

Launch of the Local Government Model Financial Report 2015/16

FinPro Professional Development Day 17 February 2016



Turn back time?

Local Government (Planning and Reporting) Regulations 2014

(GIC 15 April 2014 and effective from 1 July 2014)

OBJECTIVE, to prescribe:

- a) Contents and preparation of financial statements
- b) Performance indicators
- c) 'Information to be included 'SRP/ Budget/ Annual Report

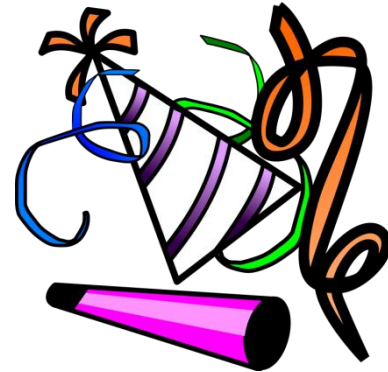
A reflection on 2014/15

The Auditor General reported:

- The 2014–15 reporting period was the first year local councils were required to prepare their financial statements in accordance with the Local Government Model Financial Report (the Model) issued by Local Government Victoria (LGV).
- Our review of the 2014–15 financial reports indicated that there was a sound commitment by the councils to meet the revised requirements and there was considerable less variability in the quality of the financial reports compared to prior years.
- LGV should seek feedback on the effectiveness of the Model and consider suggestions for improvement.

A reflection on 2014/15

A cause for celebration!



- Clear Audit opinions on 79 Financial Statements and 79 Performance Statements

VAGO Annual Report



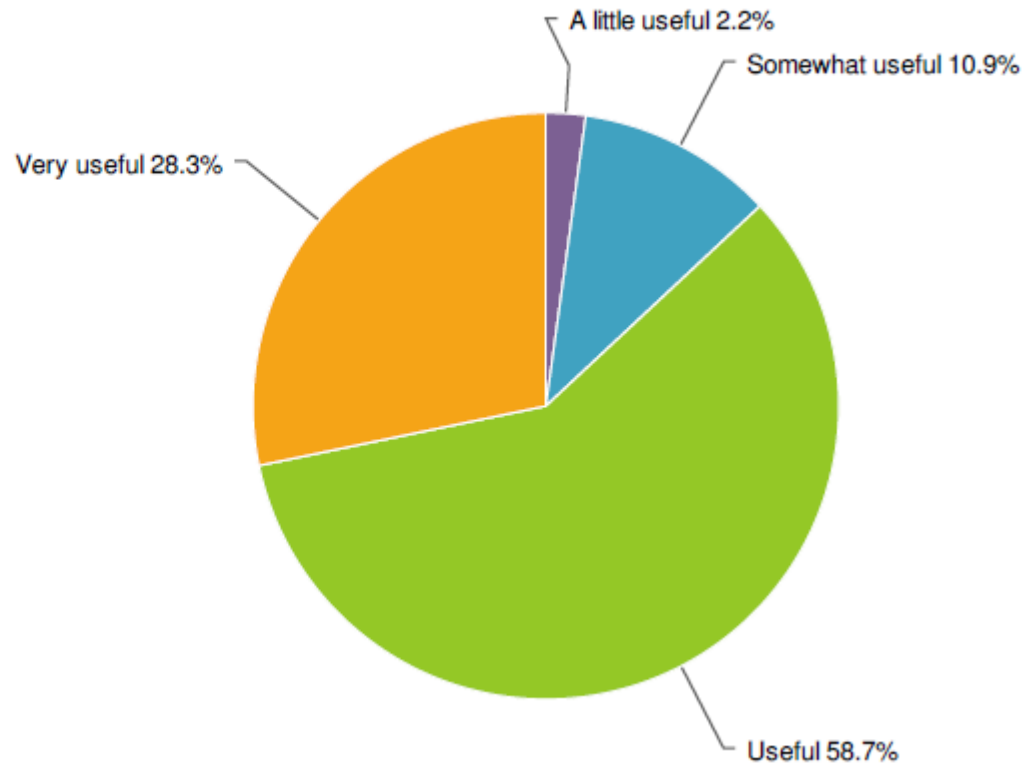
VAGO observations beyond compliance:

- Sector generated surpluses of \$1.5 billion (up from \$923 million)
- Early CGC payment of \$267 million a major contributor
- Many indicators benefited from CGC payment

We asked...and you told us!

