



# Council information sessions

November – December  
2019

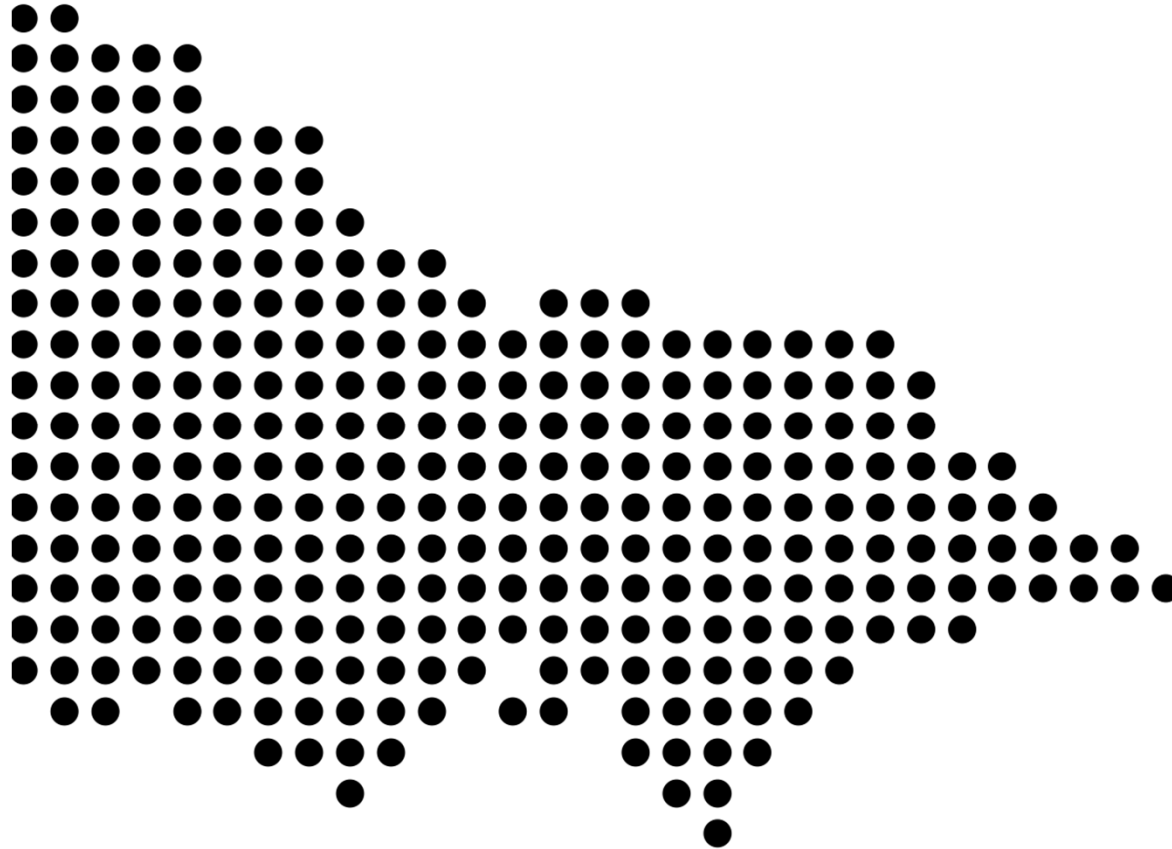


# Today's session

## Introduction (10 mins)

1. Complying with the rate capping framework (35 mins)
  - Timelines and process for the 2020-21 rating year
  - How we assess compliance
  - ESC compliance process review
2. Outcomes reporting (25 mins)
  - Recap of 2019 Outcomes Report
  - Preparations for 2021 Outcomes Report
3. Applying for a higher cap (40 mins)
  - Timelines and process
  - Application requirements
  - The council experience

# Introduction



# Legislative context

- Fair go rates system was established in 2015.
- It limits the annual increases in Victorian local government rates.
- It is administered by the Essential Services Commission.
- LG Bill 2019, if passed, won't change the rate cap provisions.

