FinPro Member Update – Edition 10, 2024

President's Message

Certainly, a week to get the warm winter clothes out!
Lots going on – most importantly we hope you are looking after yourself!

Yesterday you will have received our summary and detailed report and analysis, in preparation for the Commonwealth and State inquiries into the financial sustainability of the sector. Prepared with assistance from the AEC Group, the report, 'Need for a more sustainable future for local government', recognizes that that Councils play a crucial role and are part of the solution in ensuring the financial sustainability of the sector. It also recognises that Local government enables the economic, social and cultural development of the municipal area it represents, supports individuals and groups, and provides a wide range of services for the wellbeing of the local community.

The reports notes that a majority of councils have adjusted underlying deficits, with a deteriorating trend evident since 2016-17 across the council cohorts; that there has been deterioration in the unrestricted cash position across the local government sector; and without change, the short, medium and long term financial sustainability of Victorian local government entities cannot be assured.

We hope you find the report insightful, and helpful and we would love to hear any feedback.

Scary to think there is only 36 days left in this financial year. Although we know many of you are still in budget mode, it is important that you are setting aside some time to appropriately plan for the year-end process. The recent VAGO report was critical of Councils preparation for year-end and although we know you are all time and resource poor, we encourage to you do a bit of pre-planning to ensure a smoother year-end process.

Couple of handy hints to consider that will help the year-end process run a little smoother:

- Ensure you have a project time / key dates and communicate these within Finance **and** the organisation.
- Check in with the Audit and Risk Chair to ensure you are on the same page for timing and information expectations.
- Check in with your auditors regarding timeframes, and what each party will be responsible for.
- Check in with your Executive around timing for Council Meetings for the adoption of financial statements – many will want them adopted before the Election (Caretaker) Period begins!
- Touch base with your engineering teams to check in that everything re assets is sorted.
- If you are new to the sector, reach out to FinPro or another Council for some further hints and tips for the year-end process, and
- Buy some chocolate for your finance team.

Enjoy the weekend!

Bradley Thomas,
President FinPro and CEO Hepburn Shire

Membership News

We welcome the following new members:

Rachael Hoggett who has joined the finance team at West Wimmera Shire as Finance Officer, having moved from their Infrastructure Development & Works team.

Sinjina Shah who has joined the team at Stonnington CC as Accounting Officer.

Sarah Williams who has joined the team at Strathbogie SC as CFO.

Rhys Matulis, Coordinator Governance and **Ross Harrison**, Finance Business Partner, both at South Gippsland Shire, and

Maggie Jin, Catherine Wongso, Derek Chan and **Tao Chen** who have all joined the team at Hume CC.

Congratulations to member **Chloe Smith** as she joins the team at Frankston CC as Finance Business Partner. Chloe was previously at Mornington Peninsula Shire.

Upcoming Professional Development

Thursday 6 June 2024 – FinPro Webinar – Accounting Standards Update

This will be a Local Government Specific webinar covering topics such as:

- New, revised and upcoming accounting standards,
- AASB 1058 post-implementation review,
- Sustainability reporting latest developments.

We are pleased to be partnering with HLB Mann Judd to present this webinar

Webinar details and registration **– this is a free webinar for all FinPro Members**

Friday 14 June 2024 – Professional Development Day at the Melbourne Convention Centre

Registrations are now open for this fantastic day of learning and networking. With topics like AI, Council Election Preparation, State and Federal LG Inquiries and a FinPro Update, this is a day not to be missed.

Full details including program and how to register available here

We thank Davidson Business Advisory for supporting us in running this event.

Other PD events coming up:

Thursday 29 August 2024 – Senior Finance Leaders Workshop – this facilitated workshop will run during the afternoon and evening of 29 August at The Windsor Hotel, Melbourne.

On the back of the recent advocacy work FinPro has undertaken, we will be facilitating a strategic session for senior and experienced finance leaders in the sector. The session will be the first of its kind and focused on financial sustainability, resulting in tangible outcomes for the sector in the long term. If you are interested in being a part of the leadership conversation place hold 29 August in your calendar. More information to come.

Wednesday 23 October to Friday 25 October 2024 – Annual Conference at RACV Cape Schnack. Sponsorship of this event is now open via EOI. Further details are available here.

Friday 6 December 2024 – End of Year Luncheon, PD and AGM at Leonda by the Yarra

Technical Updates

FinPro Advocacy: Inquiry into LG funding and services

The Victorian State Government, via the Legislative Council Economy and Infrastructure Committee, is currently holding an Inquiry into ***Local Government Funding and Service Delivery in Victoria***.

Inquiry into Local Government funding and services (parliament.vic.gov.au)

Submissions have been sought by the Committee and FinPro has sought the expertise of The AEC Group to assist in the preparation of a detailed report to support our submission to the Inquiry.

