

## FinPro Member Update – Edition 16, 2021

Good afternoon members,

Well, what started out as a ‘slow news’ week certainly changed as the days went on. Lots of news out there to share:

- The **Victorian Ombudsman** tabled her report to Parliament on Monday, finalising the investigation into how councils respond to ratepayers in financial hardship– a summary of this report is included.
- The **Essential Services Commission (ESC)** released their ‘Local council outcomes report 2021’ this week - a brief summary of the report is included.
- There has been an update from both the Victorian Grants Commission and Local Government Victoria (both included)
- The Victorian Budget was handed down this week and some details relating to LG are included.

And all the while, councils are continuing to put their budgets out for community review, there are some great games of footy and netball both locally and on the TV, and the weather is getting colder!

Great news too for those keen to get back to ‘meeting in person’. We will be running our first ‘in person’ event on Friday 18 June in Melbourne. Thanks to all those who responded to our survey yesterday. Whilst it is noted that some are still not ready to do this, and others find the ‘online’ option far easier, there are many of our members keen to catch up in person and network. More news soon.

Keep up the great work you do, helping to make our communities even better places to live, work and visit.

**Gabrielle Gordon, Executive Officer, FinPro**

### Upcoming events

**Friday 18 June 2021** – In person seminar in Melbourne from 9.30am – 3.00pm. This event will not be ‘live-streamed’ but will be recorded and shared after the event.

**5 – 8 September 2021** – Leadership Program at Country Place Kalorama

**20 – 22 October 2021** – FinPro Annual Conference at RACV Cape Schanck

### Recent events

**20 May 2021 – FinPro Technical Q & A (online) - Year end accounts / LG Act 2020 and VAGO Update**

Recording available from Monday 24 May [online](#).

### Thank-you to our 2021 Corporate Partners

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

## Technical Update

### Ombudsman Report: Councils and ratepayers in financial hardship (a brief summary)

#### Context:

In August 2020 the Victorian Ombudsman began an investigation into how ratepayers in financial hardship are dealt with across the sector. The investigation focussed on hardship relief for ratepayers who cannot pay rates on their primary residence.

A 1 pager of this from the Ombudsman [is available here](#).

FinPro has prepared a summary also, which may enough detail for some Council's to use within their own organisations.

#### Findings (summary):

There were a number of case studies quoted within the report, including varying practices and accessibility for hardship policies and processes. There were lots of examples of good practice noted – but also some instances where things weren't as clear as they could be. A lack of consistency across the sector in how Council's respond to financial hardship was a consistent theme in the report – though it wasn't always clear whether this was a few Council's or many.

The investigation found:

- The assistance provided to ratepayers in financial hardship can vary between councils.
- All councils offered extra relief during the COVID-19 pandemic.
- Information about financial hardship can be difficult to find on some council's websites (note that some Councils have been singled out within the report on this and other items).
- Applications for financial hardship can be challenging, particularly for ratepayers who speak limited English, suffer from intellectual disabilities or are in family/domestic violence situations.
- Councils are not transparent enough about options around deferring or waive rates under the LGA.
- Interest charged can make it harder for ratepayers who are already struggling. The report was also critical of the lack of flexibility surrounding the default rate of interest charged by Council's (currently 10%).
- More discretion is required when dealing with ratepayers with mental illness or those who are experiencing family violence.
- Councils have fallen behind other sectors such as energy and water in the consistency of their supports around financial hardship - and could be said in some areas to not be best practice.
- The use of debt collectors was highlighted as an area to be reviewed. A few examples of inconsistency in messaging between Councils and their debt collection contractors was highlighted. The report indicated that currently 97% of Council's use debt collectors.

It should be noted that the Local Government Rating System Review has commented on this in some detail already also – and details of that can be found in the final report: <https://engage.vic.gov.au/rating-review>. In particular recommendation 55: "That the Victorian Government work with relevant peak bodies and councils to design a performance development program..." in this area, which was reported in December 2020, with recommendations on next steps for Local Government Victoria also.

