

Minutes

Audit and Risk Committee Meeting held at 9.00 AM on Wednesday 21 July 2021, online via Microsoft Teams.

1 Present

Present

Mr Peter Knights (Chair)
Mr Tony Roberts
Ms Lynn Jensz
Cr Murray Emerson
Cr Kevin Erwin

Ms Liana Thompson, Chief Executive Officer (joined the meeting at 9.34am)
Mr Vaughan Williams, Director Corporate Services
Mr Trenton Fithall, Director Infrastructure (item 5)
Mr Malcolm Lewis, Acting Manager Financial Services
Ms Rohma Rauf, Coordinator Financial Sustainability
Ms Julie Baxendale, Coordinator Property & Revenue (item 9.1)
Mr Phil Delahunty, RSD Auditor (item 7.1)
Ms Blessing Mendoza, RSD Auditor (item 7.1)

2 Apologies

Nil

3 Disclosures of a Conflict of Interest at a Council Auspiced Meeting

Nil

4 Confirmation of Minutes from the Previous Meeting

Confirmation of draft minutes from the Northern Grampians Shire Council Audit and Risk Committee meeting held, Wednesday, 3 March 2021.

Moved: Cr Kevin Erwin

Seconded Mr Tony Robert

Carried

5 Matters Arising from the Minutes

Mr Trenton Fithall will present the VAGO Local Road Maintenance Efficiency Audit.

Item Deferred – Final VAGO Local Road Maintenance Efficiency Audit.

Outcome

Mr Trenton Fithall presented the finding of the VAGO audit and the benchmarking results that compared council's road maintenance performance to the performance of other municipalities:

- Northern Grampians compares favorably when compared to the performance of other councils.
- The report recommended that each council establish robust performance measures that are to be reviewed annually.
- The report recommended that planned inspections be completed within agreed timeframes.
- The audit results indicated a high degree of data accuracy.
- Northern Grampians allocation to roads is in the order of \$6 million per annum compared to the VAGO required estimate of \$15 million per annum.

Resolution:

That the Local Road Maintenance Efficiency Audit report be received.

Moved: Cr Kevin Erwin

Seconded: Cr Murray Emerson

Carried

Attachments

1. 20210317 Local Roads Report [5.1.1 - 89 pages]

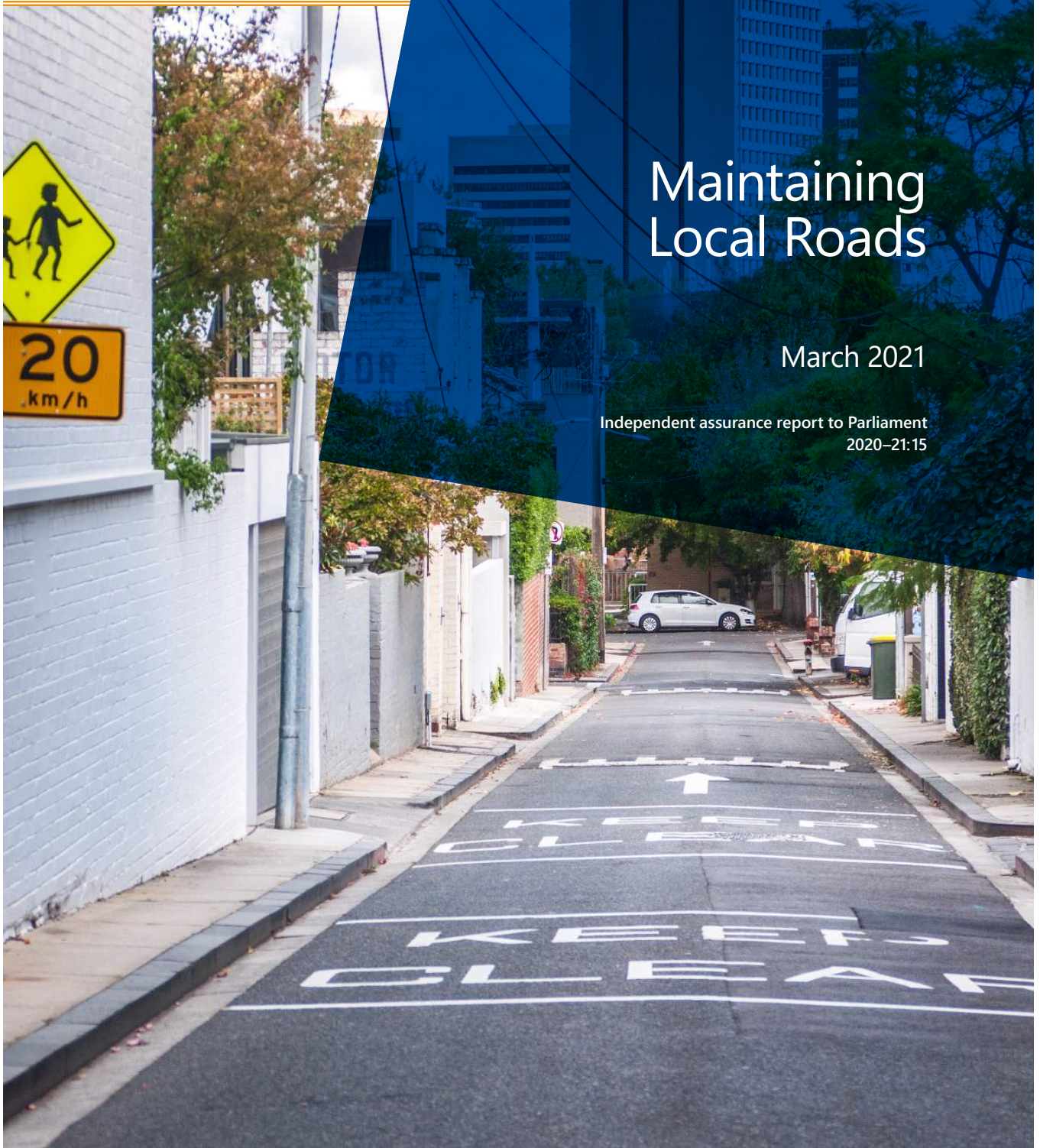
VAGO

Victorian Auditor-General's Office

Maintaining Local Roads

March 2021

Independent assurance report to Parliament
2020–21:15



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Independent assurance report to Parliament

Ordered to be published

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March 2021

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VAGO

Victorian Auditor-General's Office

The Hon Nazih Elasmr MLC
President
Legislative Council
Parliament House
Melbourne

The Hon Colin Brooks MP
Speaker
Legislative Assembly
Parliament House
Melbourne

Dear Presiding Officers

Under the provisions of the *Audit Act 1994*, I transmit my report *Maintaining Local Roads*.

Yours faithfully



Andrew Greaves
Auditor-General

17 March 2021

The Victorian Auditor-General's Office acknowledges Australian Aboriginal peoples as the traditional custodians of the land throughout Victoria. We pay our respect to all Aboriginal communities, their continuing culture and to Elders past, present and emerging.

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Audit snapshot

Are councils achieving value for money in maintaining their local roads?

Why this audit is important

Road maintenance ensures roads are safe and functional. In Victoria, councils manage local roads, which comprise 87 per cent of the state's road network. Local roads represent 10 per cent of council expenditure, so councils need to maintain them in a cost-efficient and financially sustainable way.

What we examined

We examined whether councils use asset data, budget information and community feedback to inform their planning for road maintenance. We also looked at

whether councils are finding and implementing ways to achieve value for money and maintain roads in a timely manner.

Who we examined

We audited five councils across a spread of types and sizes:

- City of Greater Bendigo
- Gannawarra Shire Council
- Maribyrnong City Council
- Northern Grampians Shire Council
- Yarra Ranges Shire Council.

We also conducted a sector-wide questionnaire to collect road

maintenance data. All 79 councils participated.