Local Government Act 1989  
No. 11 of 1989  
Part 8A—Rate caps

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## **Part 8A—Rate caps**

### **185A Purposes of this Part**

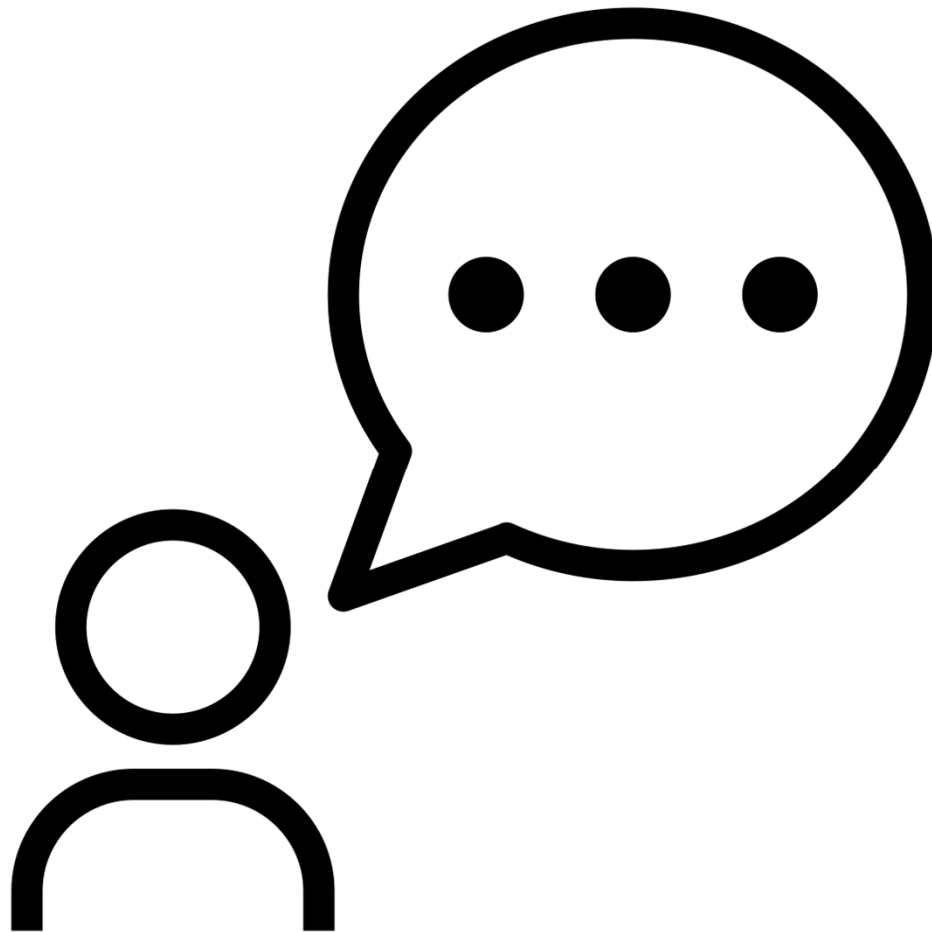
The purposes of this Part are—

- (a) to promote the long term interests of ratepayers and the community in relation to sustainable outcomes in the delivery of services and critical infrastructure; and
- (b) to ensure that a Council has the financial capacity to perform its duties and functions and exercise its powers.

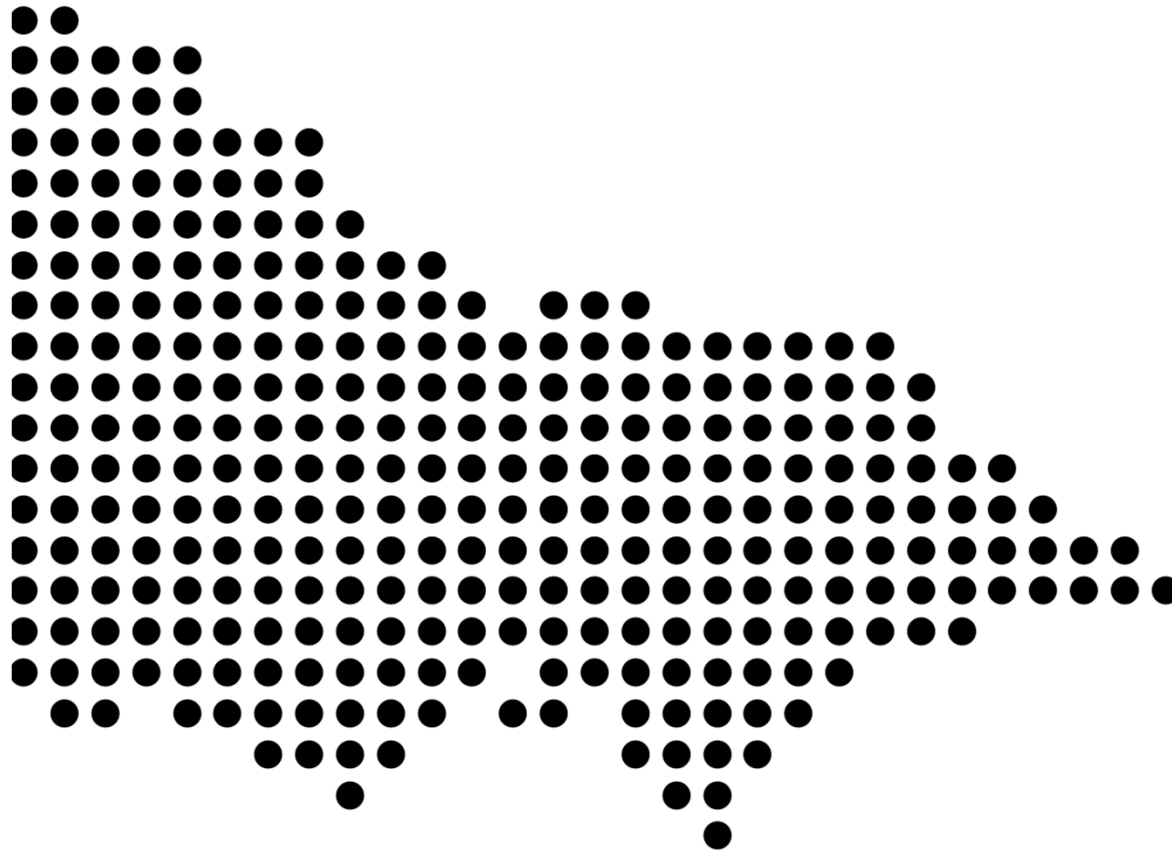
## Our role

- Provide advice to the Minister for Local Government on the rate cap and other matters
- Assess council applications for higher caps
- Monitor and report annually on council compliance with the Minister's cap or a higher cap approved by the commission
- Monitor and report biennially on outcomes in the sector under the Fair Go Rates system
- Provide guidance to the sector and undertake studies as required

Questions?