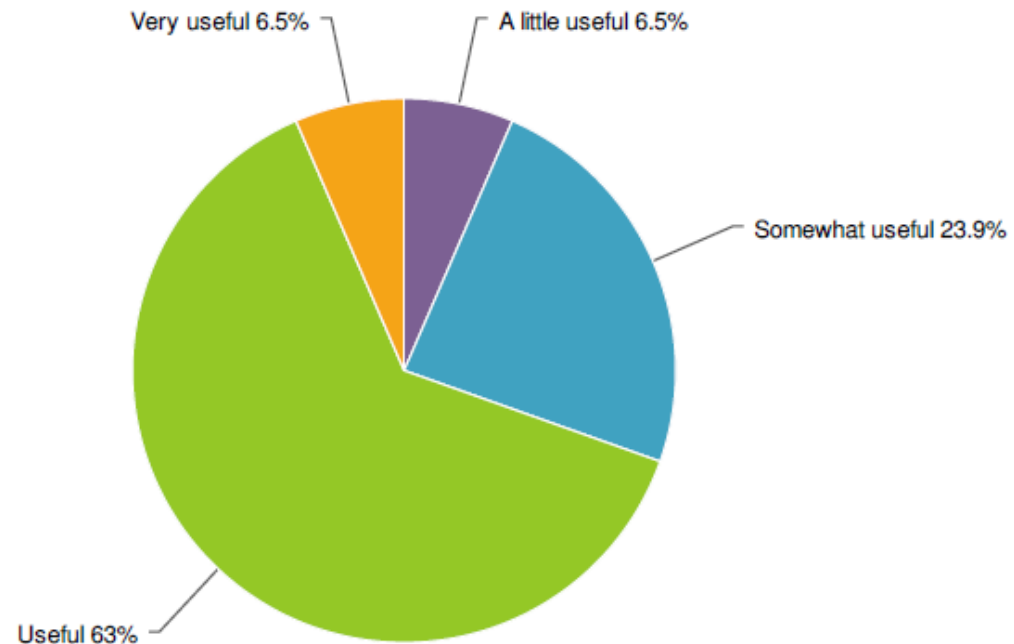
■ Generally positive

1. In preparing your council financial statements how useful did you find the LGMFR?



We asked...and you told us!

7. In preparing your council financial statements how useful did you find the Better Practice Guide?



We asked...and you told us!



- Continue to keep refining.
- Continuous improvement is important.
- First year of LGMFR went well!
- Ought to have been published earlier than it was
- The AG did not agree to some of the requirements of the LGMFR. They need to be more involved.
- The model and associated guidance material was very helpful.
- There were a couple of spelling mistakes in there that I had to fix!

We asked...and you told us!

- Spelling and grammar checks needed to be completed prior to publishing
- Despite applying the LGMFR a number of different interpretations were applied by VAGO requiring some variation to the template. It appears that there was no consultation with VAGO during its development, I think VAGO need to be consulted before the document is released.

**TELL ME
HOW YOU
REALLY FEEL**

...and told us and told us

Statement of Changes in Equity & Adjustments to Equity Note - it would be very helpful to have guidance on the treatment and disclosures of not previously recognized (NPR) assets - we had to change the format to accommodate these items. Statement of Capital Works - guidance should indicate that the capital works expenditure should tie in to the asset additions in the Fixed Asset note. Note 2 - Budget comparison - would be useful to have guidance on the materiality threshold. Our Council adopted a \$1m and 10% variance threshold, however, VAGO then changed this to \$1m or 10% (required a lot of rework late in the process). Note 8 Net gain/loss on sale of assets - we added further detail compared to the IGMFR and our Audit Committee found this more useful. Note 10 currently classified under 'other' (21 PIPE - links to other related contributions and additions). All notes (eg - WDV of disposals). Most recent valuations of infrastructure specialized land types? Overall - Councils can differ, but the more where community grants and charges about asset classes? What is disclosed? Details charges set by Council, eg - proj



ries. Temp staff is
) and on costs? Note
n-monetary
ar when tying in to other
balances? Dates of
te. Examples of
categories - obviously
ggestions include
ie disclosed? Details
ner are fees &

On the Better Practice guidelines



- Better asset categorisation definitions required.
- Provide examples to support the definition of specialised and non specialised fixed assets.
- It was confusing trying to get the presentation correct - all the "guides" were a little different.
- A bit more details on different sections of the guide will make the guide more useful and insightful.