What we concluded

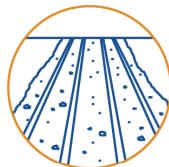
Councils cannot determine whether they are achieving value for money when maintaining their road network. This is because councils lack the detailed cost data they need to analyse and benchmark their performance. In addition, some councils:

- have gaps in their road condition data
- are not effectively engaging their communities to understand road users' needs.

Key facts



132 420km
of local roads are managed by councils
(which is 87% of Victoria's total road network)
2018–19



53%
of local roads are unsealed
2018–19



\$870m
was spent on roads by councils
(which is 10% of total council expenditure)
2018–19



Over 1/3
of councils spent more than expected on road maintenance
2016–17 to 2018–19

Source: Victorian Local Government Grants Commission, 2016–17 to 2018–19.

What we found and recommend

We consulted with the audited councils and considered their views when reaching our conclusions. The councils' full responses are in Appendix A.

Planning for road maintenance

Accurate and comprehensive data helps councils ensure they are planning cost-efficient and effective road maintenance services. All five audited councils record road inventory data and budget information, but gaps in the data limit its usefulness.

Road condition data

The Australian Road Research Board's (ARRB) *Best practice guide for sealed roads 2020* and the *Best practice guide for unsealed roads 2020* (ARRB best practice guides) recommend councils survey their road network every two to five years, depending on the type of road, to collect road condition data. This data provides councils with insight on what roads they should prioritise for maintenance.

All audited councils, except Yarra Ranges Shire Council (Yarra Ranges), survey both sealed and unsealed roads on their road network within the ARRB timeframes. Yarra Ranges does not survey its unsealed roads, even though they make up 65 per cent of its total road network. The council grades its unsealed roads three to six times per year. It relies on inspections it completes as part of this grading program to understand the condition of its unsealed roads. However, the council does not then update its asset management system to reflect the information it gathers. This means the council is not ensuring it incorporates up-to-date data on unsealed roads into its planning processes.

Reliance on visual surveying

Three audited councils—City of Greater Bendigo (Bendigo), Gannawarra Shire Council (Gannawarra) and Maribyrnong City Council (Maribyrnong)—rely on visual surveying to collect road condition data. Visual surveying can be less accurate and more time-consuming than surveying using modern equipment such as laser-based devices. It also does not identify many sub-surface defects.

These three councils advised us that more advanced surveying is unaffordable or not cost-effective. However, the other two audited councils are working to address the costs of surveying to benefit from modern technologies:

ARRB is a national transport research organisation. It developed a suite of best practice guides on roads for councils.

Unsealed roads are roads without a waterproof top layer. Roads that do have this layer are called **sealed roads**.

Grading is the process of restoring the surface of a road by redistributing gravel and removing irregularities, such as potholes.

- Yarra Ranges worked with other councils to collaboratively tender for surveying equipment.
- Northern Grampians Shire Council (Northern Grampians) uses modern equipment on a representative sample of unsealed roads and then extrapolates the results to determine the condition of the broader unsealed road network.

Predictive modelling

Predictive modelling software forecasts road conditions and predicts where maintenance is needed. All audited councils use predictive modelling software. In addition, they all verify the outputs of the software by inspecting actual road conditions.

However, there are limitations in the software audited councils use, which makes planning more time-consuming and prone to errors:

- Maribyrnong, Northern Grampians and Yarra Ranges have to manually input data into the modeller as it is not integrated with the councils' other road data systems. Yarra Ranges advised us it plans to implement a whole-of-council enterprise system in late 2021 that should allow it to customise modelling and reduce manual processing.
- Bendigo's software can only model the overall condition of the road network and not specific roads. Bendigo advised us that it plans to recruit an officer to develop specifications for more functional modelling software.
- Northern Grampians' software upgrades road condition ratings based on the assumption that the council has performed all predicted road maintenance, creating a risk that it may assign incorrect ratings to roads that the council missed during maintenance.

An **enterprise system** is a type of software that combines multiple data and business systems used by an organisation into one program.

Community engagement

Councils must proactively engage with their communities to understand what they need and expect from the road network. Community engagement is also an opportunity for councils to educate communities on planning considerations, such as budgets and service levels.

All audited councils engage their communities as required under the *Local Government Act 2020*, such as through seeking feedback on proposed council budgets. They also capture feedback through methods such as Local Government Victoria's (LGV) annual community satisfaction survey. However, the audited councils are not gaining a full picture of community needs because:

- communities can only provide feedback on the information that audited councils publish online, which is only a portion of all their road maintenance work
- audited councils do not educate their communities on expenditure trade-offs related to road maintenance
- with the exception of Bendigo, the audited councils do not routinely consult with community groups on road maintenance.

Service level refers to the quality of a service, including road maintenance, that the council commits to providing to the community. For example, the service level of a road includes the quality of the road, its accessibility and how it functions.

LGV is part of the Department of Jobs, Precincts and Regions. It works with councils to improve practices, provides policy advice to the Minister for Local Government and oversees relevant legislation. It also runs an annual community satisfaction survey of residents on behalf of councils.

Understanding road maintenance costs

All audited councils set road maintenance budgets based on their previous year's expenditure, but they do not analyse this in detail to determine if they are doing

Planned maintenance involves preventative road works.

Reactive maintenance is when councils respond to defects when someone finds and reports them.

A **unit rate** is the cost per unit to build or repair an asset.

enough planned maintenance to reduce reactive maintenance costs. In addition, none of the audited councils have unit rates for reactive maintenance activities to inform their budgets.

Recommendations about maintenance planning

We recommend that:	Response	
All Victorian councils	1. set and document timeframes to survey the condition of sealed and unsealed road networks with consideration of Australian Road Research Board's <i>Best practice guide for sealed roads 2020</i> and <i>Best practice guide for unsealed roads 2020</i> (see Section 2.1)	Accepted by all audited councils
	2. review road surveying methods and consider options to incorporate technologically advanced surveying equipment (see Section 2.1)	Accepted by all audited councils
	3. review specifications of current predictive modelling software for roads and evaluate the need to procure, or jointly procure with other councils, an alternative software that integrates with other key council systems and is fit-for-purpose (see Section 2.1)	Accepted by all audited councils
	4. provide communities with detailed information on service levels for road maintenance and collect their feedback at least once every two years (see Section 2.2)	Accepted by all audited councils
	5. set unit rates for reactive maintenance to: <ul style="list-style-type: none"> • determine the adequacy of planned maintenance in reducing reactive maintenance costs • compare costs of different road maintenance activities (see Section 2.3). 	Accepted by all audited councils
Yarra Ranges Shire Council	6. record and maintain road condition data for its unsealed road network (see Section 2.1).	Accepted

Achieving value for money

Councils do not collect the detailed data they need to monitor the costs of maintaining their local roads network or benchmark them with other councils. Even where data is available, councils do not make good use of it to understand the cost and effectiveness of their road maintenance program. As a result, councils cannot determine whether they are achieving value for money.

Limitations in available data

LGV collects data from councils annually as part of the Local Government Performance Reporting Framework (LGPRF). This includes one measure on the cost of resealing roads, and one on the cost of reconstructing them.

The LGPRF measures allow for basic benchmarking and are intended to provide indicative information on overall council performance. Reported results against the measures do not show the direct cost to the council of the actual work performed each year. They also do not account for factors that may make road maintenance more expensive, such as climate or traffic volume. Generating more granular data would allow councils to compare their costs in a meaningful way and determine whether higher costs were due to legitimate need.

Under the **LGPRF**, councils report their performance in delivering council services against 59 performance indicators. LGV collects and publishes this data online.

In addition, not all LGPRF data is audited and can contain significant errors. For example, one council reported a cost of resealing per square metre in 2014–15 that was 18 times higher than what the council actually spent. This was because the council relied on rough estimation and calculations.

Accuracy is also an issue for the expenditure data that the Victorian Local Government Grants Commission (VLGGC) collects, especially data it collects on behalf of the Australian Local Government Association, which is not audited. For example, in 2018–19, four councils reported to VLGGC that they spent less than \$15 000 on road maintenance that year. The state median is \$9 million. These were obvious errors in council reporting but were not identified and corrected. Partly due to these limitations, none of the audited councils use LGPRF or VLGGC data to benchmark their costs.