We note that FinPro aims to collaborate with the sector and State Government to benefit our communities, and we recognise that Councils play a crucial role and are part of the solutions in ensuring the financial sustainability of the sector.

A copy of the summary report is **available here.**

A copy of the detailed report is **available here.**

FinPro will use this detailed report as the basis of our submission. If you have any comments, as always, we welcome your feedback via email

Thank-you to all FinPro members who have provided input into this report.

Graham Jarvis, the Portfolio Lead – Strategic Finance at the AEC Group was the lead consultant assisting us in the research and development of the report. Graham's contract details are below if you have any questions about how AEC might assist your Council with further analysis.

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VLGGC Update – Federal Budget 2024: Financial Assistance Grants 2024-25

The following information was distributed to councils on 17 May and is shared here for member information.

The Federal Budget, which was handed down on 14 May 2024, contains estimates of the 2024-25 allocation of financial assistance grants to Victorian councils.

The Budget indicates that an estimated $787.675 million will be provided to Victorian councils under the Financial Assistance Grants Program in 2024-25. This represents an increase of $40.298 million (or 5.4%) compared to the amount allocated to councils in 2023-24.

*Aggregate **general purpose grants** for Victorian councils are expected to total **$580.413 million.** This represents an increase of $30.249 million (or 5.5%). The national pool is allocated between states and territories according to population shares, with Victoria to receive an estimated 25.6% of the national pool off funding in 2024-25.*

*Aggregate **local roads grants** for Victorian councils are expected to total **$207.262 million.** This represents*
an increase of $10.049 million (or 5.1%). Victoria receives a fixed share of the national local roads grants pool (20.6%), which reflects the state's historical share of the national local road network.

Indicative Allocations

The Victorian Local Government Grants Commission (VLGGC) is working to prepare indicative estimates of the 2024-25 grant allocations for each Victorian council based on the information in the Federal Budget and population estimates recently released by the Australian Bureau of Statistics.
It is anticipated that these estimates will be provided to each council on an individual basis in late May 2024.

Timing of Payments

The Federal Budget papers indicate that, the "Australian Government will continue to work with the states in relation to the financial support of the local government sector, including advancing funding earlier that would usually occur."

To date the Commission has not received any information on the amount or the timing of any early or 'brought forward' payment'.

Further Information

If you have any queries in relation to the matters raised, please contact the Commission's Executive Officer, Colin Morrison, by email colin.morrison@dgs.vic.gov.au

Steven Kingshott
Chair, Victorian Local Government Grants Commission

Federal Budget – May 2024

The Federal Budget, announced last week, will see Councils across the Country (537 Councils) receive $3.27B in 2024/25 ($3.1B in 2023/24) in Financial Assistance Grants over the next 12 months.

An increase of $155 million for 2024/25, specifically as a result of the legislated indexation formula.

This is approximately 0.51% of Commonwealth taxation revenue. The last time Financial Assistance Grants were equal to one percent of Commonwealth taxation revenue was back in 1996.

Currently, there is nothing in the budget to suggest that payments of the Financial Assistance Grants will be paid in advance, as per prior years. However, it is worth noting to monitor this, as a portion of the 2024/25 grants still may be paid within this financial period.

The commentary suggests that Councils across the State will start being informed of their 2024/25 grant amounts end of May/early June 2024.

For more information on the Federal Budget, we also refer you to HLB Mann Judd's 2024-25 Federal Budget summary – available here.

New Procurement Guidelines

We draw your attention to updated Procurement Guidelines that have been prepared by the MAV. These recently released Victorian Local Government Best Practice Procurement Guidelines (the guidelines) provide a set of principles and practices that represent the most efficient and practical course of action for each council in developing and maintaining their legislated procurement policy, and webinar.

Best Practice Procurement Guidelines | MAV website

On their website, the MAV provide the following commentary:

The policy and practices should reflect best practice local government procurement processes to,

- *Achieve value for money outcomes and continuous improvement in the provision of services for the community.*
- *Ensure resources are used efficiently and effectively to support councils' strategic objectives and improve the overall quality of life of people in the local community with sustainable future outcomes in mind.*
- *Comply with relevant legislative requirements.*
- *Achieve high standards of openness, fairness, accountability, risk management, probity, and transparency.*

- *Minimise the cost of preparing submissions for potential suppliers by ensuring a competitive process.*

The Municipal Association of Victoria accepted a request from Victorian local government procurement professionals to assist them in preparing updated procurement guidelines for the sector. The aim of the guidelines was to address current local government procurement best practice and the requirements for procurement under sections 108 and 109 of the Victorian Local Government Act 2020. A sector reference group of procurement professionals from the sector was established to undertake this task.

