

FinPro Member Update – Edition 14, 2021

Hi Members,

Included in this member update are results of our recent survey in relation to the 2021/22 Budget and related topics. We sent this survey to the most senior finance role in each Council and were pleased that 58 Councils have already responded. The data shows that 93% of Councils are expecting to raise rates per the State Government rate cap and that the challenges in the development of the budget included COVID impacts, lower and compounding impact of the rate cap, the implementation of the LG Act, finance staffing resources and the required induction and implementation of new Councillors. We hope you find the information useful and we will be sharing it with key agencies and each Council CEO. If your council is yet to respond to the survey, we welcome a response at your earliest convenience.

We will also utilise the feedback for planning for our Professional Development days and ongoing webinars, with the FinPro Executive meeting next Friday to plan out the remainder of 2021. Doesn't the year move quickly! We are planning on running a webinar on technical issues (with VAGO representatives) in the week commencing 17th May.

This week Minister for Local Government Shaun Leane announced a Review to Examine Cultural Issues in Local Government, and we welcome this. Respect, integrity and trust across local councils will be strengthened through a wide-ranging review of cultural issues. We look forward to being involved in the workshops planned with the LG sector shortly, with the final report to be published late this year.

For those disorganised blokes out there, it's Mother's Day on Sunday 😊

For the mothers amongst our membership = Happy Mother's Day for Sunday 😊

Cheers, *Bradley*

Bradley Thomas
President FinPro
(Interim CEO Hepburn Shire)

Dates for your calendar:

- **Wednesday 12 May 2021 at 12.30pm – GST Update** [Details here](#)
- **5 – 8 September 2021 – Leadership Program at Country Place Kalorama**
- **20 – 22 October 2021 – FinPro Annual Conference at RACV Cape Schanck**

Recordings of previous PD sessions available on our [website now](#).

Membership News

Welcome to our new members:

- **Vanessa Baldori** who has joined the team at Moonee Valley City Council as Chief Financial Officer
- **Navek Lorkin** who has joined the team at Knox City Council as Chief Financial Officer

Congratulations to the following members who have moved to new positions within the sector:

- **Jono Bogatin** who has joined the team at Yarra Ranges Shire as Financial services Accountant.
- **Dennis Bastas** who has joined the team at Yarra City Council as Manager Financial Services. Dennis had been at Knox City Council.
- **Sandya Amaratunga** who has joined the team at Yarra City Council as Financial Accountant. Sandya had been at Wyndham City Council.

Thank-you to our 2021 Corporate Partners

- | | |
|------------------------------------|------------------|
| • APV Valuers and Asset Management | • LG Solutions |
| • Commonwealth Bank | • Maia Financial |
| • CT Management | • VOTAR Partners |
| • .id informed decisions | • Vision Super |
| • Ibis Information Systems | • Westpac |
| • MAGIQ Software | |

We welcome onboard as Corporate Partners, the team from Maia Financial and look forward to learning more about what support they can provide to our sector. Welcome Kristina, Mislav, Adam, Robert and Michelle.



We also welcome this week as Corporate Partners the team from ibis Information Systems. Welcome Jordan, Nigel, Adam and Lavinia. We look forward to hearing about what support you provide to the LG Sector and working with you all.

Technical Update

Local Government Act Implementation Update

The new Local Government Act 2020 is the most ambitious reform to the local government sector in over 30 years. The Act will improve local government democracy, accountability and service delivery for all Victorians.

The FinPro Local Government Act 2020 Working Groups have completed their respective projects:

- Model Accounts (for year-end 30.6.21)
- Model Budget (for year-end 30.6.22)
- Long Term Financial Plan (The Financial Plan), and
- Revenue and Rating Strategy

Copies of each of the documents are available now on the [LGV website](#)

Upcoming Important Dates

- Victoria State Government Budget – 20 May (confirmed)
- Federal Government Budget – 11 May (tentative)

Review to Examine Cultural Issues in Local Government

Last weekend Minister Leanne (Minister for Local Government) announced that LGV will be commencing a review of behaviour and culture on councils which will “look at the history of the culture in local government and ways to promote a more positive and inclusive work environment, ensure fairer and more equal representation of community views, and build public trust.”