Benchmarking council costs

Despite these limitations, councils can still use data from these sources to gain insights into their road management programs. For example, using this data we found that over one third of councils spent more than their total expected network costs between 2016–17 and 2018–19. In the same period, eleven councils spent more than double their total expected network costs and ten councils spent less than half.

These discrepancies indicate that either:

- as noted above, the data councils provide to VLGGC about their expenditure is inaccurate or inconsistent, or
- some councils are spending significantly more or less than their network requires.

Underspending on planned maintenance

Underspending on roads can indicate that councils are not completing enough preventative road maintenance. As outlined in the ARRB best practice guides, insufficient planned maintenance can result in councils facing increased costs for reactive maintenance or road rehabilitation in later years.

LGPRF data from 2014–15 to 2019–20 shows that, on average, councils had 4 per cent of their sealed roads above intervention level. While only one council maintained all of its sealed roads below intervention level, eight councils had more than 10 per cent of their sealed road network requiring maintenance.

We found that 15 per cent of Maribyrnong's sealed road network was above intervention level in the same period, well above the average for all councils. Maribyrnong advised us that it based its decision to defer works on the judgement of council engineers, but it did not document this decision. Relying on staff judgement to make decisions, in the absence of reliable data about roads, creates a risk that councils will not make evidence-based decisions. This may increase the need to do more expensive reactive maintenance. Maribyrnong's performance on this measure has improved over time. In 2019–20, less than 7 per cent of its network was above intervention level.

Choice of seal type

The cost data available to councils makes it difficult to understand if and why some councils are spending significantly more than others on roads. Some councils may spend more over a certain period to invest in durable seal types, but these

VLGGC makes recommendations about how the Australian Government should allocate its financial assistance grants to local councils.

The **Australian Local Government Association** is a federation of state and territory local government associations.

VLGGC calculates **total expected network costs** using data on the size of a council's road network, its traffic volume and the cost modifiers outlined in Section 1.5.

Intervention level refers to the condition of a road beyond which a council will not allow it to deteriorate. When a road goes above the intervention level, it requires action to ensure its quality, such as maintenance or capital renewal.

investments may reduce maintenance costs in later years. LGPRF cost measures do not reflect this.

We found that, overall, councils use more expensive and durable seal types for roads with higher traffic volume. This is in line with the ARRB best practice guides. However, without the necessary cost and road condition data, individual councils cannot analyse whether their choice of seal type is achieving long-term value for money.

Recommendations about achieving value for money

We recommend that:		Response
Victorian councils	7. ensure data reported to Victorian Local Government Grants Commission and as part of the Local Government Performance Reporting Framework is accurate by: <ul style="list-style-type: none"> • complying with relevant instructions • establishing quality assurance processes over data collection and submission • periodically reviewing data to identify errors (see Section 3.1) 	Accepted by all audited councils
	8. identify, collect and internally report on data necessary to understand whether the council is achieving long-term value for money in road maintenance, including: <ul style="list-style-type: none"> • expenditure on planned and reactive maintenance • use of different seal types • amount of resealing completed (see Section 3.1) 	Accepted by all audited councils
	9. undertake self-assessments of the cost of road maintenance against similar councils by: <ul style="list-style-type: none"> • using publicly available data from Victorian Local Government Grants Commission and the Local Government Performance Reporting Framework • incorporating detailed analysis of factors such as traffic volume and road surface to understand whether costs are commensurate with community needs (see Section 3.1). 	Accepted by all audited councils
Maribyrnong City Council	10. document all council decisions about road maintenance, including decisions to defer resealing (see Section 3.1).	Accepted

Road management plans

Compliance with road management plans

Under the *Road Management Act 2004*, councils can develop a road management plan (RMP) that details their standards for road maintenance. This includes how often they will inspect roads and how quickly they will respond to defects. Although it is voluntary, having and complying with an RMP allows councils to defend civil cases brought against them for road defects.

Timeliness of RMP compliance

None of the audited councils completed all planned inspections within the timeframes outlined in their RMPs for 2014–15 to 2018–19. Yarra Ranges was the closest to full compliance, completing 99 per cent of inspections on time for three of

We selected the period 2014–15 to 2018–19 to be consistent with our questionnaire data (see Appendix D). At the time of our questionnaire, 2019–20 data was not available.

these years. In contrast, Gannawarra's highest rate of compliance was 86 per cent in 2018–19. Similarly, none of the councils complied fully with the defect response times set out in their RMP.

Failure to complete maintenance within the timeframes set out in their RMP exposes the audited councils to legal liability. In *Kennedy v Shire of Campaspe*, the council failed to inspect a footpath within the 18-month window set in its RMP by a period of only two days. Because it missed this window, the Victorian Court of Appeal found that the council could not rely on the RMP as a defence against the plaintiff's claim.

Recording RMP compliance

Four of the audited councils had gaps in their records of RMP compliance:

- Gannawarra's records showed inspections they completed on the due date as late because its system incorrectly set an earlier time for completion. It has since updated its system to address this.
- Northern Grampians and Yarra Ranges incorrectly marked a proportion of defect rectifications as incomplete even when they had repaired them as part of other road projects.
- Maribyrnong and Northern Grampians cannot access inspections and defect response data prior to 2016, when they replaced their road management system.

Maribyrnong's road management system produces dashboards that report its overall compliance rates, outstanding works, and the number of defects for each road type. Similarly, Bendigo's system allows it to automatically produce data on compliance with its RMP. The other audited councils do not have this feature in their road management systems. This means they cannot easily gain insight on factors that can contribute to non-compliance with RMP standards.

These data gaps mean councils cannot show they are meeting their responsibilities in delivering road maintenance if they receive a civil claim or complaint.

Measuring RMP performance

Measuring performance against RMPs allows councils to evaluate their performance over time and identify factors that make it difficult to comply with RMP standards.

Bendigo, Maribyrnong, Northern Grampians and Yarra Ranges set out an approach to monitoring compliance in their RMPs. However, Bendigo is the only audited council that includes clear performance measures. Bendigo's quarterly reviews of its performance have allowed it to identify and respond to resourcing issues that were impairing its maintenance delivery.

Using clear performance measures provides councils with valuable insight into how well they are complying with their RMP and can identify opportunities for improvement and better compliance.

Recommendations about RMP compliance

We recommend that:	Response
All Victorian councils	11. collect and retain data on compliance with timeliness standards in road management plans (see Section 3.2) Accepted by all audited councils
	12. establish performance measures for road management plans and use them to annually review performance and the practicality of standards set out in the plans (see Section 3.3). Accepted by all audited councils

1.

Audit context

Victoria has over 132 000 kilometres of local roads, making up 87 per cent of the state's total road network.

Councils are responsible for maintaining these roads so that they are safe and functional.

This chapter provides essential background information about:

- Victoria's road network
 - Types of road maintenance
 - Local roads data
 - Sources of road maintenance funding
 - Regulation of local road maintenance
 - Past reviews of road maintenance
-

1.1 Why this audit is important

The condition of a road inevitably declines due to traffic and exposure to water. Road maintenance avoids safety risks to road users and prevents costly repairs.

Roads account for around 10 per cent of council expenditure. This makes it important for councils to take the most cost-efficient approach to maintaining their roads.

1.2 Victoria's road network

Victoria's road network comprises:

- municipal roads, also known as local roads, managed by councils
- freeways and arterial roads, managed by VicRoads
- toll roads managed by private operators.

Councils manage most of the Victorian road network. As at June 2019, councils manage a reported 132 420 kilometres of local roads. By comparison, VicRoads manages around 23 000 kilometres of freeways and arterial roads.

Sealed and unsealed roads

This audit focuses on the maintenance of both sealed and unsealed local roads (see Figure 1A). Sealed roads have a waterproof top layer, and unsealed roads do not. In this report, we refer to the top layer of a sealed road as a seal.

