

▼ Strategic Conversations in Local Government.

The 2014-15 planning and reporting cycle sees the introduction of the new Local Government Performance Reporting Framework (LGPRF). This ushers in a new set of measures designed to promote transparency, remove duplication and modernise operations in the local government sector.

Perhaps the most far-reaching - and contentious - reform confronting the sector is the State's new rate capping framework which will fundamentally drive the 2016-17 budget released to the community in little more than 12 month's time. Whatever form it finally takes, rate-capping will affect council's approach to budgeting and funding of future services and asset renewal programs. The VLGA has suggested that if rates are capped at CPI, this reform will necessarily produce cuts in council services and possibly have a negative effect on local economies in rural areas. The Essential Services Commission (ESC) in its April consultation paper indicated it is committed to developing an effective framework for capping rates which includes a credible variation process for councils that can clearly demonstrate their need to go above capped increases.

Is your Council prepared for these challenges?

To help you respond to these strategic issues, I am pleased to introduce two senior members of the JNW Local Council team. Mark Davies, an ex-Council CEO and Alan Fotheringham, an Audit Committee Chair. Both have significant council experience, a real empathy for local government demands, are executive focused with strategic business improvement facilitation skillsets and proven methodologies. Further, they have been involved in developing the industries regulatory frameworks, including the LGPRF and Rate Capping Framework. A short summary of their experience is outlined over the page.

This edition of *BPR Conversations* considers how to prepare for rate capping and the LGPRF. I hope you find it stimulating and please provide any feedback.

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▼ How to Survive Rate Capping

The Government has announced a commitment to cap annual council rate increases as part of its objective to contain cost of living in Victoria. The ESC have been requested to develop a rate capping framework for implementation from 2016-17 financial year. A draft report will be released in July 2015 with a final report to the Government by 31 October 2015. Although the final form of the framework is still taking shape, Councils must start to prepare for the inevitability of externally imposed limits on their core revenue stream. Strategic conversations need to occur between Councillors and CEO's.

Key questions to be considered include:

- What is the financial impact – short term and long term?
 - Can we prove services are being delivered efficiently? Are there any cost saving options or alternate funding sources?
 - Are all services currently delivered essential?
 - Are the costs of delivering each service known?
 - Are asset management programs services focused?
 - What needs to be done to prepare our Community for any rate capping regime?
- If you are a councillor facing service demands from a growing population with ageing infrastructure and cuts in grant funding what do you do? Cut service or cut staff? Or increase parking fees!*
- Time is tight. With rate capping to take effect in little more than twelve months, Councillors and Council executives must develop tools to assist them determine the potential impact of rate capping on their Council Plans and Long Term Financial Plans without delay. The following six-step process offers a framework for councils to evaluate and plan for rate capping.*

6 Key Steps to Prepare for Rate Capping

- 1** Estimate the financial impact of rate capping on current and future budgets using the Strategic Resource Plan to ascertain any short and long term financial risks.
- 2** Identify what services the Council provides and categorise them as either core (regulatory/ community/social) or non-core (commercial/ discretionary).
- 3** Determine the net cost of each major service – revenue, expenditure and applied assets per service. Consider the allocation of indirect costs.
- 4** Create a Service Review program for major services to confirm that the service delivery is efficient and effective, (i.e. outsourced, shared service, leverages IT/social media, benchmark).
- 5** Update the Strategic Resource Plan and 10 Year Long Term Financial Plan to take into account any savings identified through the Service Reviews.
- 6** Engage with your community to shape expectations about the impact of rate capping on future service and asset provision.

▼ JNW's Local Council Team

As a boutique professional services provider specialising in local council business processes, JNW is excited about the team we are building. The following is a summary of the skills the JNW team have available for your leverage.

Jeff Webb, CA, CIA, Bbus

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- Chartered Accountant/Certified Internal Auditor/risk professional with 24 years experience (12 with 'Big 4')
- Assisting the ESC with developing the Rate Capping framework
- Managed the internal audit programs of Melbourne, Bayside and Surf Coast for over 5 years whilst at Deloitte
- Audit Committee member for Monash for 6 years
- Developed the risk framework and business continuity framework for Manningham
- Recent clients include Frankston (acquisition due diligence), Bayside (cash handling) Mornington (internal audit), Baw Baw, South Gippsland and Mitchell (risk management).

Mark Davies, CA, GAICD, Bbus

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- CEO of Surf Coast for 4 years, General Manager Corporate Services at Darebin for 9 years and Senior Manager at PwC for 11 years
- Developed the LGPRF for Local Government Victoria (LGV)
- Provided Service Reviews for Yarra, Bayside, Wyndham, Whitehorse, Knox and Mitchell
- Prepared rating strategies for Wyndham and Melton
- Author of numerous Better Practice Guides for LGV including the LGPRF Performance Statement guide.

Alan Fotheringham, CA, GAICD, BCom

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- 30+ years experience including 10 years as a PwC Audit and Business Services partner
- Chairman of the Audit Committee for Manningham
- Working with Baw Baw and South Gippsland to assess the feasibility of establishing a Risk Services Shared Service
- Risk work with Whittlesea, Greater Dandenong, Bayside and Yarra.

▼ Performance Reporting Framework – are you ready?

All performance information reported by councils should be subjected to a robust review to ensure the factual accuracy and integrity of the information.

To support a strong internal control environment, councils should develop a performance reporting procedure in accordance with the Local Government Better Practice Guide 2014-15 "Performance Statement".

The procedure should address the following:

- Nomination of officers responsible for the collation and verification of each indicators data
- Specify sources of data for each indicator (i.e. software, report name, report fields)
- The frequency at which data needs to be collected
- The controls used to verify the indicator data's completeness and accuracy (e.g. audit, monitoring).

- Nomination of the council wide officer responsible for ensuring performance reporting data is centrally collated in time for reporting
- Process for data storage of supporting documentation to ensure an audit trail
- The timing and frequency of the Executive review of data/reports and approval process
- The Audit Committee/Council draft performance statement review process
- Final report release and communication.

Valued Risk Insights through:

- ▶ Experience
- ▶ Professionalism
- ▶ Industry Expertise
- ▶ Personal Delivery