## Opinions

In addition to the key findings from the investigation, the Ombudsman formed an opinion that a number of practices currently adopted by some local councils are 'wrong' pursuant to section 23(1)(g) of the Ombudsman Act (the report wasn't specific about individual Councils). Practices included in this opinion:

- Failing to inform ratepayers of all options available to Council to address financial hardship under the Local Government Act.
- Adopting a blanket policy that Council will not waiver or defer rates.
- Charging penalty interest when ratepayers have an approved payment plan or deferral arrangement in place.
- Failing to ensure debt collector contractors are subject to clear and enforceable standards regarding ratepayers in financial hardship.
- Restricting options available to ratepayers in financial hardship once they have been referred to debt collection.

## Recommendations

The Ombudsman's specific recommendations following their investigation are summarised as follows:

### *Findings directed to the Minister for Local Government:*

- Stronger laws and standards by empowering the Essential Services Commission (ESC) and the Minister for Local Government to issue standards for hardship relief.

The Department's response indicated that this will be considered as part of the overall response to the rating system review (p.90 of full report), and that this will be aligned with best practice of SRO and ATO.

### *Findings directed to Local Government Victoria (in Department of Jobs, Precincts and Regions)*

- Ensure policies are easily found, are clear and consistent between councils, and that family violence is specifically mentioned as a hardship provision.
- Require councils to report on hardship relief.
- Build knowledge and skills by having the ESC develop training and guidance material on dealing with hardship applications.
- Ensure debt collection agencies are familiar with and comply with councils hardship policies and that collection agencies are subject to clear and enforceable standards.
- Build collaboration between councils, local government professional associations, financial counsellors and other organisations that work with people in financial hardship.

LGV accepted these recommendations, and made comments within the report.

## 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. Copies of relevant information is available on the [LGV website](#)

## ESC Rating Report

The Essential Services Commission (ESC) released their 'Local council outcomes report 2021' this week.

We have prepared a brief summary of the report which may be of value to our members.

More details:

This is a routine report (every 2 years), but highlights sector changes. CEO's / CFO's received embargoed copies for individual data some time ago, to check through and updated / made comments to data.

[ESC's overall report \(89 pages\):](#)

There are "individual City's" own sheets for this (there's one sheet per City): [see link](#)

Overall results / themes:

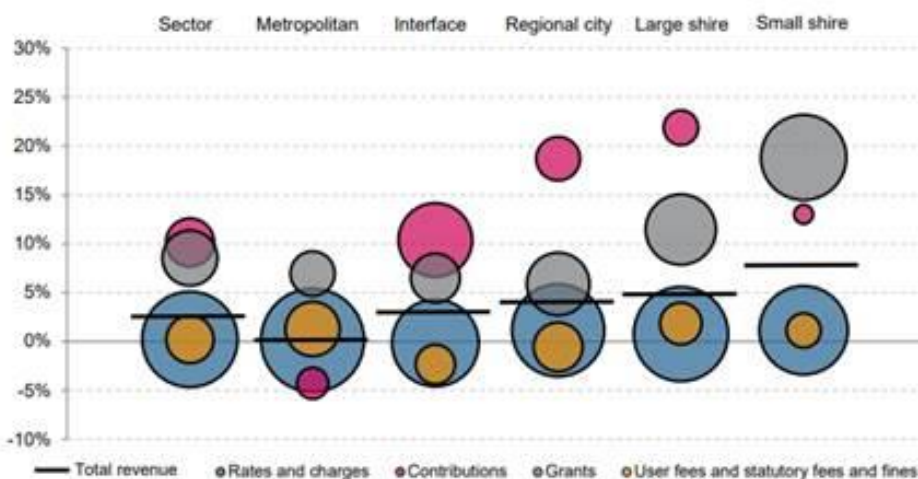
- Annual growth in council rates has slowed
- In general, the financial health of the sector remained strong
- The pandemic reduced the sector's revenue (in more detail: "Councils may face some difficult decisions to maintain their long-term sustainability if revenue growth, particularly from contributions, user fees and statutory fees and fines, does not bounce back from the impacts of the coronavirus pandemic").