VAGO Status Report – May 2024

Travis Derricott, Sector Director Financial Audit at VAGO has distributed his status report for May earlier today. This will have gone to all councils, but not all members.

A copy of the report is available here.

Webinar – Counsel about Councils: Navigating Integrity in Local Government

We also draw your attention to an upcoming webinar to be run by the Victorian Ombudsman's Office. The webinar will be run on Tuesday 28 May from 12.00 – 1.00pm and registrations are free.

REGISTER HERE

In the webinar a panel of experts will explore how the Victorian Ombudsman, the Independent Broad-based Anti-Corruption Commission and the Local Government Inspectorate oversight integrity in local government.
Attendees will hear real examples of common integrity shortcomings in councils and some practical counsel to help prevent them.
Panellists:

- Megan Philpot, Deputy Ombudsman, Victorian Ombudsman
- David Wolf, Deputy Commissioner, IBAC
- Michael Stefanovic, Chief Municipal Inspector, Local Government Inspectorate.

Audit Paper for ARC on 30 June 2024 issues

The following article is included here for member reference as we have had a number of queries in relation to this topic.

In the April update, we replayed the VAGO recommendation that finance teams, prior to 30 June each year, prepare and present a paper to their audit and risk committee (ARC). That had a number of sub-headings and details. Jump back to April's member update if you need to, but here's the snip again of VAGO's recommendation:

Local government

Valuation of land, buildings and infrastructure assets

We recommend that finance teams, prior to 30 June each year, prepare and present a paper to their audit and risk committee that outlines:

- the requirements of the council's accounting policy with respect to property, infrastructure assets, plant and equipment
  - the asset capitalisation threshold
  - which asset classes are recorded at cost v's fair value
  - the frequency of assets valuations
- date of the last independent valuation by asset class
- their approach to assessing the fair value of each class of property, infrastructure assets, plant and equipment in the current year
  - the asset classes scheduled for an independent revaluation in the current year v's those subject to a desktop valuation
    - reference point for a desktop valuation (i.e. Rawlinsons construction guide or ABS producer price indice)
  - how asset condition data is captured and considered in the fair value assessment
  - key assumptions being adopted
  - key milestones being worked towards
- likely outcomes for the respective reporting cycle (expected movements in fair value relative to the existing carrying amount and resultant impact on the financial report).

Following on from that, a few Councils have provided a copy of the actual report they used to ARC for financial year end, in case it helps.

We understand this might already be past the time for many ARCs... but in case it assists many thanks to Gabby Spiller (Surf Coast) and Alan Wilson (Melbourne) and Nathan Morsillo (Bendigo) for sharing some of the details in their reports. You'll note that there's quite different emphasis and levels of detail in each of these:

- Surf Coast Shire Example
- Melbourne City Council Example
- Greater Bendigo City Council Example

Upcoming FinPro Executive Committee Meetings

The FinPro Executive Committee formally meet every 4 – 6 weeks and discuss both technical issues and professional development opportunities.

If you have any questions or areas of interest / concern that you would like the Executive team to discuss, please contact our Executive Officer, Gab Gordon and let her know, and she will include on the agenda.

Following meetings for the year are:

- Friday 21 June (in person)
- Friday 26 July (online)
- Friday 30 August (in person)
- Friday 20 September (online)
- Friday 29 November (in person)
- Friday 6 December 2024 – AGM and end of year luncheon

General Information

Latest Blog from .id – Living in Australia 2024: National Community Views Survey

.id (informed decisions) are running a webinar on Thursday 30 May 2024.

The webinar will highlight findings from their recently completed and annually updated Living in Australia survey exploring a range of topics relevant to local government policy and advocacy.

The webinar will...

- Outline what Australians believe makes somewhere a good place to live, and how we feel our local areas deliver in that regard.
- Quantify local area liveability, and what residents are saying needs to happen to advance quality of life.
- Take a deeper look at the community's views on safety, housing, health, cost of living and climate change.
- Explore how our values, experiences and needs are changing over-time, play out spatially across the nation, and the influence of demography and life-stage.

Register Here

TCV Loan and Investment Rates as of 22 May 2024

	Fixed Rate (Interest Only)		Fixed Rate (Principal and Interest)*		Floating Rate (margin to BBSW)	
Maturity	Quarterly	Semi	Quarterly	Semi	Quarterly	Semi
1 year	4.6859	4.7099	4.7050	4.7350	0.3619	0.1867
3 year	4.6236	4.6467	4.6450	4.6650	0.5206	0.3662
5 year	4.7557	4.7803	4.6700	4.7000	0.6642	0.5240
7 year	5.0290	5.0568	4.7950	4.8250	0.8351	0.7147
10 year	5.3669	5.3987	5.0250	5.0600	1.0175	0.9234
12 year	5.5749	5.6094	5.1750	5.2150	1.1495	1.0661
15 year	5.7942	5.8315	5.3800	5.4200	1.3073	1.2286
11am (at Call)	4.6650				**BBSW**	
30 day	4.4850				**1 Month**	4.2900
60 day	4.4950				**3 Month**	4.3350
90 day	4.5250				**6 Month**	4.5595
180 day	4.7550					

