costs to ensure our future sustainability. We have been able to take in excess of \$250,000 out of our operating budget through demand reduction, better procurement practices, the implementation of efficiency measures such as shared services and a reduction in staff numbers.

Unfortunately, because we have already done the hard work to reduce our operating costs and to be a very lean organisation the indexation freeze means we either reduce services to our communities or operate with an increasing underlying deficit (which brings our sustainability into question in the medium term). Our Long Term Financial Plan provides financial modelling that demonstrates that Council will run out of cash in 2025 if cuts to services are not implemented.

We have not been able to find enough cuts to services to offset the loss of indexation income in 2014/15 (year 1). The shortfall amounts to \$16,000 and this will have a direct impact on our underlying deficit in 2014/15. The measures implemented in an attempt to manage the freeze are listed in the following section.

Over years 2 and 3 we are looking at further service reductions to reduce the total three year shortfall of \$191,000 including consideration of reductions in the hours of operation of Council's libraries, transfer station / landfill and offices, alternative models for the delivery of kindergarten and other community services, reduced cleaning of public toilets and reassessing financial contributions to local SES units and local events.

Balonne Shire Council, Queensland

The freeze on FAGs places substantial pressure on ratepayers in the Balonne Shire given that inflationary expenditure will need to be matched with increased revenue from Council's own source revenue.

As a small rural shire the impact on Council's rate base is dramatic with the loss of revenue via the freeze is equivalent to a 1.9% rate increase in the first year only. This only compounds every year the freeze is in place locking in a permanent reduction in base funding to local governments.

Operationally this reduction is equivalent to 2 permanent staff members. With existing budget pressure, let alone the important of local jobs in our community, this indexation freeze on FAGs put real pressure on sustaining current service delivery.

Shire of Waroona, Western Australia

The FAG Grant allocations to the Shire of Waroona for the year prior 2013/14 were as follows :-

- General Purpose \$907,391
- Roads \$ 383,05

The freeze in the 2014/15 year impact had the following impact, if a nominal increase is taken into account i.e. If the grant had increased by 2.7%:

- GP \$24,500
 - Rds \$10,343
- Total \$34,843

For 2013/14, this Council 'overcame' the shortfall by not replacing a staff member. This reduced the level of local employment, and reduced the effectiveness of the Council to provide services at the same levels.

Due to other cost increases, and the effects of the WA State Government's 2014/15 budget, the Shire of Waroona also increased its Rates by an extra 1% above that of what was previously included in its Long Term Financial Plan. The extra 1% raised an extra \$34,816 in Rates.

Basically, the overall effects were that "Their problems became our problems".

Following along the same path as stated above, and compounding the calculations, i.e. a further 2.7% increase forgone, then the combined effect would be:

- GP \$25,162
 - Rds \$10,622
- Total \$35,784

Once again, for next year 2015/16, it is being proposed that this Council 'overcomes' the shortfall by not replacing another staff member, and proposing that utilities are cut back, e.g. a number of parks are going back to 'dry' parks, as the reticulated water is to be turned off.

Once again, service levels to the public suffers. This is not a sustainable situation.

For the 2016/17 year, and following along the same path as before, and compounding the calculations, i.e.e a further 2.7% increase forgone, then the combined effect would be:

- GP \$25,841
 - Rds \$10,909
- Total \$36,750

To offset the shortfall, there again seems to be two main options – Not replace a retiring staff member, or to increase Rates by an extra 1%.

- The freeze to FAGs indexation will have a negative financial impact on the Shire of Kondinin in the 2015/16 budget and budgets over the next three years.
- Because of the shortfall, certain projects will be abandoned and there will be a cutback of overtime worked by the outside crew. The impact of the freeze has caused an important heritage project honouring the farming pioneers of the district to be abandoned in the 2015/16 budget.
- Furthermore, we have reduced overtime normally worked by the outside road construction and maintenance crew as well as the gardening crew in order to reduce costs. This is of concern as it is difficult to obtain and keep good workers and earnings are an important part of achieving a stable workforce.

Shire of Bruce Rock, Western Australia

The value of FAGs for 2014/15 for the Shire of Bruce Rock was \$2,242,588. Assuming they would have been indexed by a minimum of 3%, that equates to a cut of \$67,277 in the first year and a total of \$207,948 over three years. This is equal to 17% of our rates base for the year of \$1.20m. In real terms, this equates to a funding decrease which will force us to reconsider our levels of service.

It is likely that we will increase rates by 5% for the second consecutive year, This is well above the rate of inflation in a rural community. We are also being forced to rationalise the levels of service in other areas. Streetlights, for example, are set to increase by 7.5% this year. This is just one example of where costs are outstripping inflation while the FAGs, as a significant part of our revenue base, remain frozen.

Shire of Plantagenet, Western Australia

The annual impact on the Shire of Plantagenet is around \$50,000 per year. This is significant for a small rural council and equates to around 1% in rates. The Council has decided to absorb the burden and is continuing with the premise in its Long Term Financial Plan to adopt a rate increase of around 1% above CPI. So the impact will be felt across the board. There is no intention to cut services, however planned staffing increases will probably be delayed and additional workloads retained as is.

Hume City Council, Victoria

The estimated Total impact of the freeze over the 4-year period is \$4.227m. This is based on the 2014-15 VGC allocation of \$12.894m frozen for the four years compared to an expected increase in the allocation of an addition 4.5% per annum, inclusive of increased pool funding and growth

No projects have been identified as requiring deferral at this stage due to the freeze on VGC Indexation, however the impact of \$4.227m cumulative over four years is equivalent to 0.4% of Rates and Charges per year.