The ESC also noted:

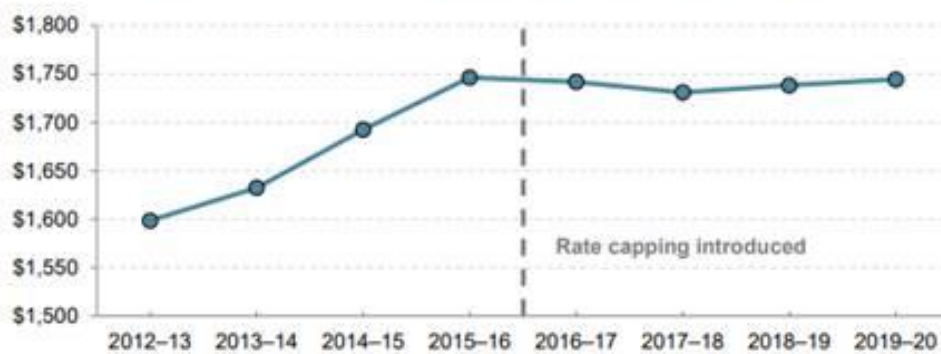
*"It will be important for councils to engage with their communities about the challenges they face and the options available to them. The Local Government Act 2020 now includes principles of community engagement and we will continue to expect any council applying to us for a higher cap to demonstrate how they have engaged with their community."*

Below are a few of the more useful sector graphs for interest, in case members want to send around some summary pieces / notes internally.

Figure 2 Average annual growth in revenue per person in the first three years of rate capping



**Figure 1 Revenue per property from capped rates**  
For the sector as a whole (inflation-adjusted, 2019–20 dollars)



Data source: Council annual reports (audited), Victorian Local Government Grants Commission – VGC 2 data 2012–13 to 2019–20 (unaudited data).

[Link to information source](#)

## Update from Victorian Local Government Grants Commission

The following information was circulated by the VLGGC on 20 May 2021 and is included here for member information.

### **Circular 2 – 20 May 2021**

#### **Federal Budget 2021 and Indicative Financial Assistance Grants 2021-22**

As you would be aware, the Australian Government handed down the Federal Budget on 11 May 2021, which contains estimates of the 2021-22 allocation of financial assistance grants to Victorian councils.

The Budget indicated that \$646.8 million would be provided to Victorian councils under the financial assistance grants program in 2021-22. This represents an increase of \$22.1 million (or 3.5%) on the amount allocated to councils in 2020-21.

General purpose grants are expected to increase by \$16.3 million (or 3.5%) to \$478.7 million. The national pool is allocated between states and territories according to population shares, with Victoria to receive 26.1% of the national pool of funding in 2021-22.

Local roads grants are expected to increase by \$5.8 million (or 3.6%) to \$168.1 million. Unlike the general-purpose grants, Victoria receives a fixed share of the local roads grants (20.6%), which reflects the state's fixed historical share of the national local road network.

#### **2021-22 Allocation**

The Victorian Local Government Grants Commission has now completed its preliminary recommendations for the allocation of general-purpose grants and local roads grants for 2021-22.

*Indicative estimates of the grants for your council are attached for your information.*

**Please note:** *The grant information provided is indicative only and is based on the estimates provided in the Federal budget. Your council's actual grants for 2021-22 are subject to the final allocation to Victoria and the approval of the Federal Minister for Regional Health, Regional Communications and Local Government. It is anticipated that your council will be advised of the actual amount of your 2021-22 grants in August 2021.*

*The attached estimated allocations are provided on an 'in-confidence' basis and should only be used for budgeting purposes. Each council has only been provided with its own estimates and no consolidated list of estimated grants can be made available at this time. In accordance with the Commission's understanding with the Department of Infrastructure, Regional Development and Cities which enables us to release these estimates prior to the recommendations being approved, I ask that councils do not publicise these figures or make media comment on them at this time.*

### **Factors Affecting the 2021-22 Allocations**

*In preparing its estimates of grant outcomes, the Commission has made several changes to the allocation methodology which reflects input from councils through submissions and meetings, and the Commission's own research. All data used by the Commission in allocating general purpose grants has been updated where possible. Major inputs for the 2021-22 allocation include Australian Bureau of Statistics' population estimates, valuations data and the most recent information on council expenditure and revenue.*

*With the introduction of rate capping in 2017, the Commission altered its calculation of rate revenue raising capacity at that time to reflect a four-year average of valuation and rates data, rather than the previous three years. With all valuations and rates data in the model now fully reflecting the rate capping environment, the Commission will revert to the use of a three-year average for the 2021-22 allocations.*

*In light of COVID-19, the Commission has made a series of changes to the use of data in its allocation model to avoid significant grant variations:*