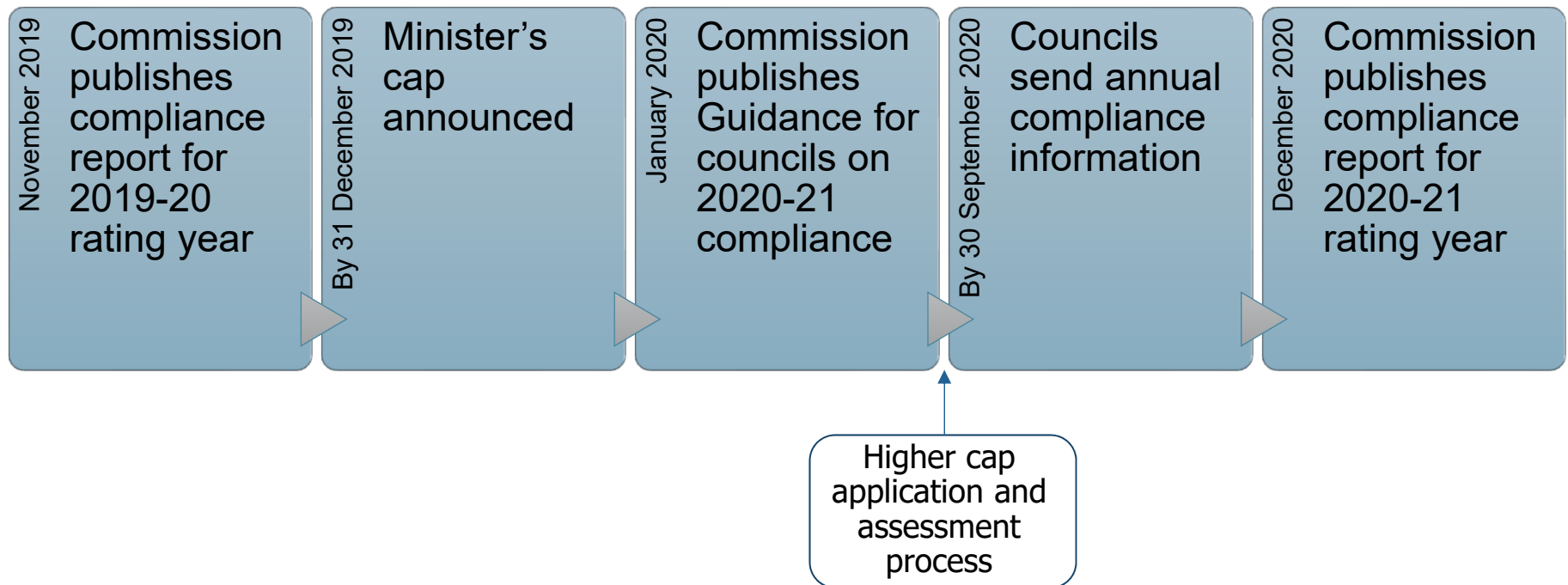


# Complying with the rate capping framework



# Timelines and process for the 2020-21 FY

## Compliance





## Our advice to the Minister on the rate cap

- Each year the Minister for Local Government asks us for advice on any adjustments to CPI in setting the rate cap
- This year, we are unlikely to recommend any adjustments to CPI (eg. WPI or efficiency factor)
- May's CPI forecast for 2020-21 was 2.25%
- In the past, the Minister has always used the CPI as the cap

## Requirements of all councils

1. Comply with the Minister's rate cap or approved higher cap
2. Submit the annual compliance information template and rating system reports (as at 30 June and 1 July) by 30 September each year
3. Respond to information requests for the biennial outcomes report

## Complying with the rate cap(s)

- As required by the LG Act:
  - compliance is based on actual figures (final certified figures) not budget figures
  - we must report non-compliance regardless of the magnitude
- The template and rating system reports **must** be signed by your council's CEO
- We may ask for additional information or supporting documents to ensure:
  - we are using the right numbers
  - we assess compliance fairly and consistently across all councils

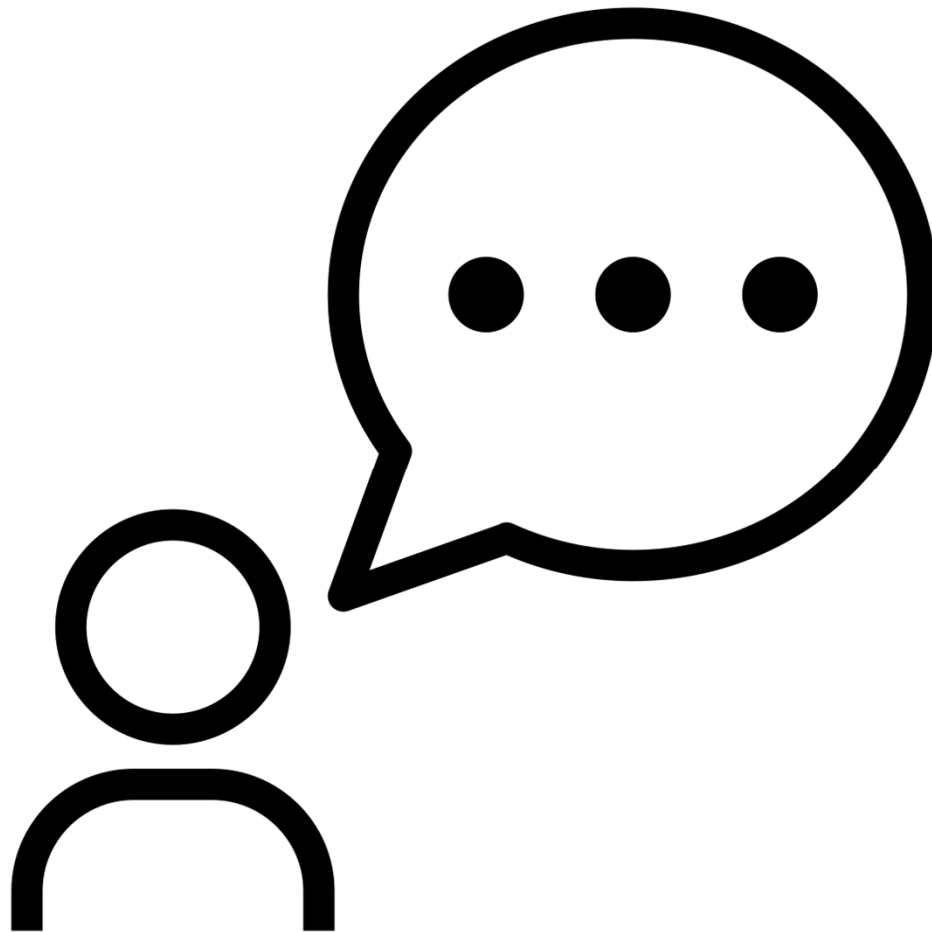
## Complying with the rate cap(s)