TCV Investment rates

TCV note the current TCV 11am/At Call deposit rate has recently increased to 4.30%. The11am deposit can be easily utilised for council's daily working capital requirements. Instructions to invest/withdraw funds are requested prior to 3pm for transactions to be processed on the same day. We encourage councils to review the rates currently paid on their at-call accounts with their transactional bank and consider this facility to maximise returns on any surplus cash balances.

TCV Investment rates

Cash	4.3000		**4 Month**	4.4251
1 Month	4.2800		**5 Month**	4.4725
2 Month	4.2925		**6 Month**	4.5495
3 Month	4.3250		**1 Year**	4.3849

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.

Last week was extremely busy for domestic data. The Federal Budget was released, delivering major new and partly unexpected spending, while three data points gave us heightened concern around the state of the domestic labour market. The Q1 Wage Price Index grew more slowly in y/y terms from a peak in Q4 2023. Wage growth now looks to have peaked and is decelerating quite rapidly. Meanwhile, unemployment spiked in April, rising from 3.8% to 4.1% on a seasonally adjusted basis. Seasonal adjustment issues have bedevilled the series this year and we urge caution in interpreting monthly changes, but it does seem that unemployment is rising faster than was expected a month ago. The NAB April survey also showed an easing in employment conditions and a fall in wage growth.

Overseas, US equity markets finished the week at record highs, with the Dow above 40,000 points. Sovereign yields were lower over the week and CPI printed below expectations.

Current Job Vacancies

The following finance roles are currently being advertised at member councils:

Management Accountant City of Ballarat Applications close 26 May 2024

Management Accountant City of Greater Geelong Applications close 26 May 2024

Financial Accounting Coordinator Stonnington City Council Applications close 26 May 2024

Senior Management Accountant Manningham City Council Applications close 26 May 2024

Financial Accountant City of Greater Dandenong Applications close 30 May 2024

Management Accountant Mitchell Shire Council Applications close 3 June 2024

Internal Audit & Risk Committee Member Mildura Rural City Council Applications close 7 June 2024 – contact Kate Henschke for more details – (03) 5018 8100

Senior Management Accountant Mitchell Shire Council Applications close 11 June 2024

Thank-you to our 2023 Conference sponsors

- American Express – www.amex.com.au
- APV Valuers & Asset Management – APV Case Study – October 2022
- Australian Payments Plus – www.auspayplus.com.au
- Commonwealth Bank – www.cba.com.au
- CT Management – www.ctman.com.au
- Curve Securities – 2023 FinPro Conference – Curve Case Study
- Datacom – www.datacom.co.nz
- Ibis Information Systems – www.ibisinfosys.com.au
- Imperium Markets – www.imperium.markets
- Laminar Capital – 2023 FinPro Conference – Case Study Laminar Capital Perpetual
- LG Solutions – 2023 FinPro Conference – Cloud Year End Case Study – Corangamite & LG solutions
- Lighthouse Group – 2023 FinPro Conference – Lighthouse Local Government Case Study
- MAGIQ Software – www.magiqsoftware.com
- Mastek Ltd – 2023 FinPro Conference – Mastek Case Study 1 – Ipswich Council and 2023 FinPro Conference – Mastek Case Study 2 – Moonee Valley City Council
- National Australia Bank – www.nab.com.au
- NetNet International – www.xetta.com
- Satori – www.satoriassured.com
- TCV – www.tcv.vic.gov.au
- VFMC – 2023 FinPro Conference – Case Study VFMC

- **Westpac – www.westpac.com.au**
- **Maddocks Recoveries – www.maddocksrecoveries.com.au**
- **TechnologyOne Corp – www.technologyonecorp.com**

FinPro Executive Team 2024

President	Bradley Thomas (Hepburn SC)
Vice-President – Chair PD	Belinda Johnson (Horsham Rural CC)
PD Committee Members	Alan Wilson (Melbourne CC)
	Melissa Baker (Casey CC)
	Nathan Kearsley (Latrobe CC)
	Aaron Gerrard (Whittlesea CC)
	John Brockway (Warrnambool CC)
Vice-President – Chair Technical	Tony Rocca (Maroondah CC)
Technical Committee Members	Binda Gokhale (Contractor)
	Fiona Rae (Golden Plains SC)
	Nathan Morsillo (Greater Bendigo CC)
	Simone Wickes (Monash CC)
	Wei Chen (Yarra CC)
	Navec Lorkin (Knox CC)
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