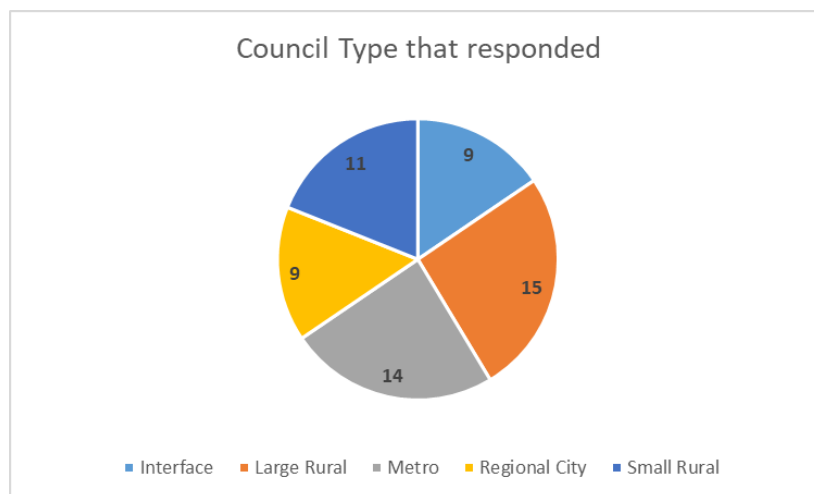
The review will also identify ways to make local government a more welcoming a safe environment for women, following the VAGO report last year that found one in four Councillors and council staff had experienced sexual harassment in the past 12 months.

[link to the press release](#)

FinPro Council Survey – Budget 2021-22 Survey Analysis Preliminary Results

The following is the analysis undertaken.

- 58 Councils responded, spilt per the following Council types:



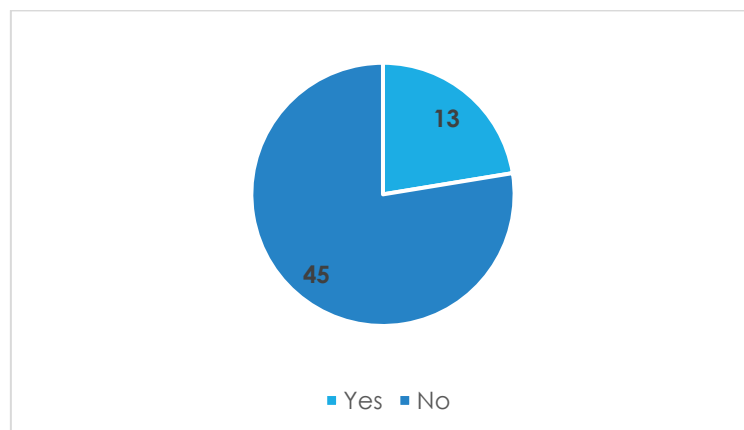
Question 1: What rate rise is your council considering for 2021/22?

- 54 Councils (93%) are expecting to raise rates per the State Government rate cap of 1.50%.
- 1 Council (a large rural) is expecting to raise rates between 1.01% and 1.50%
- 3 Councils (one each of metro, regional and small rural) is expecting a 0% rate rise.

Question 2: What has been the biggest challenge for the development of your 2021/22 budget?

- All 58 Councils responded to this question, with only one commenting that they experienced no major changes. Specific responses have been included as appendix 1.
- 16 councils commented about the impact of COVID, ranging from reduced income to continuation of rebates to the community and the impact of delivering services from increased grant funding.
- 15 councils noted that they were impacted due to the implementation of the Local Government Act, either through increased resources due to deliberative engagement and new requirements such as the Rating and Revenue Plan and Financial Plan, or the misalignment between the budget timing and Council Plan adoption.
- 14 councils commented about the impact of a low-rate cap, or the compounding impact of rate capping especially in an environment where operational costs increase at a rate above the rate cap.
- 13 councils commented on the impact of councillors, especially new councillors and the additional resources required to upskill the knowledge of councillors.
- Other challenges ranged from the impact of additional costs but also noted the impact of poor financial systems and not having access to adequate and appropriately skilled finance staff.

Question 3: As a result of COVID impacts, is your Council currently forecasting additional borrowing in 2021/22?