- *Local roads data – changes to road lengths have been incorporated, but councils were asked not to adjust their traffic volume data.*
- *Tourism – the most recent data provided by Tourism Research Australia for 2019-20 has not been incorporated in the allocations due to the significant decrease in domestic tourism and the lack of availability of international visitor data for the year to 30 June 2020.*
- *Expenditure and revenue data from councils – several technical adjustments have been made in the allocation model to smooth out the impact of fluctuations in councils' financial data. This includes the adoption of a three-year average of actual rates and charges revenue in calculating relative revenue raising capacity.*

### **Limits to Grant Movements**

*Due to the impact of the pandemic, the Commission is expecting that there may need to be limits to grant movements set for 2021-22. These will be determined as part of the final allocations in August 2021.*

### **Brought Forward Payment**

*The Federal Budget also indicated that half of the 2021-22 financial assistance grants are to be brought forward and paid in the 2020-21 financial year. This equates to \$323.4 million, comprising \$239.4 million in general purpose grants and \$84.0 million in local roads grants. The decision to bring forward these payments has been made by the Australian Government and the Commission has no part in this decision.*



The date for this early payment has not yet been determined. Based on past experience, it is likely that the brought forward payments will be made in line with 2020-21 allocations. The Commission will provide separate advice about the amount to be paid to your council, and the timing of that payment, once details have been provided to us by the Commonwealth.

#### **Further Information**

The Commission will be in touch with further information as it comes to hand. If you have any queries in relation to the matters raised, please contact Colin Morrison by email [colin.morrison@ecodev.vic.gov.au](mailto:colin.morrison@ecodev.vic.gov.au)

**John Watson**

**Chair**

**Victorian Local Government Grants Commission**

## Financial Assistance Grant program 2021–22

In the 2021–22 Budget, the Australian Government brought forward \$1.326 billion) of the Financial Assistance Grant program 2021–22 estimate for payment in 2020–21. This \$1.326 billion will be paid to states and territories as soon as possible.

Jurisdiction#	General purpose (\$)	Local roads (\$)	Total (\$)
New South Wales	291,536,853	118,253,076	409,789,929
Victoria	239,358,929	84,029,200	323,388,129
Queensland	185,566,530	76,366,417	261,932,947
Western Australia	95,317,536	62,320,282	157,637,818
South Australia	63,251,169	22,399,533	85,650,702
Tasmania	19,350,130	21,599,102	40,949,232
Northern Territory	8,755,567	9,547,597	18,303,164
Australian Capital Territory	15,406,333	13,069,377	28,475,710
<b>Total</b>	<b>918,543,047</b>	<b>407,584,584</b>	<b>1,326,127,631</b>

The remaining 2021–22 allocation to states and territories will be determined early in 2021–22.

## Update from Local Government Victoria

The following information was distributed to councils yesterday (20 May) and is shared for information with members.

### **BULLETIN: 23/2021: VICTORIAN BUDGET SUPPORT FOR COMMUNITIES**

*The Victorian Budget 2021/22 will continue to provide funding to support communities at a local level.*

*This includes added funding for recurring Local Government Victoria programs like the Public Libraries Funding Program and the Growing Suburbs Fund (GSF).*

*Libraries will receive an additional \$9.3 million over four years to enable our libraries to buy new books and collection items, run online services and deliver outreach programs.*

*The GSF will receive \$50 million to continue to deliver hundreds of local infrastructure projects and community facilities in Melbourne's fastest-growing areas. Open to 16 interface and peri-urban councils, the fund supports projects like community centres, sports pavilions and streetscape upgrades.*

*A new \$1.8 million Leadership for Women in Local Government program will be developed by the Gender Equality Advisory Committee to offer leadership training opportunities for women to improve diversity and inclusion in councils, and achieve the Government's target of 50 per cent female mayors and councillors by 2025.*

*Support for rural roads will also be strengthened with \$1.4 million over two years to help councils improve management, alongside \$11.5 million over four years to continue the Roadside Weeds and Pests Program, which helps prevent the spread of invasive plants.*

*The Councils and Emergencies project, an ongoing review of council emergency management capability, will receive an additional \$280,000 to complete the third and final project phase, with a report expected to be completed by the end of the year.*

*For more details about the Victorian Budget 2021/22, please see the announcement by the Minister for Local Government. Local Government Victoria is available to provide advice to councils via [lgy@ecodev.vic.gov.au](mailto:lgy@ecodev.vic.gov.au).*