- Councils should complete the template early to see whether they are compliant and talk to us if any issues are emerging
  - do this after receiving final certified figures - don't wait until September
  - councils can (and do) adjust rates in the dollar after adopting their budgets to ensure they are compliant

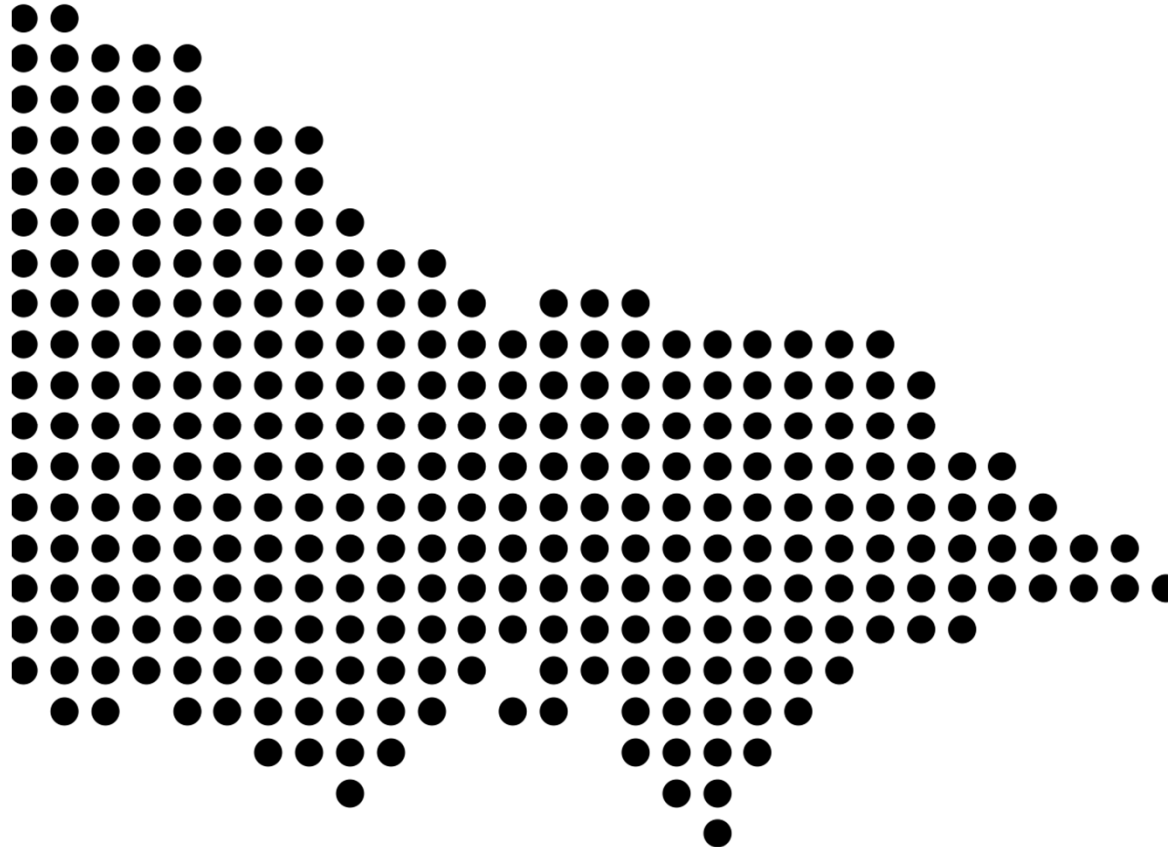
## 2019-20 Compliance report

- All councils were compliant with the rate caps (the minister's average rate cap or an approved higher cap)
- Last year's non-compliant councils set lower average rate increases
- Councils are checking compliance earlier in the year and adjusting their rates in the dollar if necessary

Questions?