FIGURE 1A: Examples of a sealed and unsealed road



Sealed road



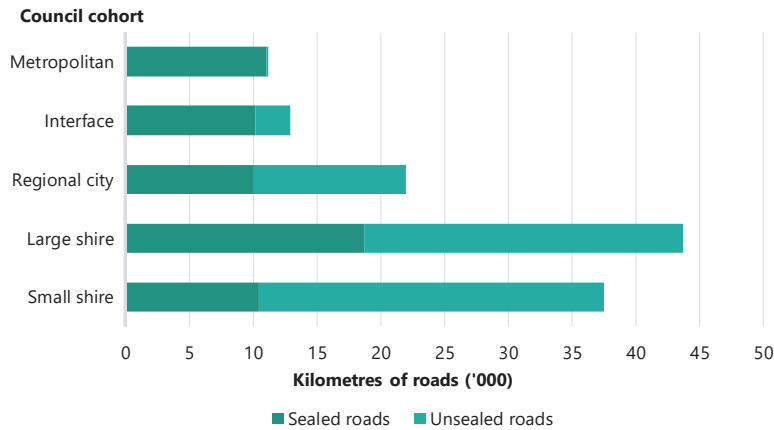
Unsealed road

Source: VAGO.

Unsealed roads make up 53 per cent of the local roads network. As shown in Figure 1B, metropolitan and interface councils are the only cohorts that collectively have more sealed than unsealed roads.

Interface councils are the municipalities that form a ring around metropolitan Melbourne.

FIGURE 1B: Amount of sealed and unsealed roads across council cohorts



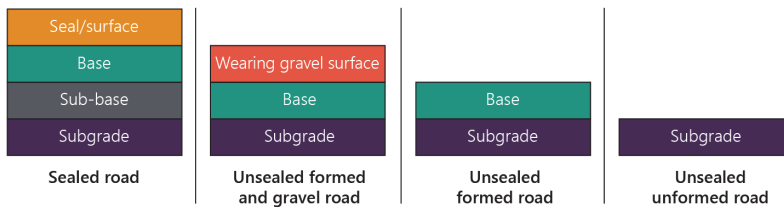
Note: This figure is based on road length. VLGGC tells councils to consider roads with multiple lanes as one length and roads on boundaries of adjoining councils to be included at half-length. Metropolitan councils have a total of 134 kilometres of unsealed roads, making up 1.2 per cent of the total metropolitan road network.

Source: VAGO, based on 2018–19 VLGGC ALG1 data (see Section 1.4).

Road structure

Sealed and unsealed roads have different layers. Figure 1C shows the general structure of a sealed road and three types of unsealed roads.

FIGURE 1C: Layers of sealed and unsealed roads



Source: VAGO, based on information from ARRB.

Unlike **formed roads**, **unformed roads** have not been significantly shaped or improved. For example, councils may have only cleared vegetation for them or they may be the result of vehicles travelling over the same path over time.

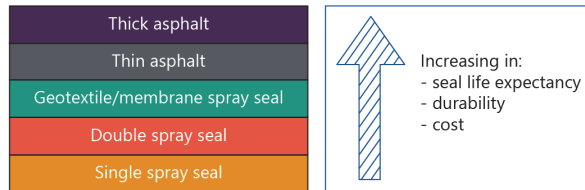
The layers of sealed and unsealed roads have different purposes:

- The seal protects the layers below from moisture, reduces the rate of wear to pavement and extends road life.
- The base and sub-base transfer the weight of heavy vehicles to the subgrade. The base also acts as the wearing surface for roads that do not have a seal.

Seal types

Seal types vary in life expectancy depending on the material used, such as asphalt, bitumen or concrete. Surfaces that last longer and are more durable are more expensive. Figure 1D shows the hierarchy of seal types based on these aspects.

FIGURE 1D: Hierarchy of seal types based on life expectancy, durability and cost



Source: VAGO, based on information from ARRB.

1.3 Types of road maintenance

As a road surface or seal deteriorates, it can develop potholes, cracks and other defects. Timely maintenance prevents these. It also stops water from entering and weakening the pavement.

Planned and reactive maintenance

Road maintenance falls into two categories: planned and reactive. Figure 1E describes their differences and the types of works they cover.

FIGURE 1E: Planned and reactive maintenance

Planned maintenance Works to improve road condition		Reactive maintenance Works to respond to road defects	
Resealing/resurfacing sealed roads Spraying a new seal or laying a new surface on the road	Resheeting unsealed roads Adding new gravel or crushed rock on the surface	Grading unsealed roads Reshaping the road by redistributing gravel	Repairing sealed and unsealed roads Repairing potholes, cracks, corrugations and edge breaks

Source: VAGO, based on information from ARRB.

Planned maintenance helps avoid the need for more expensive road works, such as rehabilitation or reconstruction.

Councils inspect their roads to evaluate overall road conditions or find road defects. Inspections can be proactive, or in response to a report from a member of the public or a council officer. After an inspection, councils may then decide to perform planned or reactive maintenance on the road.

Rehabilitation is restoring a road to a near original condition.
Reconstruction is rebuilding a road to a new condition.

Achieving value for money

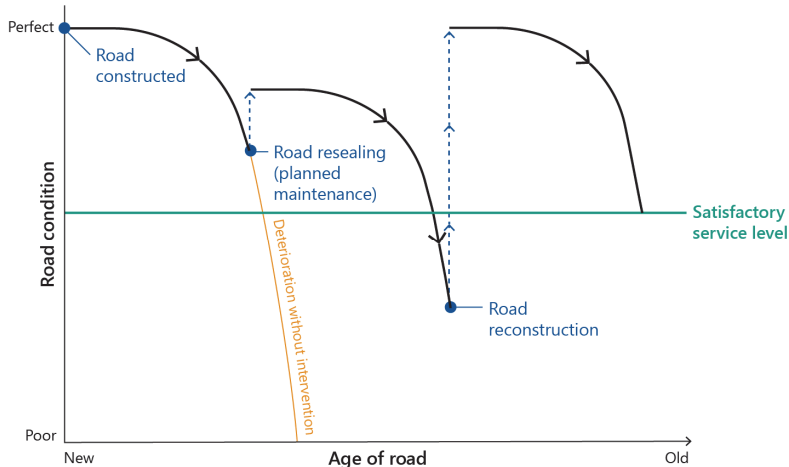
Councils achieve the best value when they provide a satisfactory service level for road users at the lowest cost over the long term. This requires councils to:

- understand the needs of road users to ensure service levels are appropriate
- determine the right mix of planned and reactive maintenance.

Relying on reactive maintenance may save councils money in the short term but will be more expensive and less effective in the long term. Reactive maintenance does not improve the overall condition of the road. Therefore, the road will continue to deteriorate and in time will require more substantial work to raise its condition to a satisfactory service level.

Figure 1F shows how the condition of a typical road deteriorates over time and the road works that are required to remedy this.

FIGURE 1F: Road deterioration graph



Source: VAGO, based on ARRB and Audit New Zealand.

1.4 Local roads data

VAGO questionnaire

As part of this audit, in May 2020 we sent a voluntary questionnaire to all 79 Victorian councils that asked about:

- the size of their sealed and unsealed network
- costs of planned and reactive maintenance for sealed and unsealed roads
- the proportion of the council's road network with different seal types

- the amount of resealing and resurfacing work undertaken
- factors that increased or reduced road maintenance costs
- the accuracy of their roads data.

All councils provided us with data from 2014–15 to 2018–19. We selected this period to balance the need to analyse data over time without burdening councils. At the time of the questionnaire, 2019–20 data was not yet available. See Appendix D for more information about this questionnaire.

Council systems

Councils use various information systems to inform road maintenance planning and delivery. This generally includes their:

- finance system—budget and expenditure information
- asset management system—captures, manages and analyses asset information
- predictive modelling software—models deterioration of roads over time and forecasts future road condition
- geographic information system—stores and generates mapping data
- records information management system—stores council documentation.

