

FinPro Member Update – Edition 1, 2023

President's Message

Welcome to 2023!

I hope many of you were able to take a break, recharge the batteries and enjoy some time with family and friends.

Today is only day 20 of the new year, and already, plenty is happening in the Local Government Sector.

A big thank you to our members throughout 2022 for all you did for your organisations and communities. We look forward being able to continue to assist you during 2023, to enable you to continue to keep doing the great work you do.

This edition includes a number of important updates that have been separately distributed from a range of sources over the last month, including information on the rate cap.

Late last year the Minister announced the rate cap for 2023/24 at 3.50%. I've been disappointed with some of the commentary that talks about this rate cap being 'double last years'that's just a misleading headline that doesn't look at the financial pressures being experience day to day by local government. It might be good to talk with your Executive and Councillors about the rate cap, highlighting that it is still less than half of the current CPI.....

Congratulations to the following who picked the 3.50% rate cap:

- Kaleena Cruickshank Bass Coast Shire Council
- Jon Gorst Manningham City Council
- Peter Liu City of Port Phillip

These 3 members were placed in a random draw and Kaleena's name was drawn to win a \$250 Airbnb voucher! Congratulations Kaleena, and well done too to Jon and Peter!

The FinPro Executive Team is meeting on February 2 to plan the year ahead – if you have anything in particular you would like us to concentrate on or develop, please get in touch with a member of the Executive.

We look forward to see you and working with you throughout the year, including at our PD Day in Melbourne on the 24th of February!

Bradley Thomas,

President FinPro and CEO Hepburn Shire

Membership News

Welcome to new members:

Carey Roberts, Management Accountant at Wellington Shire,

Madelaine Redman, Financial Services Coordinator at Mount Alexander Shire, replacing Robyn Stirling who is commencing maternity leave, and

Donna Whitechurch, Finance Business Partner at Mornington Peninsula Shire.

Welcome to FinPro the team from Central Goldfields Shire: **Lucy Roffey, Mick Smith, Scott Evans, Sylvia Lee, Narelle Greenwood, Hartaj Dhanju, Marc Cassidy** and **Carolyn Sullivan**.

Member Congratulations to **Laura Smith** who has joined the team at Casey Shire as Program Manager Enterprise, coming from Frankston CC.

Upcoming Professional Development Day – Friday 24 February 2022

Members are advised that we will be running a full day seminar at the Melbourne Convention and Exhibition Centre on Friday 24 February 2023.

Registration will be from 9am, with the sessions commencing at 9.45 and concluding at 3.00pm. A networking session will then run from 3.00 – 4.00pm.

Seminar presentations will include:

- FinPro Update
- Economic session presented by Emma Lawson, Economist TCV
- Launch of Model Budget 2023/24 and Model Financial Statements 2022/23
- ESC Update
- Other presentations – TBA

Investment: (includes seminar, morning tea, lunch and networking event from 3 – 4pm)

- Members: \$176 pp
- Non-members: \$242 pp

We hope to finalise the program early next week, when more people return to work, however, in the meantime, registrations are now open.

[REGISTER HERE](#)

Technical Updates

Rate Cap

A lot of information has been distributed over the past month in relation to the Rate Cap. Provided below are the various information streams for you in the one place:

- Rate cap announcement
- ESC Recording – Rate capping framework
- Local Government Rate Capping Mechanism Review
- Rate Cap Cumulative impact
- ESC – Outcome report update and request for rates data

Rate Cap Announcement

[Victorian Council Rate Cap Set For Next Financial Year | Premier of Victoria](#)

ESC Webinar Recording – Rate capping Framework

Interested in getting a better understanding of the rate capping framework? The ESC ran a webinar on 9 December 2022 – a link to the recording is now [available here](#).

If you would like a copy of the PowerPoint presentation slides from this webinar, please contact [Gab](#) and a copy will be sent your way!

Local Government Rate Capping Mechanism Review

In September 2021, the Victorian Government engaged Grosvenor Performance Group (GPG) to undertake the independent review of the local government rate capping mechanism as required under section 185G of the Local Government Act 1989.

FinPro and many Councils were involved in providing information and feedback into the review. It should be noted that scope of the review was fairly narrow and wasn't designed to review the entire system but rather if the mechanism for setting a cap was still appropriate.