On the Workshops

- Include the AG
- It provided an opportunity for good discussion and the presenters did a good job.
- It was fantastic that sessions were held regionally, please keep it this way for 2016.
- Disappointed that the questions and answers from workshops were not distributed as discussed at the Melbourne workshop.
- Also no answers were supplied for questions on notice.

We continued to consult

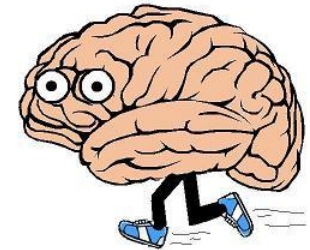
- We also met after the FinPro Annual Conference
- We invited and received submissions from stakeholders
 - 46 responses to survey
 - 6 formal submissions in response to circular
 - 26 comments / suggestions from FinPro conference session

You told us a lot ... and reminded us of the diversity of needs of local governments across the State

The experts came together

Representatives from FinPro, CPA Australia, VAGO and LGV worked diligently

- And considered all of the submissions
- Resolved on those to adopt
- And reconsidered those we had not accepted
- And now deliver the finished product
- LGV thanks to all who made the effort to provide feedback and for members of the Working Party for their significant contributions



Summary of Changes - LGMFR

- Statement of Comprehensive Income
- Increased flexibility to recognise gains / losses under Income or Expenses

| Comprehensive Income Statement For the Year Ended 30 June 2016 | | | | |
|---|------|----------------|----------------|--|
| | Note | 2016 \$'000 | 2015 \$'000 | |
| G 4 | | | | |
| Income | | | | |
| Rates and charges | 3 | - | - | |
| Statutory fees and fines | 4 | - | - | |
| User fees | 5 | - | - | |
| Grants - operating | 6 | - | - | |
| Grants - capital | 6 | - | - | |
| Contributions - monetary | 7 | - | - | |
| Contributions - non monetary | 7 | - | - | |
| G5 Net gain (or loss) on disposal of property, infrastructure, plant and equipment | 8 | - | - | |
| G6 Fair value adjustments for investment property | 24 | - | - | |
| Share of net profits (or loss) of associates and joint ventures | 16 | - | - | |
| G7 Other income | 9 | - | - | |
| Total income | | - | - | |

Summary of Changes - LGMFR

- Note 23 Property, infrastructure, plant and equipment
- Added summary at start of note which reconciles to Balance Sheet

| | | | | | | | | | | |
|----|---------|--|-------------------------------|-----------------------------|---------------------|------------|-------------------------------|-----------------------------|---------------------|--|
| 4 | Note 23 | Property, infrastructure plant and equipment | | | | | | | | |
| 5 | | | | | | | | | | |
| 6 | G73 | Summary of Infrastructure Property Plant and Equipment | | | | | | | | |
| 7 | | | | | | | | | | |
| 8 | | | At Fair Value 30 June 2016 | Accumulated Depreciation | WDV 30 June 2016 | | At Fair Value 30 June 2015 | Accumulated Depreciation | WDV 30 June 2015 | |
| 9 | | | | | | | | | | |
| 10 | | Land | - | - | - | | - | - | - | |
| 11 | | Buildings | - | - | - | | - | - | - | |
| 12 | | Plant and Equipment | - | - | - | | - | - | - | |
| 13 | | Infrastructure | - | - | - | | - | - | - | |
| 14 | | Work in progress | - | - | - | | - | - | - | |
| 15 | | | - | - | - | | - | - | - | |
| 16 | | | | | | | | | | |
| 17 | | | | | | | | | | |
| 18 | | | | | | | | | | |
| 19 | | Summary of Work in Progress | | | | | | | | |
| 20 | | | Opening WIP | Additions | Transfers | Write Offs | Closing WIP | | | |
| 21 | | | | | | | | | | |
| 22 | | Buildings | - | - | - | - | - | | | |
| 23 | | Plant and Equipment | - | - | - | - | - | | | |
| 24 | | Infrastructure | - | - | - | - | - | | | |
| 25 | | Total | - | - | - | - | - | | | |