LGV

LGV, part of the Department of Jobs, Precincts and Regions, works with councils to improve their business and governance practices, and oversees legislation relevant to councils. It also collects data on council performance.

Community satisfaction survey

LGV conducts a community satisfaction survey on behalf of participating councils every year. It collects feedback from local residents on their council's performance across a range of services, including the condition of sealed local roads and the maintenance of unsealed roads.

LGPRF

The LGPRF is a mandatory system of performance reporting for all councils. Under the LGPRF, councils report on 59 performance indicators relating to services that they deliver every year, including five on local roads. LGV is responsible for collecting and publishing this data.

This publicly available roads data provides councils with performance information for benchmarking purposes and to inform strategic decision-making. The data also gives communities access to information about their council's performance.

Figure 1G describes the five LGPRF indicators relating to roads.

FIGURE 1G: **LGPRF road performance indicators**

Indicator	Definition
Sealed local road requests	Number of customer requests for rectifications regarding the sealed local road network per 100 kilometres of sealed local road
Sealed local roads maintained to condition standards	Percentage of sealed local roads that are below the renewal intervention level set by council and not requiring renewal ^(a)
Cost of sealed local road reconstruction	Direct reconstruction cost per square metre of sealed local roads reconstructed ^(b)
Cost of sealed local road resealing	Direct resealing cost per square metre of sealed local roads resealed
Satisfaction with sealed local roads	Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads

^(a)The renewal intervention level is the road condition when resealing is required to return to its original condition.

^(b)Direct reconstruction costs are how much councils spend to reconstruct the road pavement and seal, which include administrative and overhead costs.

Source: Department of Environment, Land, Water and Planning, *Performance Reporting Framework Indicator Workbook 2019–20*.

VLGGC

VLGGC makes recommendations to the Australian Government, through the Victorian Minister for Local Government, as to how it should allocate local roads grants across individual councils. It collects three data sets on road data from councils every year through its annual questionnaire:

- VGC1: Expenditure and revenue data, which includes recurrent expenditure on local roads and bridges.
- VGC3: Local roads data, which covers road lengths, road type, strategic routes and bridges.
- ALG1: Road inventory expenditure and financial data, which VLGGC collects on behalf of the Australian Local Government Association. As VLGGC does not use this data, it does not perform quality assurance processes on it.

VLGGC uses the first two datasets to make recommendations to the Australian Government about allocations for local roads grants (discussed further in Section 1.5).

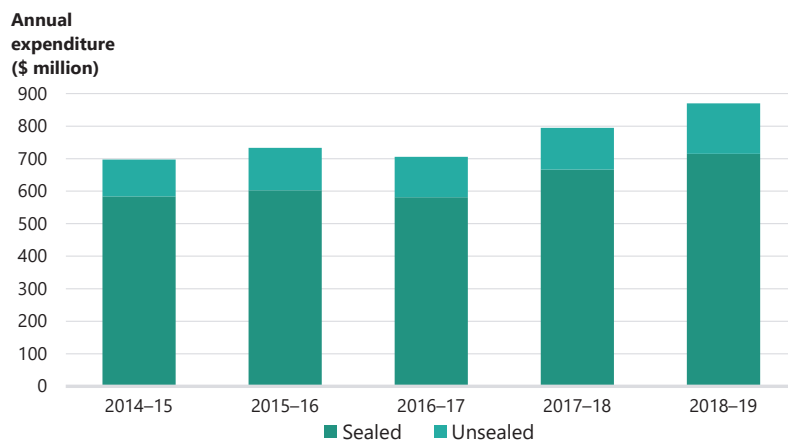
Prior to 1 July 2020, VLGGC was known as the Victoria Grants Commission.

1.5 Local roads funding and expenditure

Council expenditure

In 2018–19, councils spent \$870 million on sealed and unsealed roads (see Figure 1H). From 2014–15 to 2018–19, most road expenditure has been on sealed roads. At the time of publishing this report, VLGGC had not finalised data from 2019–20.

FIGURE 1H: Total annual expenditure for sealed and unsealed roads



Note: Total annual expenditure for unsealed roads includes roads with formed, sheeted, and natural surfaces. This figure does not include road ancillary expenditure, which are all items other than the roadway, bridges and culverts part of the road asset. Examples of road ancillary items are traffic signs and footpaths.

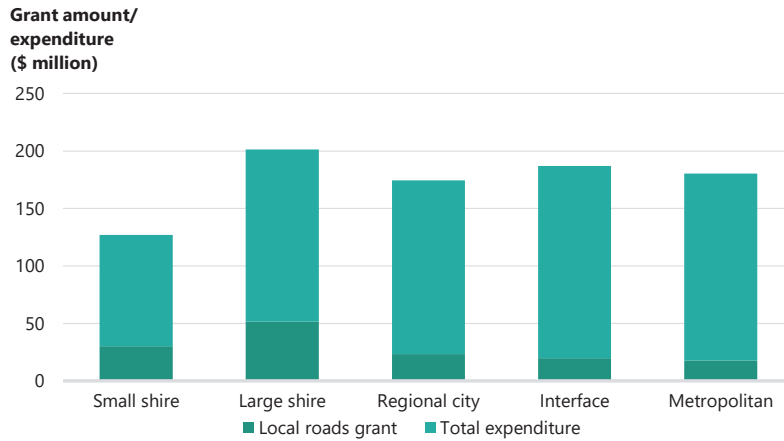
Source: VAGO, based on VLGGC ALG1 data (see Section 1.4).

Australian Government funding

The Australian Government allocates local roads grants to each state and territory to cover costs of maintaining local roads and bridges. Victoria receives 20.6 per cent of Australia’s local roads grants each year, the second highest allocation after New South Wales. These allocations are fixed and do not change from year to year.

In 2018–19, the Australian Government allocated \$142.4 million in grants for local roads, with councils receiving between \$4.4 million and \$58 455. As shown in Figure 1I, this grant includes a larger proportion of local roads expenditure for regional and rural councils compared to metropolitan councils.

FIGURE 11: Local roads grants as a proportion of total road expenditure across council cohorts



Note: A proportion of local roads grants are for bridges. We have excluded that from this chart.

Source: VAGO, based on 2018–19 VLGGC data.

Figure 1J describes VLGGC’s process in calculating its recommendations for grant amounts.

FIGURE 1J: VLGGC’s methodology of grant calculation

VLGGC calculates each council’s total network cost by applying a formula based on road length, traffic volume and overall cost modifier. It determines each council’s grant amount based on the available funding in proportion to its total network cost.

Cost modifiers are factors that increase a council’s road maintenance cost. VLGGC gives councils a score against each of the five cost modifiers and multiplies them together for an overall value. The cost modifiers are:

- climate
- materials—local availability of road materials
- subgrades—seasonal swelling and shrinkage of the subgrade
- freight—higher volumes of heavy vehicles
- strategic routes—local roads that must be maintained to a higher standard because of their characteristics or functions, such as bus routes.

Some councils receive less grant funding due to the cost modifiers, and others receive more. In 2018–19, 9 per cent of the total local roads grant allocation was redistributed due to the cost modifiers.

Source: VAGO, based on information from Victoria Grants Commission *Annual Report 2018–19*.

1.6 Relevant legislation and best practice guides

Road Management Act 2004

The *Road Management Act 2004* lists the roles and responsibilities of different authorities across Victoria's road networks. It establishes the functions and powers of councils as the road authority for local roads. Under section 40, councils have a statutory duty to inspect, maintain and repair public roads. This legislation also requires councils to maintain a register of all roads for which they are responsible.

RMPs

Under the *Road Management Act 2004*, councils can choose to develop an RMP that details standards or policies on how they will perform their road management duties. This includes:

- service levels
- criteria on what defects to repair
- what type of response the council will use for different defects.

It is not compulsory for councils to develop an RMP. However, an RMP can provide a defence to civil cases brought against a council for damages related to their roads. Councils need to comply with the standards set out in their RMP and maintain records of compliance in order to rely on this defence, as shown in Figure 1K.