The review assessed all parts of the rate capping mechanism, with specific reference to:

- the provision of advice by the Essential Services Commission (ESC) and Government agencies to the Minister for Local Government in the setting of the rate cap (s185D of the Act);
- the use of the base average rate as the basis for applying the rate cap (s 185B of the Act); and
- the process by which councils apply to the ESC for a higher cap and a decision is made by the ESC, including the timing, appropriateness of guidance and other communications provided by the ESC as part of the process (s 185E of the Act).

GPG submitted their report on findings and recommendations to the Minister for Local Government and the Assistant Treasurer on 20 December 2021, with the report and the Government's response to the final report being tabled in the Victorian Parliament on 20 December 2022.

The reports are available online –

- [Local Government Rate Capping Mechanism Review Final Report](#)
- [Victorian Government Response to the Final Report](#)

Given these were tabled just prior to December several members may have missed their release. We provide the below as a quick summary.

Government is pleased that the review has reaffirmed the importance of the rate cap mechanism and notes that the report is clear that the rate cap mechanism continues to support the long-term interests of ratepayers with the financial sustainability of Victorian local governments. The Report's recommendations cover a range of reforms to improve the rate cap mechanism, and in total there was 9 recommendations.

The Government's response is supportive of the recommendations to improve communications about the rate cap mechanism to better articulate its purpose and function. It is also supportive of improvements to the arrangements for councils to seek a higher cap amount. FinPro too would support improved communication especially the development of explanation videos that explain the rate capping mechanism for our community that we could share.

The Government is supportive in-principle of the recommendation to shift the rate cap amount decision from December to an earlier date and will consider the most effective means to implement this recommendation. FinPro will be very interested in having discussions with LGV and the ESC about how this will work in practice, given in particular the impact of inflation changing.

Interestingly the Government did not support the recommendation for the ESC to conduct a 10-yearly assessment of the financial state of the sector. FinPro will continue discussions with the Minister in relation to this as it was clear in the FinPro/MAV State of Finances Reports [Measuring our financial health](#) - FinPro that there is a relatively poor understanding of council operations, asset management and finance among parliamentarians, departments, and agencies and there is a great need for a greater understanding of the financial challenges faced by us by our State and Federal Government.

Rate Cap Cumulative Impact

With the recent State Government announcement of 3.50% for the 2023/24 rate cap, no doubt your Councillors or Executive might ask what the impact is if we don't raise rates at the full rate level.

It's a great question, but it will be important for our members to communicate the cumulative impact of a decision to not apply the full rate cap – remember even if you don't raise by say 0.50% that 0.50% is lost forever.

The attached link provides a simple spreadsheet, and a couple of output graphs that might be helpful. Just complete the two yellow cells and the results will populate for you.

For example, a Council with \$40 million in rates if offered a rate increase of 3.00% rather than the rate cap of 3.50% would have \$200,000 less revenue in 2023/24 but over the 10-years the cumulative impact would be a reduction of revenue of \$2.20m (excluding growth and interest charges).

Imagine what that \$2.20m would deliver for that community in pothole repairs, sustainability initiatives or services for our most vulnerable?

If your Council does want to increase rates lower than the cap (which is their decision) you may want to look at the option of offering a rebate or similar so the rates still increase at the rate cap and you don't have the cumulative impact but you offer the discount in rates as a rebate.

Interesting times ahead as we plan for the 2023/24 budget and the impacts over the short, medium and long term.

 [Rates Cap Impact - public.xlsx](#)

ESC – Outcomes report update and request for rates data

The following information was sent to all councils on Thursday 19 January 2023 and is included here for member information

Dear councils

****Important – please see a request for data attached and outlined below****

Due by Friday 3 February 2023

We have commenced preparation of our 2023 report on the outcomes of rate capping

We are writing to let you know what you can expect of the report and our process, and how we will engage with you in relation to data about your council.

We are required to report every two years on outcomes and trends across the sector as well as any other impacts of the rate capping system. This is separate to our annual compliance reports, which assess council's compliance with either the cap set by the Minister for Local Government, or a higher cap approved by the commission.

Our approach will be similar to our previous report, released in 2021

Our previous report, released in May 2021, comprised:

- *79 individual council fact sheets*
- *five group average fact sheets*
- *an online dashboard*
- *a reader's guide to accompany these fact sheets*
- *an overall report on the impacts on the local government sector.*

This report is available on our website at www.esc.vic.gov.au/local-government/rate-capping-outcomes-reports.