Summary of Changes - LGMFR

- Note 35 Superannuation
- New, separate note on superannuation

Note 35 Superannuation

Council makes [all/the majority] of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. Obligations for contributions to the Fund are recognised as an expense in Comprehensive Income Statement when they are made or due.

Accumulation

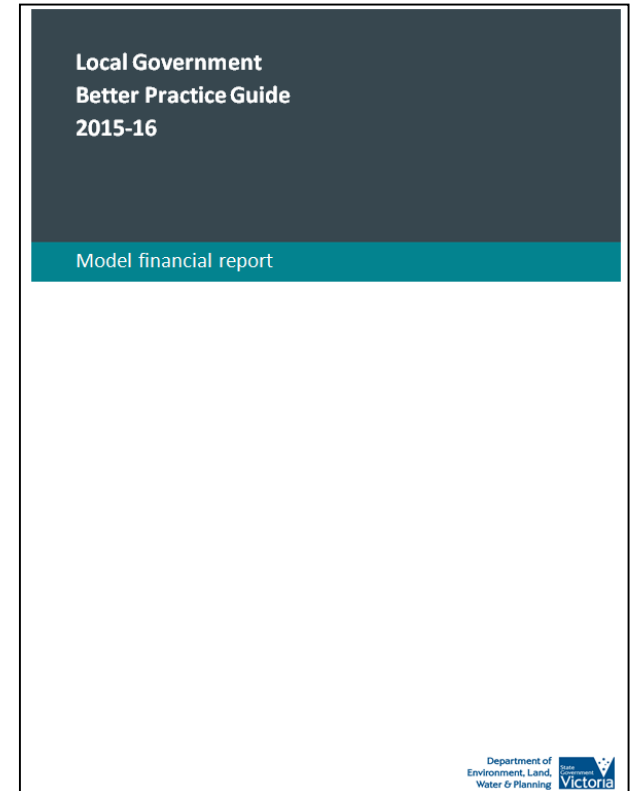
The Fund's accumulation categories, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2016, this was 9.5% as required under Superannuation Guarantee legislation).

Defined Benefit

Council does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a pooled multi-employer sponsored plan.

Summary of Changes - Better Practice Guide

- Added Guidance on:
- Prior period errors
- Consolidation
- Asset classes
- Heritage assets
- Specialised assets



Minor changes

Several minor changes to resolve inconsistencies and improve model, including:

- Change to **grant** note – trying to better distinguish source and type as well as improve movement reconciliation (note 6)
- Amended **contributions** note, adding subtotals and refined guidance (note 7, G 53, 54). Note that classes of contributions do not align directly with asset classes, allows for grouping of asset classes where contributions are immaterial.
- Additional guidance on disclosures relating to **loss/gain on sale** of asset, including consideration of providing detail by asset class (Note 8, G55)
- Remove materials and services as a sub heading from within the materials and services note. (Note 11)

Minor changes (cont'd)

- Amended guidance relating to ***statutory receivables*** and requirements relating to disclosure of ageing (note 18, G69)
- Included cross reference from note 13 ***depreciation*** to details in notes 23 and 25
- Included reference from *cash* note (note 17) to ***other financial assets*** (note 19) to assist readers in understanding cash and investment position.
- Amended ***provisions*** note to include movement details for all provisions (note 28)
- Included additional guidance relating to ***financing facilities***, in particular as it relates to credit cards (note 32, G84)
- Included addition guidance on ***related party*** disclosures, in particular as it relates to the definition of 'clearly trivial'. (note 38, G91)

Availability

- Electronically at www.delwp.vic.gov.au
- Within the next week

Questions

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