



19 March 2014

CITY OF MELBOURNE

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Dear Mr Concas

## **PROPOSED LOCAL GOVERNMENT (FINANCIAL PLANNING AND REPORTING) REGULATIONS 2014 (Proposed regulations)**

I refer to the invitation for submissions on the proposed regulations.

The Melbourne City Council (MCC) welcomes the aim of the proposed regulations to increase transparency and accountability of the local government sector.

Many of the new requirements are already in place at the MCC and, whilst there will be a cost in meeting the additional requirements (particularly in respect to the service performance indicators), the MCC recognises it is proper that as a public body it is accountable to its community and provides data to its community for this purpose.

Whilst largely supporting the proposed regulations, the MCC questions the appropriateness of two of the measures local governments will be required to report on to assess performance.

### **INDICATOR 1: GOVERNANCE**

*Percentage of Council resolutions made at an ordinary or special meeting closed to the public under section 89(2) of the Act.*

The MCC is concerned the worthy aims of this indicator are capable of being substantially defeated by a council choosing to have confidential matters dealt with under delegation through a special committee comprising solely of Councillors. Expanding the numerator and denominator to refer to Special Committees made up of Councillors would mean the two statutory forums in which Councillors are able to meet collectively and make decisions are captured and measured.

**Recommendation 1:** that the numerator and denominator in respect to resolutions be broadened to include the combined resolutions of Council and Special Committees of Council comprised solely of Councillors.

### **INDICATOR 3: ECONOMIC DEVELOPMENT**

*Number of businesses with an ABN in the municipality*

The measures in respect to business development activities, economic development service and change in number of business all rely on the above denominator.

The MCC submits that the denominator is fundamentally flawed as the figure is artificially inflated.

- There are approximately 41,000 individuals in the City of Melbourne that have an ABN in circumstances where a substantial proportion of them work for larger businesses and hold an ABN for taxation purposes only.
- There are approximately 33,000 trusts with an ABN in the City of Melbourne where many exist for legal and/or taxation purposes only.

- There are approximately 1500 entities with ABNs in the City of Melbourne which appear to relate to Owners Corporations.
- ABNs are calculated by reference to relevant postcodes where the postcodes extend beyond the municipality.

The MCC's concerns with the denominator will apply to varying degrees to other councils but fall largely on the MCC given its unique role as the capital city council and the centre of business activity.

The MCC raised this issue and its concerns during the pilot trial. If the ABN data is used as proposed the result for the MCC will be both misleading and so substantially distorted as to render it useless.

**Recommendation 2 :** That the denominator referencing numbers of ABNs in respect to business development activities, economic development service and change in number of business is reviewed to ensure it excludes entities that are not active business enterprises.

## MODEL FINANCIAL REPORT

The MCC notes the Local Government Model Financial Report (LGMFR) previously used as guidance will become compulsory under the regulations. It is important that any future proposal to change the LGMFR be discussed with the sector at an early stage of consideration.

**Recommendation 3:** A mechanism be developed to ensure consultation with the local government sector occurs on any proposed changes to the LGMFR.

## PRESCRIBED GOVERNANCE AND MANAGEMENT CHECKLIST

Regulation12(a) provides that the governance and management checklist is as set out in Schedule 1.

Item 16 of the checklist requires each council to confirm it has produced '*a report reviewing the performance of the Council against the Council Plan, including the results in relation to the strategic indicators, for the first six months of the financial year*'.

The MCC produces monthly internal reports tracking the progress of activities undertaken that support the implementation of its Council Plan. It also reports annually on its performance against the Council Plan via its annual report, based on the strategic indicators outlined in the Council Plan. However, with the Council Plan being a four-year plan, and with many of the strategic indicators typically relating to data that may only be meaningfully interpreted over a longer period and measurable on a once-a-year basis (often late in the financial year), the MCC queries the utility of reporting at the initial six-monthly mark.

**Recommendation 4:** Item 16 of the checklist in schedule 1 of the proposed regulations be amended to provide that progress reporting on the strategic indicators occurs once a year and is focused on progress for the entire financial year.

Yours sincerely

**Dr Kathy Alexander**  
Chief Executive Officer