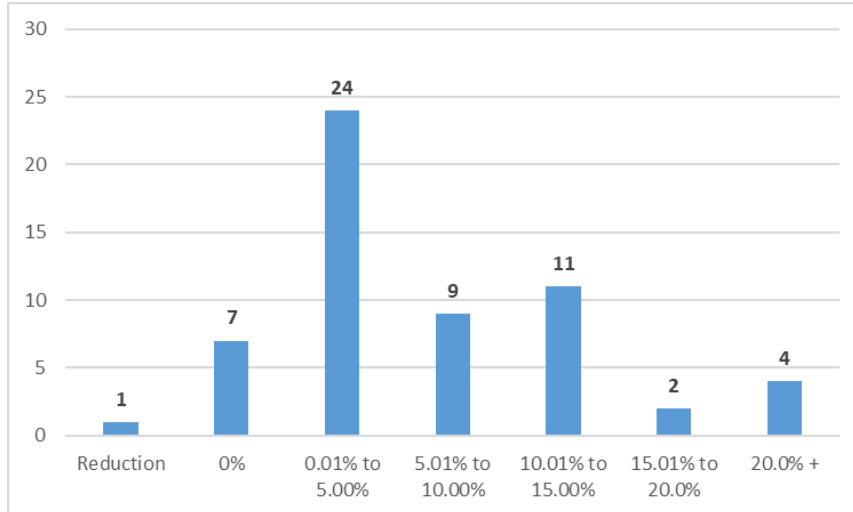
Question 4: Are you proposing to offer any COVID related waiver or rebate to rates?

- The majority of Councils will continue to apply their hardship policy, with many continuing with their COVID specific hardship policy offering increased assistance.
- A few Councils were still to decide on any potential waiver or rebates.
- 1 Council (interface) has included \$1.5M in the 2021/22 budget for rate waivers – working on the Hardship policy changes required - proposed criteria will be Jobseeker, low-income earner, significant reduction in net income across industrial and commercial.
- Other waivers included:
 - Metro - 12 Month deferral option (continuation of the 2020/21 Deferral option)
 - Metro - Interest free deferrals will continue as well as one off waivers of up to \$1,000 in cases of extreme financial distress.
 - Metro - Likely extensions of COVID 19 Hardship policy - Rate Deferment and Interest hold.
 - Regional City - Looking at offering a hardship rebate to ratepayers who apply which will be equivalent to the average residential rate increase (\$35).

- Metro - additional hardship relief to the value of the rate rise.
- Metro - Ratepayers can defer their rate payments until 30 June 2022 without incurring any interest

Question 5: What percentage waste charge are you proposing?

- The likely percentage increase for waste charges ranged from 0% increase to over 20%, with 1 council (regional city) proposing a decrease. The following graph details the split of responses.

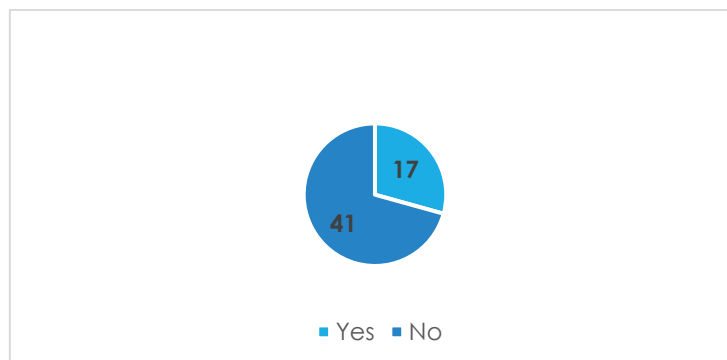


Further breakdown by Council type is available below:

	Reduction	0%	0.01% to 5.00%	5.01% to 10.00%	10.01% to 15.00%	15.01% to 20.0%	20.0% +
Interface	-	-	3	4	2	-	-
Metro	-	4	-	3	4	1	2
Regional City	1	-	4	1	2	-	1
Large Rural	-	2	11	-	2	-	-
Small Rural	-	1	6	1	1	1	1
Total	1	7	24	9	11	2	4