We will adopt a similar format for our 2023 report.

The overall report will provide a snapshot of how the sector, and each of the council groups (small shire, large shire, regional city, interface and metropolitan) have responded to rate capping.

The fact sheets will increase the transparency of councils' rates, revenue, expenditure and financial positions and help readers understand how councils are operating in a rate capped environment.

We recognise the sector already has a number of reporting obligations. We will draw on data included in your annual reports and reported to the Victorian Local Government Grants Commission and Local Government Victoria as much as possible.

Request for data on the distribution of rate increases and decreases across your municipality

Please find attached a request for information about the distribution of increases and decreases in capped rates and charges within your municipality.

This information will address a gap in reported data about the experiences of individual ratepayers within the rate capping framework. It will be included in your council's fact sheet.

We ask that you email the completed table to localgovernment@esc.vic.gov.au by 5 pm, Friday 3 February 2023. If you are unable to provide the requested information in the table format provided, you can provide a spreadsheet of de-identified data for us to complete the calculations for you. Please ensure that you do not include names or addresses.

If you have any questions or difficulties providing this data, email us at localgovernment@esc.vic.gov.au or call (03) 9032 1300.

Checking of fact sheet data

The fact sheets will follow the same format as the 2021 fact sheets ([available here](#)). We will email you your draft 2023 council fact sheet by the end of February. You can then check for any errors that may have occurred either in the initial reporting of the data or in our inputting of it. We will also send you a spreadsheet of the underlying data for your council's fact sheet.

You will have **two weeks** to check the data and advise us of any errors.

We are aiming to release the fact sheets, together with the sector-wide report in May 2023.

In the meantime, please see our website (www.esc.vic.gov.au/local-government) or contact us at localgovernment@esc.vic.gov.au or 9032 1300 for further information or if you have any queries.

Thank you for your assistance with this report.

Local Government Team

Price monitoring and regulation



Forecasting Inflation – Budgets and Long-Term Financial Plan Assumptions

And the Minister’s pick is..... 3.5%!

What do **some other** members use for forward inflation and other predictions? Good question.

There are a number of options, and everyone should do their own thinking and research of course. However the note about the latest rate cap notice sets out the thinking of the ESC:

“The ESC’s advice was that the average rate cap be set equal to the 2022–23 Budget Update forecast of the consumer price index (CPI) for 2023–24 from the Department of Treasury and Finance (DTF). DTF has confirmed that the latest information about the financial position of the Victorian Government sector is available in the Pre-election Budget Update...”

Also, recommendation 2 in the Local Government Rate Capping Mechanism Review Final Report states:

‘Aligned to the LG Act 2020, councils are required to complete long-term financial planning (10 years). Part of this process would require councils to make assumptions on the forecasted CPI published in the Victoria State Government Budget Papers, in order to account for the rate cap.’

For predicting future rate increases, many FinPro members use these Treasury (DTF) CPI estimates, which are updated a few times a year. These only go out 3 years of course. In Bendigo we tend to use the last year as a proxy for the future ‘next’ years. Then we look at the RBA’s target inflation – see here. This has generally been between 2 and 3 percent.

If you have a different or better approach to how you’re approaching inflation more broadly for revenue or expenses – let us know by emailing [Gab](#) and [Nathan](#).

The longer term advocacy for FinPro and MAV is to have a rate cap calculation that’s closer to a Local Government basket of costs.

Here is the State Government link to the latest which was a pre-election update:

[Pre-Election Budget Update | Department of Treasury and Finance Victoria \(dtf.vic.gov.au\)](https://www.dtf.vic.gov.au/pre-election-budget-update)

VAGO Status Report – December 2022

VAGO issued their December report on 23 December. For those who missed the report, a copy is [available here](#).

LGV Bulletin 54/2022 and 55/2022

The following Bulletins were issued in late December by LGV and are included here for member information.

BULLETIN: 54/2022 **CHANGES TO LOCAL GOVERNMENT PERFORMANCE REPORTING**

The Local Government Performance Reporting Framework was implemented in FY14-15. Since then, the Framework and the Know Your Council website has published the results of 59 service and financial performance indicators, and a governance and management checklist for each council annually. The website has received over 150,000 page views per month for the past year.