# ESC compliance process review



## Purposes of our review

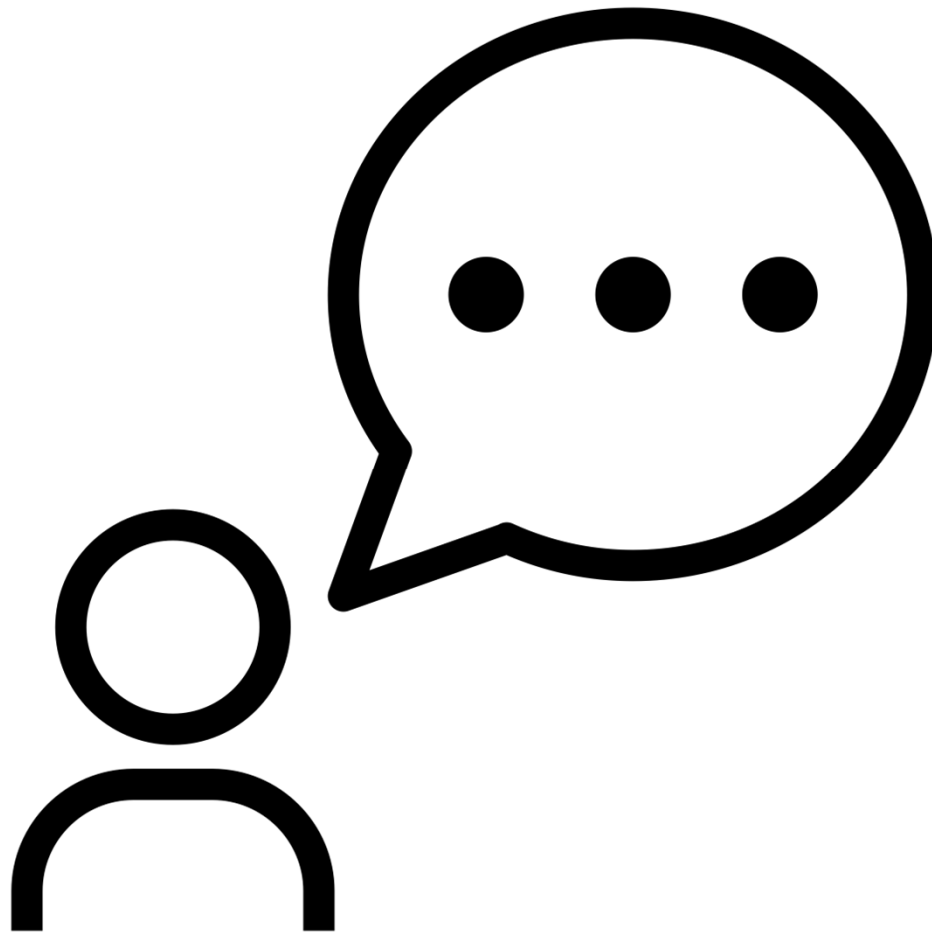
- To obtain a clearer understanding of councils' IT processes, controls and infrastructure, and the capabilities and limitations of their rating and financial reporting systems
- To identify potential changes to council systems and processes or improvements to our guidance materials
- To identify any possible improvements to our approach and processes used to assess councils' annual rate cap compliance



## Our approach

- We have engaged a contractor to assist us
- We have sent out a short survey to all councils to better understand their approach to compliance
- We will be approaching a small sample of councils to assist us with this review through a more detailed survey and face-to-face workshops
- We have also met with the Auditor-General's office to discuss this review

Questions?



# Outcomes reporting



## 2019 Outcomes Report - recap

- Published in May
- Informed by engagement with ratepayers, community members and councils
- Comprised of
  - Overview paper
  - 79 individual council fact sheets
  - 5 group fact sheets
  - Fact sheet reader's guide

## 2019 Outcomes Report - findings

- Rate capping has reduced rate increases for the average ratepayer
- Growth in the sector's overall revenue has remained relatively stable over time due to
  - property growth
  - growth in revenue from other sources

## 2019 Outcomes Report - findings

- In the first two years of rate capping, the sector increased its overall expenditure on services and infrastructure
  - asset renewal expenditure increased but remained below the level of depreciation
- In general, the financial health of the sector remained strong
  - all councils had sufficient liquidity to meet their financial obligations (working capital)
  - but some councils continued to have adjusted underlying deficits or high levels of debt

# Feedback on the 2019 report

## **Council survey** (19 respondents)

- More than half of the respondents:
  - agreed or strongly agreed that the overview paper and factsheets were readable, informative, relevant, concise, clear and fair
  - were satisfied or very satisfied with the report overall
- Some respondents identified areas for improvement:
  - asset renewal
  - fluctuations in grants payments
  - treatment of non-recurrent items
  - more focus on forecasts
  - services data
  - community satisfaction with councils over time

# Feedback on the 2019 report

## **Ratepayer and community focus groups** (13 participants)

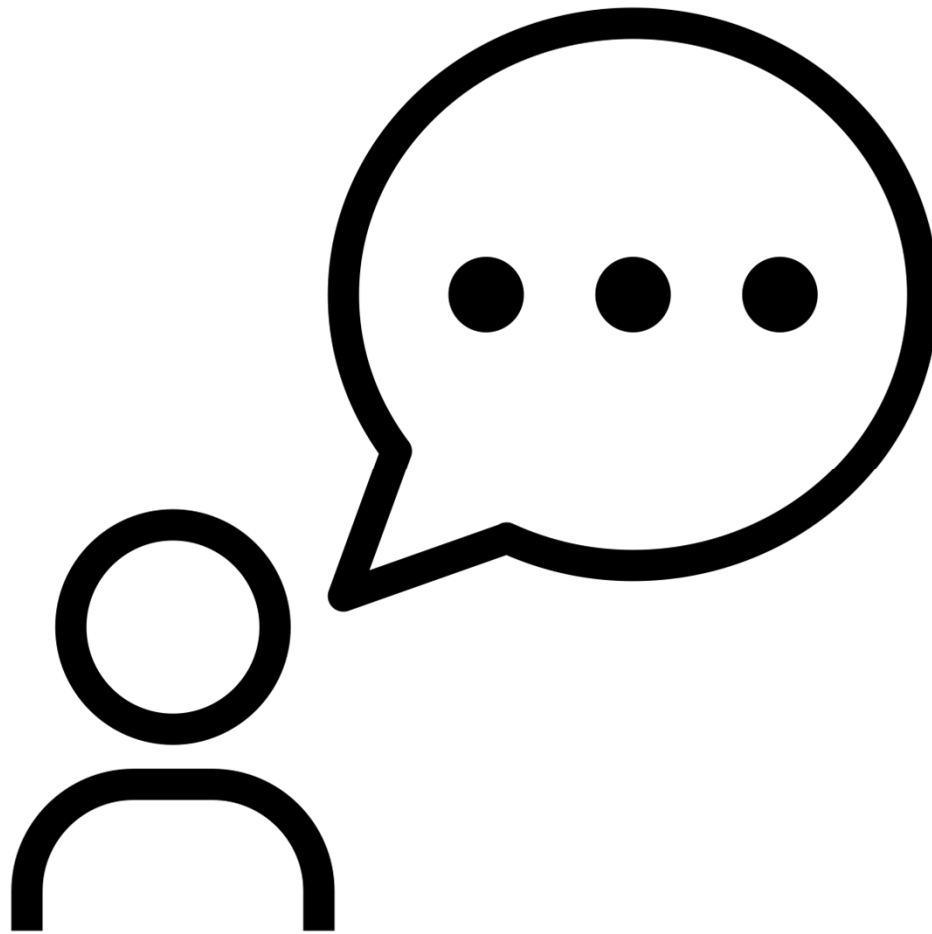
- The individual council and group factsheets were of the most interest
- Most participants felt the reports clearly communicated useful information that was important for ratepayers and the community to be able to access
- The research did not recommend any major changes to the content and format of the reports, but suggested increased online interactivity would be an improvement