FIGURE 1K: *Kennedy v Shire of Campaspe*

In August 2007, the plaintiff sought damages from the Shire of Campaspe after tripping on a footpath defect and injuring their wrist. The council's RMP required it to inspect that footpath every 18 months. However, the last inspection was 18 months and two days after the previous inspection. The court found that because the council had missed the standard in its RMP by two days, the council could not rely on compliance with the RMP as a defence to the plaintiff's claim.

Source: VAGO.

Councils that choose to have an RMP must consult their community on it.

Local Government Act 2020

The *Local Government Act 2020* describes principles that councils must apply when performing their roles, including:

- strategic planning and community engagement
- pursuing innovations and continuous improvement
- ensuring the council's financial viability.

This means that councils need to use their resources efficiently and effectively to deliver services that meet community needs.

The *Local Government Act 2020* also requires councils to adopt and maintain a community engagement policy that they must apply when developing:

- planning and financial management
- community vision
- a council plan
- a financial plan
- revenue and rating planning
- an asset plan.

The *Local Government Act 2020* requires all councils to have this by 1 March 2021.

Best practice guides

In 2020, ARRB published a suite of best practice guides for local councils on road infrastructure. The ARRB best practice guides provide councils with information about planning and delivery of road maintenance services, and asset management practices.

Councils can also use LGV's *Local Government Asset Management Better Practice Guide* (2015) or the Institute of Public Works Engineering Australasia's *National Asset Management Strategy* to guide their road maintenance.

1.7 Previous VAGO audits on road maintenance

As shown in Figure 1L, VAGO has conducted multiple audits on asset management and road maintenance. These audits highlight the importance of:

- taking a proactive approach to maintenance to prevent more expensive future maintenance and reconstruction
- assessing financial data and understanding reasons for its changes
- planning for maintenance activities using financial data.

FIGURE 1L: **Past VAGO audits related to road maintenance**

Date	Title	Key findings
2014	<i>Asset Management and Maintenance by Councils</i>	<p>The audit found gaps in asset renewal planning and practice, the quality of asset management plans, asset management information systems, and in monitoring and evaluating asset management.</p> <p>Audited councils budgeted less than required to renew their assets, which increased the amount of asset renewal funding needed.</p>
2017	<i>Maintaining State-Controlled Roadways</i>	<p>VicRoads could not demonstrate that it was making best use of its maintenance funding. It had a reactive approach to maintenance and lacked strategies for early interventions. This means it was unable to keep up with the rate at which road pavements were deteriorating.</p>
2019	<i>Local Government Assets: Asset Management and Compliance</i>	<p>Audited councils did not have enough comprehensive and accurate information to support asset planning and did not make enough use of the information that they had. However, all audited councils had and used better information about their roads than other asset classes, largely because of their obligations under the <i>Road Management Act 2004</i>.</p> <p>Audited councils did not know how much their road maintenance programs cost at an overall level or the cost of maintaining each road.</p>

Source: VAGO.

2.

Planning road maintenance

Conclusion

The audited councils are determining their planned road maintenance based on limited information, increasing the risk of waste or not meeting desired service levels.

All audited councils use asset data and budget information to plan for road maintenance. However, gaps and inaccuracies in road condition and cost data, and a lack of understanding of community expectations for service levels, significantly reduce councils' evidence base for decision-making.

This chapter discusses:

- Understanding the local road network
 - Understanding community needs
 - Understanding costs
-

2.1 Understanding the local road network

Accurate and comprehensive asset information helps councils plan and maintain their local road networks effectively and efficiently. This information should include:

- road inventory data covering the number, type and description of local roads in their municipality
- road condition data
- predictive data modelling.

Road inventory data

All five audited councils maintain road inventory data on:

- whether roads are sealed or unsealed
- the length of the road
- the width of sealed and unsealed roads (with the exception of Bendigo, which applies a standard width of 4 metres to its unsealed roads)
- points of longitude and latitude
- road components such as seals, pavements, kerbs, and drains.

Staff and contractors at audited councils can look up individual roads in their asset management systems, including on mobile applications. This allows them to find relevant information while inspecting roads for defects and planned maintenance, and report any found assets.

The audited councils have effective procedures for updating their asset information when circumstances change. Their planning and development units inform the business units responsible for road maintenance of any:

- new roads in residential or commercial subdivisions of land
- existing roads for which other authorities, such as VicRoads, become responsible due to changes in the road type.

Road inventory data and the VLGGC

Providing accurate road inventory information to VLGGC is important, because it determines how much money the council receives. VLGGC apportions councils more funds for the maintenance of strategic routes than other local roads.

During random testing, we found some examples at Yarra Ranges where the council had failed to identify some local roads as strategic routes. Consequently, the council missed securing additional grant funding. It advised us that it last reviewed which of its roads were strategic routes in 2016 and plans to do so again in 2020–21. There is a risk that other local councils are also not accurately categorising their roads and missing potential funding opportunities.

Road condition data

Accurate and updated road condition data is essential for planning road maintenance. It allows councils to prioritise council funds for roads that need it the most.

Predictive data modelling allows councils to forecast road maintenance needs using software and road condition data they have collected.

Found assets are assets that the councils had not known about or previously recorded.

A **strategic route** is a road that requires more maintenance because of certain characteristics, such as if it is a bus route or near farm irrigation.

The ARRB best practice guides recommend surveying sealed and unsealed roads periodically to collect road condition data and using this to determine when to maintain them.

The ARRB best practice guides outline different survey timeframes depending on factors such as the type of road, its traffic volume and deterioration. For example, councils should survey sealed roads with average traffic and deterioration every two to three years, compared to every five years for roads with low traffic and deterioration.

With the exception of Bendigo, which has an annual inspection approach, the audited councils align with the ARRB guidance to survey their sealed road networks every three to four years, as outlined in Figure 2A.

FIGURE 2A: Audited councils' approach to condition surveys of sealed and unsealed roads

Council	Sealed	Unsealed
Bendigo	Every year, inspecting at least one third of the overall road network each time	Every year, inspecting at least one third of the overall road network each time
Gannawarra	Once every three to four years	Once every three to four years
Maribyrnong	Once every four years	Once every four years
Northern Grampians	Once every four years	Once every four years
Yarra Ranges	Once every three years	Does not survey unsealed roads

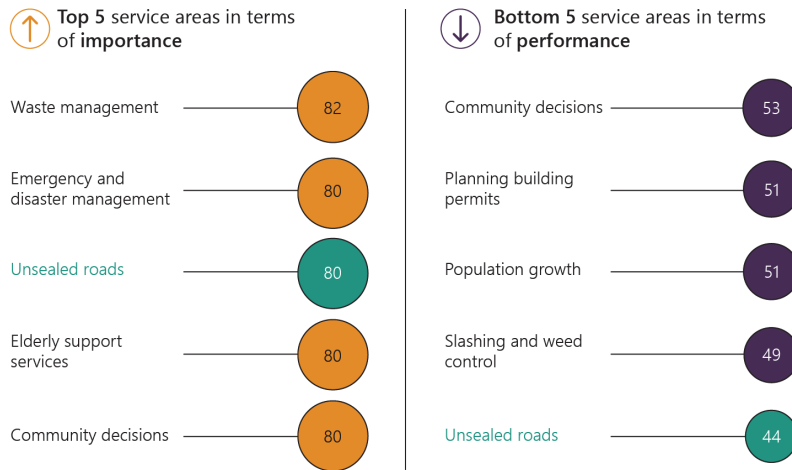
Source: VAGO, based on information from audited councils.

However, except Bendigo, none of the audited councils have documented timeframes for condition surveys. Doing so would more clearly communicate expectations and provide a basis against which to assess performance in collecting up-to-date road condition data to inform maintenance planning.