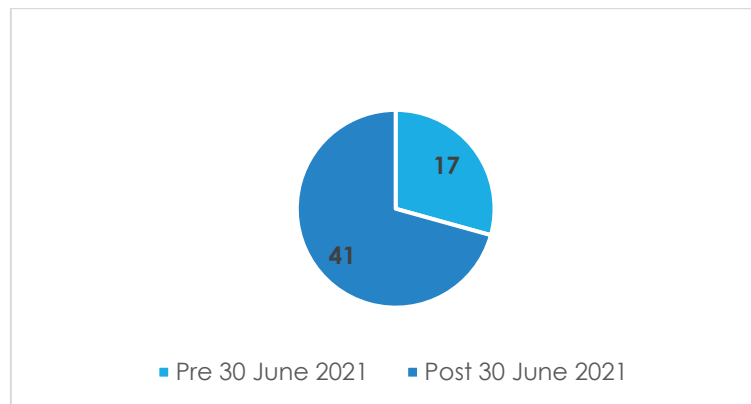
Question 6: Have you proposed changes to rating differentials in your Revenue and Rating Plan?

- 41 councils (71%) have not proposed any changes in rating differentials in their Revenue and Rating Plan.



Question 7: When will you adopt your Financial Plan (Long Term Financial Plan)

- 41 councils (71%) are proposing to adopt their Financial Plan after 30th June 2021.


Question 8: What (if any) items would you like FinPro to advocate on the sectors behalf to Government?

The following items were included as possible topics for FinPro to consider for advocacy items. The Executive of FinPro will review and monitor opportunities to advocate on behalf of our members.

What (if any) items would you like FinPro to advocate on the sectors behalf to Government?	Category
More fully funded programs to assist Councils in becoming financially sustainable (i.e.. RCTP program)	Financial Sustainability
Reviewing Grants Commission allocations between rural and metro.	Financial Sustainability
Rural councils sustainability	Financial Sustainability
Greater funding support to stimulate the local economy.	Government Support
Investment attraction for non-renewal energy (solar farms) by improving the infrastructure to take power onto the grid; and firming the rating arrangements of these properties (Electricity Act).	Government Support
Continued funding such WFV should the pandemic flare up again. This has been our saving grace in FY2021.	Government Support
State and Federal funding for infrastructure projects to generate benefits for environment, employment	Government Support
Understand they are independent but, if possible, lobbying the Ombudsman to interact with Councils when doing investigations (such as the recent one on financial hardship) rather than waiting for the draft report to advise councils of findings with minimal to zero input sought beforehand.	Other
Request that the State Government consult Councils before making election promises that will affect LG.	Other
Influencing LGV to release guidance much earlier	Other
It will be great if we can receive some clarity on timing of Financial Assistance Grants from VGC and if they will be prepaid ongoing.	Other
Timing of the Local Government Act implementation and especially the transition dates.	Other
Red tape reduction. So many new requirements under the new act.	Other

The sooner we move away from operating in two separate Local Government Acts the better	Other
<p>To Assist the Residential Rating Category with comparison to other Councils.</p> <p>The return of the Indicator for Average Residential Rates - LGPRF 2018-19 Indicator ID - E1 Amount of rates charged on average for each residential property.</p> <p>Calculation – Total Residential Rating Category Rate Revenue + Municipal Charge divided by number of Residential Assessments.</p>	Other
Training to better develop the Financial Plan and the Revenue and Rating Plan. The sector is immature regarding the completion of both these documents.	Other
VGC grants to go back to previous levels for regional Councils with annual increases. Regional Councils are already at a massive disadvantage to Metro Councils and we rely heavily on the increases in our VGC grants each year. We budget on a 2.5% increase each year and in 2020-21 we actually had a decrease in our VGC grants allocation. As such we have budgeted for a zero increase in 2021-22. This reduction was \$450K less than the VGC grant income budgeted. With the compounding effect of the loss of VGC grant income from the 2020-21 budget for 2021-22 we are \$900K less VGC grant revenue than we had budgeted based on our Strategic Resource Plan from 2020-21. With an operating deficit of approximately \$1M budgeted for 2021-22 this has been a game changer for our Council.	Other
Can the VGV change their valuation cycle, so that we receive final valuations with enough time to do the calculations before our draft budget goes public?	Rates and Valuations
Importance of the Rate Cap and the detrimental impacts to Councils without the increase.	Rates and Valuations
Increase to the rate cap.	Rates and Valuations
It would be good to be able to give feedback on the draft of the Rates section of the New Local Government Act. Is this possible?	Rates and Valuations
New rating provisions in the LGAct 2020 & advocate for a Model Hardship document	Rates and Valuations
Major review of rate capping.	Rates and Valuations
Standardised rate notices and having this explain the difference between the rate cap increase and the garbage charge increase (where Councils have separated this)	Rates and Valuations
That the Rate Cap, in its current form is not sustainable for the sector unless there are additional funding streams made available to Councils to offset the reduced rate revenue.	Rates and Valuations
Rates - DHS housing - being rateable.	Rates and Valuations
Access to funding from the EPA levy collected to assist with meeting all the various legislated requirements placed on Councils that have closed and/or operational landfills as well as future initiatives such as 4th bin (glass only) and container deposit schemes.	Waste