The Framework is undergoing changes in FY22-23. As recommended by the Victorian Auditor-General in 2017, target setting is required from 2023-24, following changes to the [Local Government \(Planning and Reporting\) Regulations 2020](#). As part of their budget process, councils must set targets against 8 of the 59 performance indicators. The Local Government Victoria Sector Finance and Reporting teams will provide guidance and templates for target setting, along with budgets and annual reporting. The guidance and template for target setting will align with the Model Budget and Financial Report which are updated and reissued annually in February. A high-level practice note for amendments to the regulations is attached to this Bulletin.

*In addition, the [Know Your Council](#) website and reporting system will no longer be available from **31 December 2022**. The performance data submitted by councils will be published via the Local Government Victoria website [here](#) and all web searches for 'know your council' will be directed there. Some popular features of the site are unable to be transferred at this stage, including the mapping function, address look up, and charts and tables that compare councils' performance.*

The LGV Sector Finance and Reporting Team will be providing advice and support to councils regarding the new submission process and arrangements via the existing network of Know Your Council users in early 2023.

For any questions regarding these changes, please contact the Performance Reporting team at performance@ecodev.vic.gov.au

Mike Gooley, Executive Director, Local Government Victoria

BULLETIN: 55/2022 DISASTER RECOVERY FUNDING ARRANGEMENTS – DAY LABOUR AND EXTENSION OF TIME

The Victorian Government has approved Day labour as eligible expenditure under the Victorian Disaster Recovery Funding Arrangements (DRFA).

Day labour is defined as the use of councils' in-house resources to undertake allowable repair and restoration works after eligible events.

Councils can now claim costs associated with the use of day labour under the Victorian DRFA. This change will be retrospectively applied from 6 October 2022 to support councils as they respond to the October 2022 flood event.

Day labour can be claimed for category B emergency works and immediate reconstruction works. Councils can claim costs associated with direct wages and direct consumables like fuel. Further work is being undertaken on eligible costs associated with plant and equipment.

Councils are encouraged to discuss how to claim day labour further with their assigned assessor from Department of Transport.

The Victorian Guidelines will be updated to detail all eligible costs in mid-late January 2023.

Extension of time

An extension of time has been granted under the DRFA for following works to be completed, specific to the October 2022 flood event (AGRN1037):

- *Emergency works - 30 April 2023*
- *Immediate reconstruction works - 31 December 2023*

This provides councils with additional time to thoroughly assess damage and undertake the necessary works.

Estimates

Councils are reminded they must submit estimates for the October 2022 flood event into the Claims Management System.

This is a critical step in understanding the quantum of impact and the value of claims that will be submitted. Councils are also encouraged to update these on a regular basis.

Local Government Victoria is available to assist councils by phone 0418 287 976 or via email lqv.emergencies@ecodev.vic.gov.au

Mike Gooley, Executive Director, Local Government Victoria

Windfall Gains Tax – Practical Implications for Council-owned Land

Windfall Gains Tax (WGT) is one of the most significant tax regime changes to affect the property industry since the introduction of GAIC. WGT is however more challenging for councils than GAIC for a variety of reasons, including the fact that local government land is not exempt from the tax.

In light of this, Maddocks will be running a seminar in Melbourne on 15 February. Further details are available by contacting [Bianca Wiles at Maddocks](#)

Local Government Hardship Guidelines

The Minister Local Government has requested that the Essential Services Commission prepare some guidance on local government hardship. FinPro is really pleased that the ESC has reached out to us to be part of the early discussions of this advice. We will fully participate and will look to share background that members have provided to us during 2022. It is expected these guidelines will be available in the first half of 2023.

Other Information

State Government Departmental Changes 2023

Following the Victorian State Government Election last November there have been a few changes made to the machinery of Government.

In relation to the Local Government sector, it may be useful to note the following:

Department of Government Services (New)

Local Government Victoria (LGV) will move into this Department.
New Secretary Jo de Morton. Jo was the CEO of Services Victoria

Department of Justice and Community Services

Kate Houghton, former Deputy Secretary of DPC, is the new Secretary of DJCS

DELWP will be renamed as Department of Energy, Environment and Climate Action (DEECA)

Will 'auspice' the new SEC.

Chris Miller, Deputy Secretary of DJPR will lead this Department.