# Planning for the 2021 Outcomes Report

1. Focus groups and survey
2. Data improvements
  - Victoria Grants Commission
    - Improve consistency and quality of reported data, particularly services
    - Nearly 90% of council survey respondents supported changes to improve data consistency
  - Local Government Victoria
    - LGPRF

Questions?

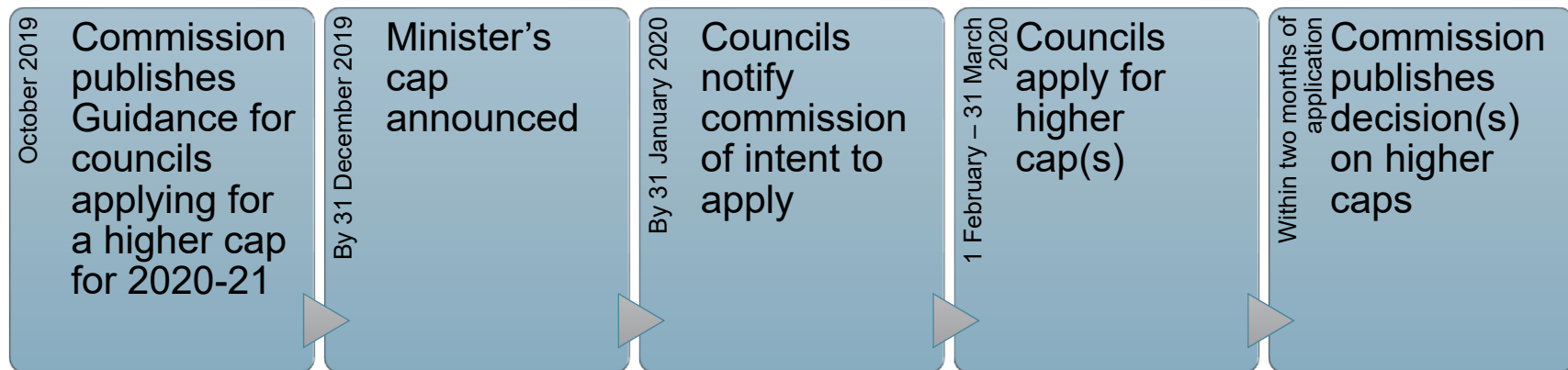


# Applying for a higher cap



# Timelines and process for 2020-21 rating year

## Higher cap assessment process



As requested or needed: pre-application meetings with councils

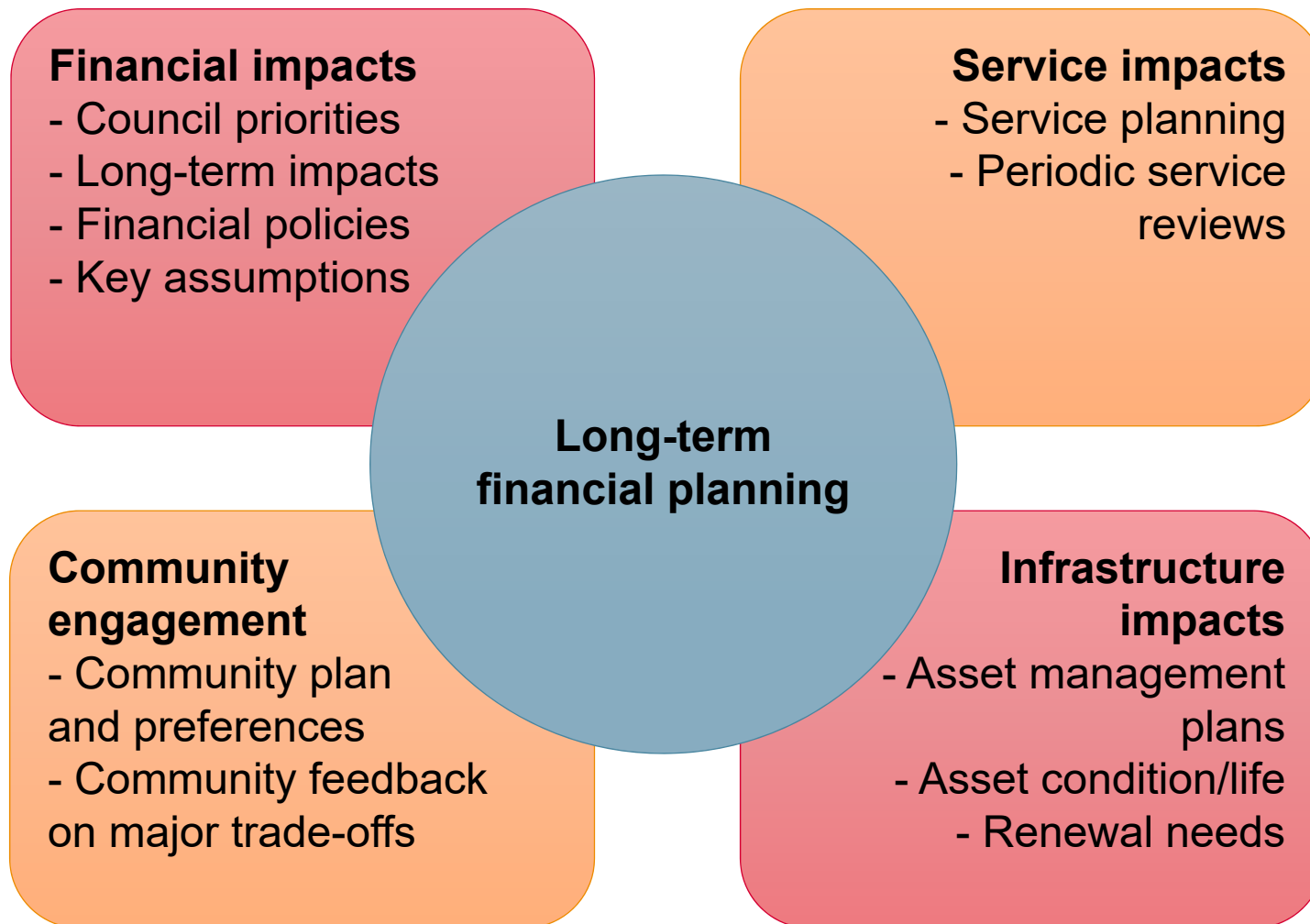
## Expectations of higher cap applications