Assistance with waste management costs as we are already having to pass on the State Government Landfill Levy increases and potential of additional increases with new requirements of possible 4 bin system in the future. Customers are just recovering from COVID19 and now facing increased annual waste management costs due to Council's costs increasing.	Waste
Impact of Waste/Recycling sector disruption	Waste
Advocating to cap/reduce the EPA levies and FSPL for rural communities.	Waste

Appendix 1 - What has been the biggest challenge for the development of your 2021/22 budget?

Update from VAGO

The following information was distributed to all Council's last Friday and is shared here for your information.

VAGO performance audit and other integrity bodies – April 2021 update is attached for your reference.

'Read-only' access to client systems:

- We are exploring how best to get '**read-only' direct access to client systems** (GL and various subsystems) that will reduce your team's workload in providing audit requirement requests/ system reports/ listings etc., to auditors.
- We believe that despite the upfront time commitment to understand system functionalities by auditors, this will also lead to audit efficiency in the medium to longer term as entities in the sector are using few common systems.
- We reached out to few CFOs about this matter and are encouraged with the response. With VAGO's default position of 'remote auditing', we are keen to work with you and sort out typical issues in getting this access, like IT access delays, etc.,

VAGO engagement letter for 2020-21 for Councils:

- Based on our discussions with LGV and internal consultations on the applicability of Local Government Act (1989 or 2020), we have updated VAGO engagement letter template with an additional paragraph – "Under the savings and transitional provisions of the Local Government Act 2020, **the Local Government Act 1989 continues to apply to the preparation of the annual report for the financial year ending 30 June 2021.** This will mean council's financial statement and performance statement for the financial year ending 30 June 2021 will be prepared and certified under the Local Government Act 1989. VAGO audit opinions on financial statement and performance statement for the financial year ending 30 June 2021 will also make reference to the Local Government Act 1989".
- Engagement letters will be issued in the next couple of days. New VAGO engagement letters are issued due to 2020 council election changes.

Shell reports /accounts (financial report and performance statement):

- I encourage all councils and other LG entities to prepare shell report as it provides an early opportunity to review draft disclosures (especially any changes/new disclosures like Cv19 spent) by

senior management, audit committees and auditors. [Refer link to LGV guidance on 2020-21 model financial report and performance statement.](#)

Addressing recommendations in 2019-20 VAGO Parliamentary report on LG sector:

Thoughts on how to respond to these recommendations and an update on some of the work that is underway to assist the sector are listed below:

- **Recommendation #1 (accounting for revenue and income transactions under AASB 15 / AASB 1058):**
 - We are reviewing couple of common grants received by the sector and getting VAGO accounting technical team to confirm account treatment under AASB 15 / AASB 1058. Aiming to communicate the results of this review (similar to prior year Working for Victoria grant income accounting position) with the sector before 30 June 2021.
 - Accounting for developer contributions plans (DCP's) – the principles of revenue recognition (including council's performance obligations under a DCP) will apply to such arrangements. Due to varying nature of DCP's, individual arrangements need to be assessed under revenue standards for correct accounting.
 - We are working with other VAGO sector teams to collate details of grant income paid to councils by State Government entities during 2020-21. We will use this listing and any specific conditions attached to the grant documents to audit 2020-21 grant income. We will share this list/ information with our ASPs as well.
- **Recommendation #2 (Cv19 disclosure) – 2020-21 model accounts includes separate Cv19 disclosure requirement/guidance to address this recommendation.**
- **Recommendation #3 (IT system security) – We have asked VAGO IT audit team to provide us with a list of pervasive IT control issues / themes they are noting in LG sector as part of their ITGC reviews. I am aiming to share this with the sector/ASPs before 30 June 2021.**
- **Recommendation #4 (prioritise and resolve VAGO management letter findings) – We find interim phase of audit cycle (April to June) and discussions at audit committees at this stage of the audit process ideal phase for management and auditors to work together and address / resolve prior year management letter findings.**

Please refer link [Results of 2019–20 Audits: Local Government to access this VAGO report](#) and data dashboard.

