

## FinPro Member Update – Edition 10, 2022

### President's Message

I hope everyone is keeping rugged up right now: it's certainly a bit fresh in the Hepburn Shire!

Well, we now have one election down (Federal) for 2022 and another to come later this year (State election to be held on 26 November 2022). Whatever your persuasion of government, it will certainly be interesting to see what impact the increased number of independents and minor parties has on Canberra and its decision making. I do hope there is some positive news for Local Government, maybe even an increase in the Financial Assistance Grant pool as advocated by the ALGA [Restoring Financial Assistance Grants to 1% - Australian Local Government Association \(alga.com.au\)](https://alga.com.au)

This week saw the release of the State Governments Culture Review ([Local Government Culture Project](#)). The report provides some insights into the challenges of Local Government; especially that of poor Councillor behaviour by some and the impacts this behaviour has on good governance. In short, the review asks that responsibility is taken by Councils and Peak Bodies to look at improvements. We will see what assistance FinPro can provide in support with the other key bodies.

I'm excited that this time next week we will be at our first in person Professional Development Day in 822 days! I'm sure there will be lots of new and familiar faces and I look forward to seeing many of you there. We already have nearly 200 members registered to attend, and [registrations](#) will remain open until COB Monday 30 May.

Enjoy your weekend



Cheers, Bradley

**Bradley Thomas**  
President – FinPro and CEO, Hepburn Shire

### Upcoming Event: 3 June 2022 at MCEC – Will you be joining us?

The seminar will be held at the Melbourne Convention & Exhibition Centre from 9am – 3pm (with optional networking event to 4pm)

This will be our first live event since February 2020 and we are very excited to see everyone, to learn and to network. We will have updates from LGV, VAGO, Vision Super, and Economic Update, a Wellbeing session and will hear how about the resilience of Melbourne CC from the Lord Mayor, Sally Capp.

[Registrations are now open until COB Monday 30 May 2022.](#)

All details plus registration information [is available here.](#)

## Membership

We welcome the following new members to our FinPro family:

- **Natalie Jansz** has joined the team at Knox CC as Management Accountant.
- **Mary-Jane Moala** who has joined FinPro, having taken on the role as Acting Financial Controller at Wyndham CC.
- **Hayden Carr** has joined the team at Melbourne CC as Financial Operations Officer.
- **Marcella Lim** has joined the team at Melbourne CC as Senior Treasury Analyst
- **Jon Davidson** has joined the team at Bendigo as Management Accountant, and
- **Caroline Strachan** has joined the team at Bendigo as Management Accountant
- **Daniel O'Brien** has joined the team at Mornington Peninsula SC as Senior Accountant, and
- **Imran Fazil** has joined the team at Mornington Peninsula SC as Senior Accountant.

Congratulations to:

- **Melissa O'Keefe** (previous Leadership Program attendee) and **Annemarie Somers**, who recently have been promoted to the positions Coordinator Financial Accounting and Coordinator Management Accounting & Payroll respectively at Maroondah CC.
- **Tony Rocca**, FinPro VP who has been promoted to CFO at Maroondah CC.
- **Nicole Montague** who has joined the team at Boroondara CC as Financial Accounting Coordinator. Nicole had previously worked with Whittlesea CC.
- **Hayley Gniel** who is joining the team at Bayside CC next week as Financial Services Coordinator. Hayley moves to Bayside from Kingston CC.
- **Chris Molyneaux** who has joined the team at Wangaratta RCC as Financial Controller. Chris was previously employed at Greater Shepparton CC.

## Technical Updates

### 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. Majority of the Act implementation that relates to Finance has occurred, thanks to combined efforts across Finpro, LGV and our members. [LGV Local Government Act 2020 Website](#)

### VAGO traffic light rating system

We have received a couple of queries from members asking whether VAGO are still using the traffic light system. We have contacted VAGO and can provide the following information:

*"VAGO has dropped the traffic light rating system from its Local Government results of audit report as councils were looking at the financial sustainability indicators and interpreting amber/ red rating as undesirable outcomes. The VAGO rating system and dashboards were intended to demonstrate relative risk rather than absolute risk." Travis Derricott, Sector Director, Financial Audit. VAGO 9.5.22*

## FinPro Advocacy - Local Government Finance Project

FinPro, in partnership with the MAV, has commenced a project on the financial state of the sector. Mark Davies, who will be well known to you all, is assisting us. The project will undertake a review of the impact of rate capping and other key revenue factors on the viability of the sector since its introduction in 2016-17. It will also assess the financial outlook for the sector over the next five to ten years.

The project will be drawing on existing data sets and financial plans prepared by councils.

The FinPro representatives on this project are Binda Gokhale and Nathan Morsillo.

An email with a survey and also information request was sent to ONE person from each Council Finance team on Monday 9 May. We have extended the date for responses to Monday 30 May. If you are unsure whether your council has received this request, please do not hesitate to contact Gab at [gabrielle@finpro.org.au](mailto:gabrielle@finpro.org.au). Each Council's response to this request is crucial in the formation of the report.