Condition data on unsealed roads

For the past six years, maintenance of unsealed roads was the worst performing council service across the state according to LGV data. As shown in Figure 2B, community satisfaction with unsealed road maintenance is significantly lower than residents' rating of its importance.

FIGURE 2B: Community satisfaction with unsealed road maintenance



Note: Results are calculated using an index score out of 100. LGV then ranks council services based on the gap between residents' rating of their importance and their perceived performance.

Source: VAGO, based on LGV's 2020 Local Government Community Satisfaction Survey.

As outlined earlier in Figure 2A, all audited councils survey the condition of the sealed road network. However, unsealed roads also form an important part of local road networks, especially for rural and regional councils. Although these roads generally have less traffic than sealed roads, councils should still survey them to collect condition data to inform maintenance planning.

With the exception of Yarra Ranges, all audited councils survey their unsealed road network. Yarra Ranges' RMP does not require it to inspect unsealed roads, although they make up 65 per cent of the council's road network. The council advised us that it reviews the condition of its unsealed roads between three to six times a year through inspections it completes as part of its grading program. However, Yarra Ranges does not collect this data or input it into its road management system. As a result, Yarra Ranges is not ensuring it incorporates up-to-date data on unsealed roads into its planning processes.

Reliance on visual surveying

ARRB and Austroads recommend that councils use modern road surveying equipment and methods to ensure surveys are accurate and comprehensive.

Examples of such equipment include:

- laser-based devices, which detect the surface texture of roads
- monitoring equipment, such as survey vehicles, to gather strength, roughness and texture data
- ground-penetrating radar to estimate gravel loss from unsealed roads
- cameras affixed to garbage trucks, or other vehicles delivering council services.

Surveying refers to evaluating the road network's overall condition.
Inspecting refers to looking at roads for defects.

Austrroads is an organisation representing Australian and New Zealand road transport agencies.

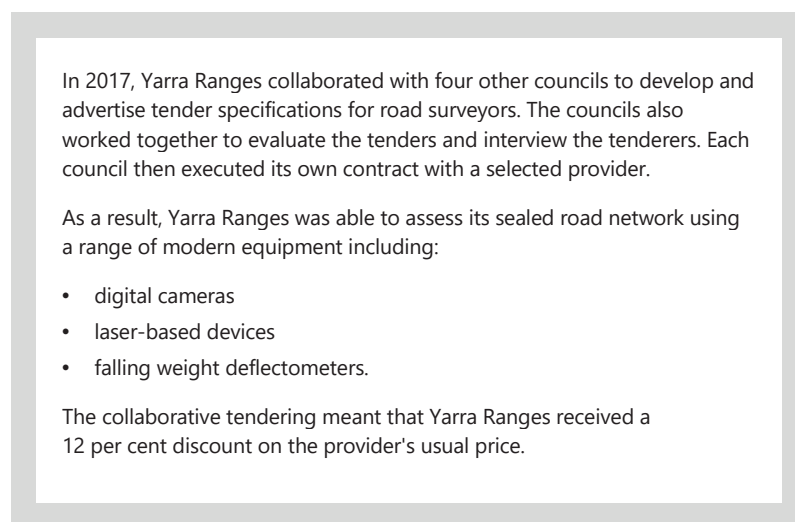
Bendigo, Gannawarra and Maribyrnong do not use this equipment. Instead, they rely on visual surveying to collect road condition data. This method allows councils to identify some defects on road surfaces. However, compared with modern equipment, visual surveying:

- cannot detect many sub-surface defects that are critical to planning
- can be less reliable due to the potential for human error
- can be less efficient, particularly for long road networks
- poses more safety risks, because surveyors need to leave their vehicles and stand on roads more often.

Although more technologically advanced surveying is more effective, it can be expensive to access equipment and providers. The audited councils that relied only on visual surveying said they did so because it was more affordable or cost-effective for their council.

One way to address this barrier is to work with other councils to share the cost of accessing equipment or providers. Figure 2C outlines an example from Yarra Ranges.

FIGURE 2C: Yarra Ranges collaborative tendering



In 2017, Yarra Ranges collaborated with four other councils to develop and advertise tender specifications for road surveyors. The councils also worked together to evaluate the tenders and interview the tenderers. Each council then executed its own contract with a selected provider.

As a result, Yarra Ranges was able to assess its sealed road network using a range of modern equipment including:

- digital cameras
- laser-based devices
- falling weight deflectometers.

The collaborative tendering meant that Yarra Ranges received a 12 per cent discount on the provider's usual price.

Source: VAGO, based on information from Yarra Ranges.

Another approach to reducing the cost is to use modern equipment to survey only a representative sample of roads, as outlined in Figure 2D.

FIGURE 2D: **Northern Grampians depth-testing**

In 2018, Northern Grampians contracted specialists to depth-test a representative sample of gravel surfaces on its unsealed roads. This is consistent with the ARRB best practice guides, which state that depth is one of the main drivers of determining whether an unsealed road needs maintenance work.

Source: VAGO, based on information from Northern Grampians.

Predictive modelling for planned maintenance

The audited councils showed how their predictive modelling software assists planning by:

- generating analysis that shows the condition of specific roads, or the overall condition of the network, in different budget scenarios
- predicting when roads will require maintenance to avoid going above the intervention level the council has set for them.

Councils need to inspect actual conditions to verify whether they need planned maintenance as predicted by their modelling software. This is known as ground-truthing. All the audited councils adjusted their planned works program based on ground-truthing.

Predictive modelling requires up-to-date condition data for sealed and unsealed roads. Because Yarra Ranges does not maintain up-to-date road condition data for unsealed roads, it is lacking important data to support predictive modelling.

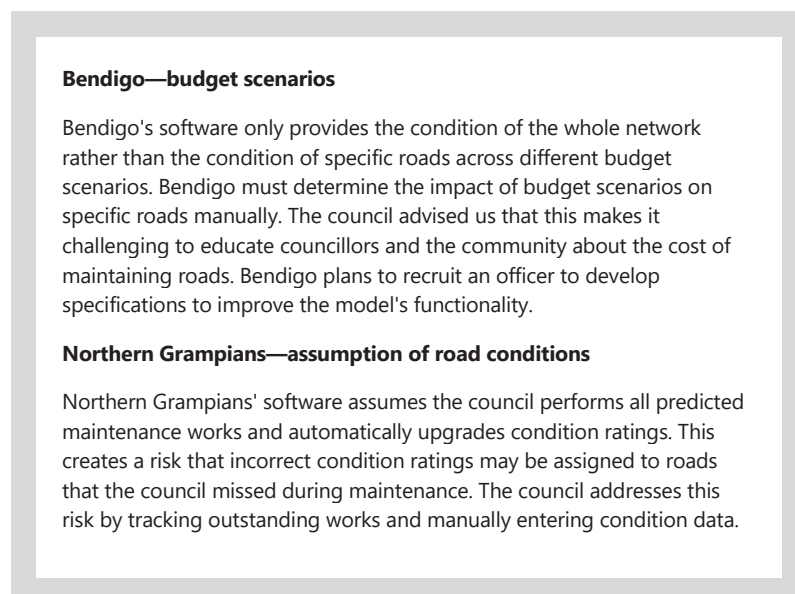
Predictive modelling software

Councils advised us that limitations in their predictive modelling software consume staff time and undermine the quality of maintenance planning.

Maribyrnong, Northern Grampians and Yarra Ranges have not integrated their modelling software with their other road maintenance systems, such as their asset management system. As a result, these councils have to manually input correct data for the models. This takes time and creates a risk of inputting incorrect data. Yarra Ranges advised us that it plans to implement a new whole-of-council enterprise system in late 2021 that should allow it to customise modelling and reduce manual processing.

Another limitation of predictive models is that councils cannot always directly use the data they provide. For example, Bendigo and Northern Grampians need to manually change the modelling data before they can use it for maintenance planning, as described in Figure 2E.