Other matters:

- I am expecting VAGO audit fees letters for 2020-21 will be sent out by early May 2021.
- [DTF has released the wage inflation and discount rates as at 31 March 2021](#) for the measurement of employee entitlement liabilities.
- Please reach out to us if you want VAGO performance audit team members to attend audit committee meetings that has recent VAGO report- [maintaining local roads](#) listed for discussion.

Kind regards, Sanchu

The original information as sent from VAGO via email to audit committee members, senior management in local government sector, LGV and FinPro. This email with additional audit related matters will also be forwarded to our audit service providers (ASPs). Feel free to pass this information to anyone who will benefit from it.

Sanchu Chummar

Acting Sector Director, Local Government

Victorian Auditor-General's Office

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FinPro Professional Development

Upcoming event - GST Update – Wednesday 12 May 2021 at lunchtime.

Further details and to register online

We are pleased to announce an upcoming webinar that will cover two important areas that are of importance to finance professionals in the local government sector.

GST has been with us for over 20 years; however, challenges and risks are still emerging. This session will focus on the considerations required by local governments in the areas of fees and charges and grants to community groups. Both areas provide challenges and have a degree of grey in the current requirements. This session will identify some of the challenges as well as provide pragmatic steps that a council can take to reduce compliance risk in this area.

Cyber Vulnerability is an ever changing and growing risk area, as financial professionals it's important to understand the key issues in this area, to simply 'leave it to IT' is not satisfactory approach. We will work through the risk drivers that increase cyber risk in local councils as well as the critical controls that need to be in place to manage these risks. As part of this we will introduce a recently developed cybercrime security self-assessment process designed to be completed by non-technical operators. The self-assessment tool works through the key cyber vulnerability areas and provides a risk assessment that can be used for prioritising future actions. The self-assessment tool which is available at no cost (for FinPro members) will take less than an hour to complete and will provide a high-level report for internal use.

The session will be facilitated by Simone Wickes, FinPro Executive Member and Manager, Financial and Corporate Planning at Frankston City Council.



The speakers will be Katerina Siamatas, Indirect Specialist Tax Adviser at Crowe and Martin Thompson, Partner at Crowe. They will be joined in the panel discussion by Wei Chen, FinPro Executive member and CFO at Yarra City Council

Financial Plan Support Webinar – Friday 30 April 2021 at 9.30am



FinPro offered a Financial Plan support webinar to help members complete the Financial Plan, now a mandatory reporting requirement under the new LG Act 2021.

Watch the recording now

Current positions advertised on the FinPro Website

- **EOI Independent Audit and Risk Committee**
- Alpine Shire Council
- <https://www.alpineshire.vic.gov.au/council/careers/current-vacancies/eoi-independent-audit-and-risk-committee-member>
- For further enquiries please contact Ruth Kneebone, Director Commercial on 0402 104 188
- EOI's close Friday 21 May 2021.

- **Aged Disability Services Business Manager**
- Mildura Rural City Council
- <https://www.mildura.vic.gov.au/Jobs-Listing/Aged-Disability-Services-Business-Manager-R2004>
- Potential applicants are encouraged to contact Cheree Jukes, Manager Community Care Services on 03 5018 8160 for a confidential discussion surrounding this position.
- Applications close at 4.00pm on 13 May 2021

FinPro Executive Team 2021

President	Bradley Thomas (Hepburn SC)
Vice-President – Chair Professional Development	Binda Gokhale (Wyndham CC)
PD Committee Members	Alan Wilson (Melbourne CC) Belinda Johnson (Southern Grampians SC) Charles Nganga (Casey CC) John Brockway (Surf Coast SC) Melissa Baker (South Gippsland SC)
Vice-President – Chair Technical	Tony Rocca (Maroondah CC)
Technical Committee Members	Danny Wain (Monash CC) Fiona Rae (Golden Plains SC) Mark Montague (Whittlesea CC) Nathan Morsillo (Greater Bendigo CC) Simone Wickes (Frankston CC) Wei Chen (Yarra CC)
Secretary / Treasurer	Gabrielle Gordon

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