## FinPro Advocacy – Rate Cap

FinPro believes that the financial sustainability of Councils is of utmost importance for the viability of the sector and to ensure we can continue to provide relevant and appropriate services for our communities. We recently wrote to the ESC on behalf of the sector in relation to the Rate Cap. A copy of our letter, plus the response from the ESC is included below.

### Letter to the ESC from FinPro 13.5.22

#### Local Government Rate Cap 2022/23

I write on behalf of the members of FinPro, the peak body servicing local government finance professionals in Victoria. FinPro is an Incorporated Association with over 650 members, representing all Victorian Councils and 5 regional library corporations. We are affiliated with CPA Australia and are represented on its Public Sector Committee.

One of the key objectives of FinPro is to provide advocacy for local government practitioners on issues which affect the sector and to act as the focal point of reference by regulatory bodies on financial issues affecting the sector.

Firstly, it should be noted that FinPro is supportive of a Rate Cap, however we do believe some of the mechanisms do not assist Councils remain financial sustainable.

I refer in particular to the 2022/23 rate cap as well as the new inflation rates issued by the ABS.

We note that the ESC provided advice to the Minister for Local Government in November 2021, in relation to the proposed rate cap for 2022/23. This advice was therefore provided prior to the full impact of inflation challenges were becoming clear.

- The ABS recently released CPI noting a 5.10% increase for the year ended 31 March 2022, which included a 4.50% for Melbourne as a capital city.
- The recently released Victorian State Budget noted a forecast CPI for 2022/23 at 2.50%, following an update forecast for 2021/22 at 3.0%.

The ESC own advice noted that had CPI been forecast at 2.50% at December 2021 (or higher), than the recommend rate cap would have been 2.50%.

Given the changing financial conditions within Australia, and Victoria will the Essential Services Commission be updating the Minister for Local Government on these impacts?

#### Response from the ESC 24.5.22:

##### **Local government rate cap 2022-23**

Thank you for your letter dated 13 May 2022 raising matters in relation to the local government rate cap for 2022 to 2023.

As you would be aware the mechanism for setting the local government rate cap is set out in the Local Government Act (1989). Under s185D of the Act, the rate cap is set by the Minister and is defined as Consumer Price Index (CPI) (forecast CPI published in budget update, otherwise known as the December forecast) plus any adjustments. The Minister is required to seek our advice before setting the rate cap and the Minister's request typically asks us to provide advice on any adjustments that should be made. To date, the Minister has always set the rate cap equal to forecast CPI without any adjustments.

Our November 2021 advice to the Minister, on the 2022-23 rate cap, recommended it be set at the December forecast. Given the uncertainty around the forecast CPI, at the time, we also recommended that the rate cap not be set outside of the historical range of 1.50 per cent to 2.50 per cent. The commission considered that this range best balanced the needs of ratepayers and the community with the long-term sustainability of councils. Ultimately, the Minister set a cap of 1.75 per cent, which sits within this range. We would not revisit this advice unless we were asked to do so by the Minister.

I note the concerns raised in your letter about the difference between actual and forecast CPI. Given the process for setting the rate cap, there will always be a potential disconnect between the rate cap and actual CPI.

However, it is worth noting that since the framework was introduced the rate cap (based on December forecast CPI) has generally been above actual CPI (with the exception of 2017-18 and 2021-22).

Councils that are concerned about maintaining their financial sustainability and ability to achieve sustainable outcomes in the delivery of services and infrastructure can always apply to the commission for a higher cap. In assessing whether a higher cap is appropriate we need to consider both the financial sustainability of councils and the long-term interests of ratepayers and the community.

Thank you again for raising these matters with me. If you have any further questions, please do not hesitate to contact Angelina Garces, Senior Regulatory Manager Local Government on (03) 9032 1337, or at [angelina.garces@esc.vic.gov.au](mailto:angelina.garces@esc.vic.gov.au)

## VAGO May Update

VAGO issued their May Status Report earlier this month, and a copy is [attached here](#) for member information.

## VAGO Report: Fraud Control over Local Government Grants

We refer our members to [this report](#), tabled on 11 May 2022.

## Vision Super Update

The following information was distributed to councils on 11 May 2022 and is included here for member information.

### **Local Authorities Superannuation Fund Defined Benefit Plan (LASF DB) - Vested Benefit Index (VBI) update**

*Since our 31 December 2021 update on 3 March 2022, equity markets have declined moderately with increased volatility up until 31 March 2022 and has continued after that date.*

*The 31 March 2022 VBI results have been finalised as follows:*

As at	30 Jun 2019 (actual)	30 June 2020 (actual)	30 June 2021 (actual)	30 Sept 2021 (est.)	31 Dec 2021 (est.)	31 Mar 2022 (est.)
LASF DB	107.1%	104.6%	109.7%	109.9%	111.2%	108.5%

*The 31 March 2022 VBI has decreased compared to that at 31 December 2021. This is mainly due to:*