Planning will move to the Department of Transport and Planning (DTP)

DJPR will change its name to Department of Jobs, Skills, Industry and Regions (DJSIR)

This Department will have 15 Ministers and includes Commonwealth Games and Commonwealth Games Legacy, Tourism, Sport and Major Events.

It is noted that all changes will be effective from 1 January 2023.

MAV pre-budget submission

In December 2022 the MAV issued a pre-budget submission titled 'Opportunities for the 2023 State Budget'. This submission has a strong financial focus.

[MAV-2023-Pre-budget-Submission.pdf](#)

KPMG report – Big issues facing business leaders in 2023

KPMG have released their regular report into the big issues facing business leaders in 2023. It was a survey of over 400 CEOs (of which our President, Bradley Thomas participated). The report and summary is an interesting read, and available at

[Top 5 issues for Australian business leaders in 2023 - KPMG Australia \(home.kpmg\)](#)

What's keeping Australian business leaders up at night?

Top 5 challenges for 2023

What are the key challenges facing Australian business leaders in 2023?

1. Talent acquisition, retention and re/upskilling staff to meet a more digitised future (77%)
2. Digital transformation and optimisation, and extracting organisational value from it (46%)
3. Dealing with cyber risks (40%)
4. Dealing with evolving regulatory processes, reporting changes and impacts (35%)
5. The need for greater agility and flexibility in their organisation to meet opportunities and challenges (35%)

3–5 year predictions

What key challenges are Australian business leaders predicting in the next 3–5 years?

1. Talent acquisition, retention, and re/upskilling to meet a more digitised future (61%)
2. Dealing with cyber risks (43%)
3. Digital transformation and optimisation, and extracting organisational value from it (43%)
4. Identifying and growing future market segments and/or innovation opportunities for growth (40%)
5. Dealing with evolving regulatory processes, reporting changes and impacts (35%)

Top social challenges

What are the main social challenges impacting Australian business?

We asked business leaders what they felt were the most significant social challenges impacting our future broader Australian business environment.

Here are the top three answers:

1. Health risks including COVID-19 (26%)
2. Social licence to operate/reputation (10%)
3. Emerging and disruptive technology (7%)

Latest blog from .id – Census data for employment estimates

The latest blog from .id (informed decisions) tackles the long asked question of why the ABS Census employment estimates are different to other sources. [Read more here](#)



TCV Loan rates as at 19th of January 2023

Maturity	Fixed Rate (Interest Only)		Fixed Rate (Principal and Interest) *		Floating Rate (margin to BBSW)	
	Quarterly	Semi	Quarterly	Semi	Quarterly	Semi
1 year	3.6774	3.6927	3.7000	3.7400	0.1181	-0.0704
3 year	3.7013	3.7160	3.6850	3.7050	0.3034	0.1357
5 year	3.8350	3.8507	3.7450	3.7650	0.4032	0.2577
7 year	4.0332	4.0508	3.8400	3.8650	0.4492	0.3244
10 year	4.3940	4.4151	4.0550	4.0850	0.6300	0.5310
12 year	4.5698	4.5928	4.2000	4.2250	0.7182	0.6303
15 year	4.7693	4.7943	4.3950	4.4200	0.8580	0.7767
11am (at Call)	3.4150				BBSW	
30 day	3.3550				1 Month	3.1045
60 day	3.4350				3 Month	3.3050
90 day	3.5450				6 Month	3.6697
180 day	3.8650					

TCV Investment rates

Cash	3.0500		4 Month	3.4070
1 Month	3.0945		5 Month	3.5517
2 Month	3.1812		6 Month	3.6597
3 Month	3.2950		1 Year	3.3677

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.

Disclaimer

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FinPro – Current finance jobs available in the sector

Job	Organisation	Link	Closing date
Team Leader – Financial Accounting and Treasury	City of Greater Bendigo	Council website	2 Feb 2023
Financial Accountant	City of Ballarat	Council website	30 Jan 2023
Manager Finance	Indigo Shire	Council website	3 Feb 2023
Payroll Officer	City of Manningham	Council website	29 Jan 2023
Revenue Officer	City of Warrnambool	Council website	20 Jan 2023
Business System Analyst	City of Warrnambool	Council website	27 Jan 2023
Coordinator Finance and Procurement	Hepburn Shire	Council website	8 Feb 2023
Procurement Specialist	Hepburn Shire	Council website	10 Feb 2023

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FinPro Executive Team 2023

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