- Councils may apply for up to four years of higher caps
- Long-term financial need has been demonstrated
- Councils have taken appropriate steps to ensure their plans are robust, efficient and reflect outcomes from community engagement
- Each legislative matter has been addressed

### Legislative matters

1. Proposed higher cap
2. Reasons
3. Engagement
4. Efficiency and value for money
5. Alternative funding and offsets
6. Long-term planning

# Integrated long-term financial planning



# Key engagement principles

We focus on a principle-outcome-based approach, not specific techniques.

An engagement program should:

1. contain clear, accessible and comprehensive information and follow a timely process to engender feedback from the community
2. be ongoing and tailored to community needs
3. prioritise matters of significance and impact
4. lead to communities becoming more informed about council decision-making.

## Our expectations on engagement

- Applications must show an engagement plan (what, why, when and how).
- Applications need to explain how feedback influenced council decision making, and if not, why. An application should explain how council will manage any unmet community expectations.
- We also expect councils to engage on major trade-offs (e.g. between services, infrastructure, and/or financial impacts)
- Over time, we expect engagement to be integrated with council's budgetary and corporate planning processes



# Application requirements

- ❑ Application cover sheet
- ❑ A statement addressing the six legislative matters
  - ❑ Include cross references to relevant sections/pages of any supporting documents
- ❑ Budget baseline information – consolidated financial information on services and assets, incl. forecast actuals for base year and year(s) in which the cap(s) will have effect

[www.esc.vic.gov.au/local-government/guidance-councils#tabs-container2](http://www.esc.vic.gov.au/local-government/guidance-councils#tabs-container2)

- ❑ Any other supporting documentation such as:
  - key strategic planning and budgetary documents
  - relevant policies and procedures
  - records of engagement plans, tools and outcomes

## Resources to help you

- **Guidance for councils 2020-21**

[www.esc.vic.gov.au/local-government/guidance-councils#tabs-container2](http://www.esc.vic.gov.au/local-government/guidance-councils#tabs-container2)

- **Community engagement resources**

- Engagement case studies
- Engagement tips for councils applying for higher caps
- Developing an engagement plan in the context of rate capping
- Examples of engagement tools and techniques
- Higher cap application engagement narrative map
- Deliberation at scale: principles and practical ideas for small rural councils
- Resources from our community engagement forum in Bendigo, 2017

[www.esc.vic.gov.au/local-government/resources-councils/community-engagement-resources](http://www.esc.vic.gov.au/local-government/resources-councils/community-engagement-resources)

- **The local government team at the commission**

## Assessing applications

Our role is to assess any application for a higher cap and to decide whether the proposed higher cap is appropriate.

Our assessments are based on:

- our statutory objectives to promote the purposes of the rate capping framework
- the six legislative matters
- the council's compliance history
- the council's compliance with the commission's application requirements

## Assessing applications

We may make requests for further information

- written requests 2-3 weeks after application is received
- informal contacts for minor clarifications via phone or email

We may engage external expertise to assist our analysis

- financial and accounting
- infrastructure maintenance and planning
- corporate planning
- community engagement

We may publish advice received along with the decision

## Our reflections on past higher cap applications

- The quality of higher cap applications varies between applicant councils.
  - The most common gaps are around community engagement (particularly trade-offs) and long-term financial planning.
- Councils with good plans, policies and practices around community engagement and long-term financial planning are best placed to demonstrate a long-term funding need.
- Most applications have relied on mix of previous engagement and specific engagement around the higher cap.
- Our decisions on higher cap applications take into account the financial sustainability of councils.