- Negative investment returns for the quarter of -1.84% which have decreased the asset pool supporting the defined benefit liabilities of the sub-plan*

- *Salary increases of 0.49% advised to Vision Super during the quarter, which have increased the value of the active member benefit liabilities*

*The VBI of 108.5% as at 31 March 2022 satisfies APRA's Superannuation Prudential Standard 160 (SPS 160).*

*Vision Super is closely monitoring the investment markets to identify potential threats/opportunities that we may be able to avoid/take advantage of to improve the funding position of the sub-plan.*

### **Shortfall limit**

*Under the superannuation prudential standards, VBIs must generally be kept above a fund's nominated shortfall threshold, currently 97%. When an actuarial review/investigation is in progress, a fund's VBI must be at least 100%. The 31 March 2022 VBI calculation of 108.5% exceeded the applicable 97% shortfall limit.*

*In the event the VBI falls below the shortfall threshold, the fund's Trustee is required under the superannuation prudential standards (SPS 160) to formulate a restoration plan to restore the VBI to 100% within three years.*

### **Next update**

*The next VBI review is scheduled as at 30 June 2022, with results expected to be distributed to employers around mid-August 2022.*

*Vision Super will continue to monitor the sub-plan's VBI at least quarterly and daily during periods of high market volatility.*

### **Action required (if any)**

*At this stage, no action is required by you.*

### **We're here to help**

*If you want to know more about the VBI or LASF DB, in addition to the quarterly updates, we encourage you to get in touch. We understand that defined benefit plans can be complicated, and our dedicated team can answer your questions and provide you with information for both member and employer related queries. If you have any queries or need assistance, please contact the Employer Services team on 1300 304 947 or [employerservices@visionsuper.com.au](mailto:employerservices@visionsuper.com.au).*

## TCV loan rates as at 25th May 2022

	Fixed Rate (Interest only)		Fixed Rate (Principal and Interest*)		Term Floating Rate (Margin to BBSW)	
Maturity	Fixed Rate (quarterly)	Fixed Rate (semi)	Fixed Rate (quarterly)	Floating Rate (semi)	Floating Rate (quarterly)	Floating Rate (semi)
1 year	2.3835	2.3900	2.1400	2.2600	0.0635	-0.1015
3 year	3.2700	3.2816	2.9350	2.9850	0.2533	0.1217
5 year	3.5444	3.5579	3.2650	3.2950	0.3564	0.2459
7 year	3.7451	3.7602	3.4650	3.4900	0.4271	0.3298
10 year	3.9545	3.9713	3.6750	3.7000	0.5284	0.4382
12 year	4.0959	4.1140	3.7900	3.8150	0.6181	0.5300
15 year	4.2664	4.2861	3.9450	3.9700	0.7773	0.6845
11am (at call)	0.6650%					
30 days	0.6400%					
60 days	0.9300%					
90 days	1.2300%					
180 days	1.5000%					

These loan interest rates and margins are indicative only and current as at the time of calculation. The rates and margins indicated include the TCV administration fee of 0.115%, the DTF Guarantee Fee of 0.15% and Execution of 0.05%.

\*Fixed rate (Principal and Interest) assumes principal balance is reduced to zero over equal instalments until maturity.

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The indicative rates information provided by TCV is not, without TCV's prior written consent, to be disclosed to any other person.

## External training opportunities

Crowe are running the following session on 9 May at 2 locations (Melbourne & Geelong):

**With 30 June 2022 and financial reporting season fast approaching get up to speed on key changes impacting this reporting season.**

Join our Crowe team for a morning tea networking event in our new Melbourne office, as they share their insights on current and future financial reporting matters including:

- New and revised accounting standards and related interpretations for 2022.
- The regulator areas of focus for 2022 reporting
- Interesting developments in financial reporting and future changes on the horizon
- The tax landscape and issues for consideration.
- You will also have the opportunity to ask questions from our team of experts.

Melbourne Office – 9 June 2022 @ 9am – [register now](#)

Geelong Officer – 9 June @10am – [register now](#)



## Current positions advertised on the FinPro Website

### Procurement Specialist

- Hepburn Shire Council
- [Details here](#)
- Applications close 5pm on 30 May 2022

### Manager - Finance

- Wangaratta Rural City Council
- [Details here](#)
- Applications close 30 May 2022

### Coordinator Accounting Services

- Casey City Council
- [Details here](#)
- Applications close 8 June 2022 at 11.55pm

## FinPro Executive Team 2022

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

## FinPro Contact Details

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### Thank-you to our 2022 Corporate Partners

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|------------------------------------|------------------------------------|
| * APV Valuers and Asset Management | * LG Solutions                     |
| * Commonwealth Bank                | * Maia Financial                   |
| * CT Management                    | * New Era Management               |
| * .id informed decisions           | * Treasury Corporation of Victoria |
| * Ibis Information Systems         | * VOTAR Partners                   |
| * MAGIQ Software                   | * Westpac                          |

### Thank-you to our 2021 Leadership Program Sector Partner:

Vision Super