Regards

**Julie Reid**  
**Executive Director**  
**Local Government Victoria**

## LGPro Women's Professional Development Forum

LGPro will be running a Forum on Wednesday 30 June 2021 at the Melbourne Cricket Ground, Jolimont. Details available [here](#)



## Victorian Budget 2021-22 – Strategy and Outlook

As part of the Victorian State Budget 2021-22, the Strategy and Outlook sections provides a fiscal and economic overview and describes the outlook for the general government sector as well as the broader public sector. For those interested in reading through the whole document, <https://s3-ap-southeast-2.amazonaws.com/budgetfiles202122.budget.vic.gov.au/2021-22+State+Budget+-+Strategy+and+Outlook.pdf>

Table 2.1 (page 22) contains the forward Victorian economic outlooks, which you may wish to use when looking at your financial plan assumptions.

As per the rate cap set for 2021-22, the CPI for that year is at 1.5%. The CPI rates estimated for the following three financial years is also fairly conservative to pre-COVID. The government attributes this in the most part to:

- Unwinding of temporary government support measures
- Rebound in fuel prices
- Spare capacity in the labour market will take time to resolve with a slow wage growth

State Revenue taxation is forecast to increase by 13.2% in 2021-22 and seems to be the main increase in revenue budgeted, with increases in land transfer duties, land tax revenue, payroll tax, gambling tax, motor vehicle insurance and the new Mental Health and Well-being Levy.

**Table 2.1: Victorian economic forecasts <sup>(a)</sup>** (per cent)

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	actual	forecast	forecast	forecast	projection	projection
Real gross state product	(0.5)	(2.00)	6.50	3.25	2.75	2.75
Employment	1.2	(1.00)	2.50	1.25	1.75	1.75
Unemployment rate <sup>(b)</sup>	5.4	6.50	5.75	5.50	5.25	5.25
Consumer price index <sup>(c)</sup>	1.7	1.50	1.50	1.75	2.00	2.25
Wage price index <sup>(d)</sup>	2.4	1.25	1.75	2.00	2.25	2.50
Population <sup>(e)</sup>	1.5	0.00	0.30	1.20	1.70	1.70

Sources: Australian Bureau of Statistics; Department of Treasury and Finance

Notes:

(a) Percentage change in year average terms compared with the previous year, except for the unemployment rate (see Note (b)) and population (see note (e)). Forecasts are rounded to the nearest 0.25 percentage points, except for population (see Note (e)).

The key assumptions underlying the economic forecasts include interest rates that broadly follow market expectations; an Australian dollar trade-weighted index of 61.5; and oil prices that follow the path suggested by oil futures.

(b) Year average.

(c) Melbourne consumer price index.

(d) Wage price index, Victoria (based on total hourly rates of pay, excluding bonuses).

(e) Percentage change over the year to 30 June. Forecasts are rounded to the nearest 0.1 percentage point.

## Current positions advertised on the [FinPro Website](#)

- **EOI Independent Audit and Risk Committee**
- Alpine Shire Council
- [Link to council website](#)
- For further enquiries please contact Ruth Kneebone, Director Commercial on 0402 104 188
- EOI's close Friday 21 May 2021.
  
- **Independent Audit and Risk Committee Members**
- Hepburn Shire Council
- [Link to website for further details](#)
- If you have any further questions, please contact the Governance and Risk team on 03 5348 2306
- Applications close at 5pm on Wednesday 26 May 2021
  
- **Asset Accountant**
- Northern Grampians Shire
- [Link to website for more information](#)
- If you'd like to know more contact Stephanie Burns, People and Culture Officer at [stephanie.burns@ngshire.vic.gov.au](mailto:stephanie.burns@ngshire.vic.gov.au) or call 03 5358 8700.
- Applications close 12.00pm Monday 7 June 2021

## FinPro Executive Team 2021

<b>President</b>	Bradley Thomas (Hepburn SC)
<b>Vice-President – Chair Professional Development</b>	Binda Gokhale (Wyndham CC)
<b>PD Committee Members</b>	Alan Wilson (Melbourne CC) Belinda Johnson (Southern Grampians SC) Charles Nganga (Casey CC) Melissa Baker (South Gippsland SC)
<b>Vice-President – Chair Technical</b>	Tony Rocca (Maroondah CC)
<b>Technical Committee Members</b>	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)
<b>Secretary / Treasurer</b>	Gabrielle Gordon

### FinPro Contact Details

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