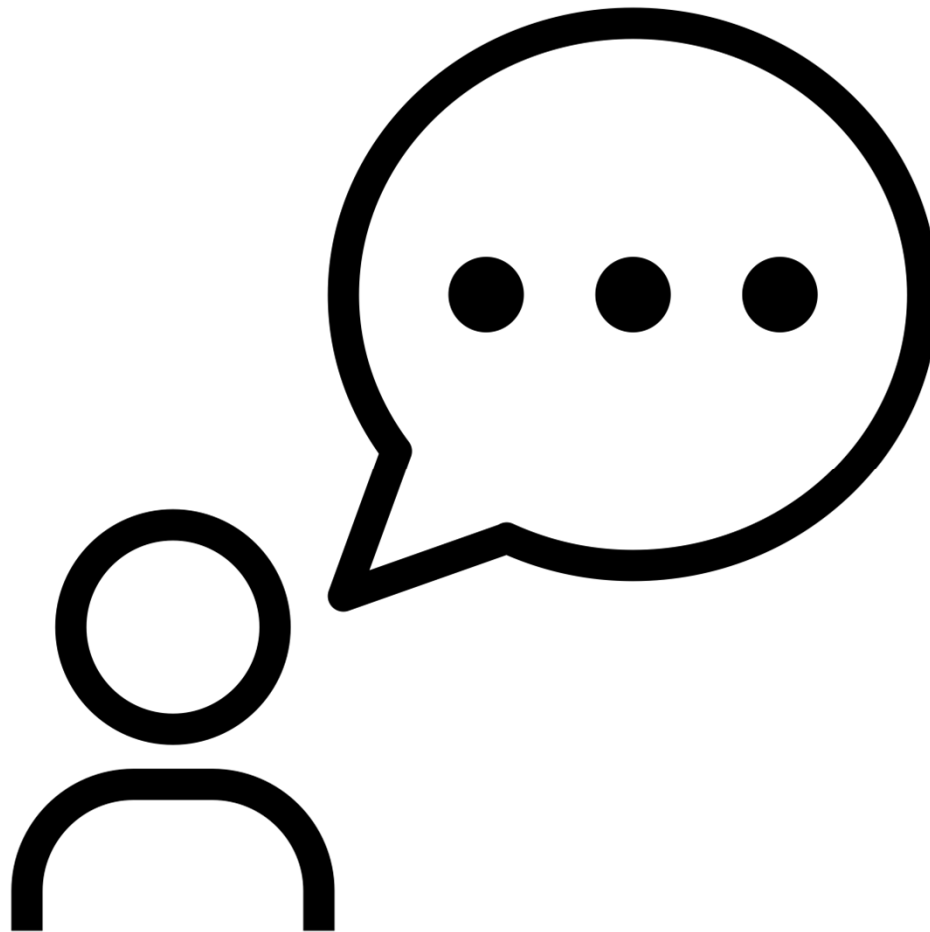
# Reflections on past higher cap applications

2016-17	Decision
City of Ballarat	Not approved
City of Casey	Not approved
Wyndham City Council	Not approved
Murrindindi Shire Council	Approved in part
Buloke Shire Council	Approved (qualified)
Horsham Rural City Council	Approved (qualified)
Pyrenees Shire Council	Approved (qualified)
Moorabool Shire Council	Approved
Towong Shire Council	Approved
2017-18	
Pyrenees Shire Council	Approved
Hindmarsh Shire Council	Approved
Borough of Queenscliffe	Not Approved
Towong Shire Council	Approved
West Wimmera Shire Council	Approved
2018-19	
Monash City Council	Approved an alternative higher cap
2019-20	
Mansfield Shire Council	Approved
Warrnambool City Council	Approved in part

# Reflections on past higher cap applications

<b>Approved higher caps</b>					
	2016–17	2017–18	2018–19	2019–20	2020–21
Minister's cap	<b>2.5%</b>	<b>2%</b>	<b>2.25%</b>	<b>2.5%</b>	<b>TBD</b>
Buloke Shire Council	3.05%				
Horsham Rural City Council	3.5%				
Moorabool Shire Council	3.5%				
Murrindindi Shire Council	4.3%				
Pyrenees Shire Council	3.83%	3.5%	3.5%		
Towong Shire Council	6.34%	5.55%	5.55%	5.55%	5.55%
Hindmarsh Shire Council		4%			
West Wimmera Shire Council		3.5%	3.5%	3.5%	3.5%
Monash City Council			2.57%		
Mansfield Shire Council				13.94%	
Warrnambool City Council				4.5%	4.5%
Number of higher caps	6	4	4	4	3

Questions?





# Applying for a higher cap – the council experience



<https://www.esc.vic.gov.au/local-government/resources-councils/community-engagement-resources#toc-resources-from-our-2017-community-engagement-forum-in-bendigo>

## Towong – 2016-17

### 3 key factors to a successful application

- Robust LTFP that had been in place for some time
- Able to rely on extensive community consultation that had been done previously to develop community masterplans
- Could demonstrate that council had taken steps to clean up its own backyard – e.g. shared services, collaboration, demand reduction, introduced innovative practices

## Towong – 2017-18 (4 years)

### Community forums – 5 questions

1. What does council do well?
2. What would you like council to do better?
3. What are 2 or 3 projects or programs you would like to see delivered?
4. Are you getting 'value for money'? And if not, why not?
5. What rate increase are you prepared to pay to maintain the current level of services and infrastructure? And what are you prepared to do without?

## Pyrenees – 2016-17 and 2017-18 (2 years)

- Meet with the ESC and start the process as early as possible
- Incorporate discussions about trade-offs into all community consultations, not just in the context of a higher cap application
- Engage with the community before the possibility of an application is discussed at a council meeting or notification of intent occurs
- Releasing multiple budgets (with and without a higher cap) may be confusing for the community
- Be prepared to respond to community perceptions that council needs to tighten its own belt rather than raise rates

## More information



[www.esc.vic.gov.au/local-government](http://www.esc.vic.gov.au/local-government)

Contains all our guidance, higher cap decisions, advice to the Minister, compliance reports and other publications.

Contact the team

Email: [localgovernment@esc.vic.gov.au](mailto:localgovernment@esc.vic.gov.au)

Phone: (03) 9032 1300



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