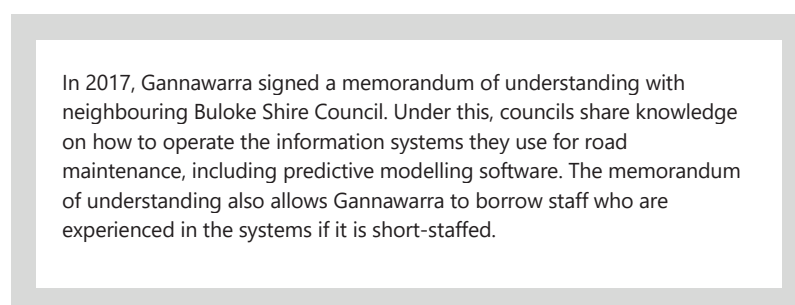
FIGURE 2E: **Examples of limited software functionality**



Source: VAGO, based on information from Bendigo and Northern Grampians.

The complexity of predictive modelling means that audited councils rely on a small number of employees to operate the software and explain its outputs. This creates a risk that councils may not be able to perform modelling effectively if these key employees are unavailable or leave the council. Figure 2F outlines a better-practice example of addressing this risk.

FIGURE 2F: **Case study—Gannawarra**



Source: VAGO, based on information from Gannawarra.

2.2 Understanding community needs

As part of maintaining any asset, councils need to understand how the community uses it so they can set service expectations and standards. Collecting information

about what road users need out of the local road network can help councils prioritise expenditure.

It also allows councils to educate the community about the trade-offs required when budgeting for road maintenance. For example, councils can explain that maintaining existing assets to a certain condition may reduce the amount the council can spend on new infrastructure or other services.

Despite the advantages, none of the audited councils effectively engage with the community to understand their preferences around road service levels.

Processes for engaging the community

Audited councils interact with the community through a range of processes. These allow councils to gather some information about community needs. However, none of these processes:

- give them a full picture of community needs
- allow councils to engage in discussions about expenditure trade-offs.

Audited councils consult the community through ...	However, this does not give councils a full picture of community needs because ...
LGV's annual community satisfaction survey, which provides an indication of how satisfied residents are with sealed and unsealed roads.	survey results do not specify reasons why residents give high or low satisfaction ratings.
seeking feedback on proposed council budgets in line with obligations under the <i>Local Government Act 2020</i> .	proposed budgets are high-level, so feedback on them is not detailed enough for councils to understand what road users need.
notifying residents of upcoming maintenance work that may affect them through emails or letter drops. Councils advised us that members of the public often respond to these notifications with their views on the works.	councils only notify residents of maintenance that they have already decided to complete.
engaging community groups to discuss road maintenance.	not all councils are doing this consistently. Only Bendigo engages community groups in an ongoing manner, such as through its Farming Advisory Committee. Gannawarra had a road advisory group, but it has not met since 2010. Northern Grampians' 2019 consultation with the community called 'Roads, Rates and Rubbish' did not include council engineers. As a result, the consultation did not cover road service levels or maintenance costs.

Consulting communities about service levels

Audited councils rely on their RMPs to communicate with the public about their service levels for roads. However, RMPs only cover a subset of reactive maintenance and councils do not update them every year.

In addition, as the *Road Management Act 2004* does not require it, RMPs do not cover planned maintenance. This means the community does not know when the council intends to reseal roads or the intervention levels councils have set.

As a result:

- councils are not providing their communities with detailed information about the intended quality of their roads
- communities can only give feedback on limited information about service levels
- audited councils miss the opportunity to base service levels on a full understanding of community needs.

Yarra Ranges has improved its website to better inform the community about its road maintenance programs. For example, residents can now search when the council will grade specific roads.

2.3 Understanding costs

Costing planned and reactive maintenance

As it is preventative in nature, effective planned maintenance can reduce reactive maintenance costs. Analysing the expenditure on both types of road maintenance can help councils:

- set their capital renewal budget for planned maintenance and operational budget for reactive maintenance
- understand how planned maintenance impacts the cost of reactive maintenance.

Although all audited councils track their expenditure and use this to set budgets, none have analysed it to determine whether their planned maintenance is reducing their expenditure on reactive maintenance.

Unit rates for reactive maintenance

Using unit rates allows councils to compare the costs of different reactive maintenance activities and provides useful data to help councils set their budgets. However, none of the audited councils have determined unit rates for reactive maintenance activities to inform their budgets. Instead, the audited councils set their budget for reactive maintenance by updating the previous year's expenditure to reflect:

- changes in the council's RMP
- defects reported by the public
- increases in the cost of labour and material.

Although councils understand the overall cost of their road maintenance programs, the lack of a unit rate makes it difficult for councils to analyse the cost of maintaining

each road. This reduces councils' ability to compare the cost of maintaining the road with the value it provides to the community. Setting unit rates can be challenging, as the cost of reactive maintenance can be influenced by external factors such as weather and road condition.

Northern Grampians advised us that its road management system has an option to track unit costs for reactive maintenance, but it has not implemented this.

3.

Delivery of road maintenance

Conclusion

Councils do not know whether they are achieving value for money in maintaining their road network. This is because they lack the data that would allow them to analyse or benchmark their performance. Even where data is available, councils do not use it to understand their efficiency.

The audited councils are not compliant with the timeliness standards in their RMPs for planned inspections and reactive maintenance. This exposes them to legal liability and risks reducing the quality of their roads over time.

Audited councils, with the exception of Bendigo, also lack performance measures for their RMPs that would enable them to assess the effectiveness and efficiency of their road maintenance.

This chapter discusses:

- Achieving value for money
 - Compliance with RMPs
 - Measuring RMP performance
-

3.1 Achieving value for money

Under section 106 of the *Local Government Act 2020*, councils must set quality and costs standards for their services that provide good value to the community. As outlined in Section 1.3, achieving value for money requires the right mix of planned and reactive maintenance to meet road users' needs at the lowest cost over time.

However, councils lack the detailed and reliable data necessary to understand whether their road maintenance program provides value to the community. Better data would enable councils to:

- compare their costs and road condition outcomes with similar councils to identify areas for improvement
- monitor their costs and road condition over time to ensure they are maintaining road networks efficiently.

LGPRF cost measures

As outlined in Section 1.4, councils report on the cost of resealing and reconstruction as part of the LGPRF. Although this is a good starting point for comparing costs, councils cannot rely on the measures alone to determine whether they are achieving value for money. LGV advised us that the measures only provide indicative information on the overall performance of councils and cannot be relied on as an authoritative source of information on road management costs or quality.

The LGPRF measures on resealing and reconstruction costs ...	This means councils need their own data to ...
do not account for factors that may make road maintenance more expensive, such as higher traffic volume.	compare their costs in a meaningful way or determine whether higher costs are due to legitimate need.
only measure the direct cost of the actual planned maintenance councils complete each year, without context about the actual amount of resealing or reconstruction they performed.	determine whether council decisions about the amount of resealing or reconstruction to perform will achieve value for money over time.
only cover planned maintenance of sealed roads.	benchmark the costs of: <ul style="list-style-type: none"> • reactive maintenance of sealed and unsealed roads • planned maintenance of unsealed roads.

Inconsistencies in council reporting

Between LGPRF and VLGGC data, councils can access a considerable amount of data to understand and benchmark their performance in maintaining local roads. However, inconsistencies in council reporting limit the full potential of these data sources. As

part of validating data for this report, six out of the 25 councils we checked (24 per cent) had to rectify at least two datapoints they had previously submitted to the LGPRF regarding road maintenance.

Figure 3A outlines an example of a council reporting an error in the LGPRF.

FIGURE 3A: Example of errors in LGPRF data

A large shire council reported incorrect resealing costs to the LGPRF from 2014–15 to 2018–19. In 2014–15, its reported cost of resealing per square metre was 18 times higher than what the council actually spent that year.

Through our data validation process (as outlined in Appendix D) we identified that this was because of miscalculations in both the amount of resealing the council had performed, and the amount spent.

In the following four years, the council continued to report costs of resealing per square metre higher than actual expenditure, although the size of the discrepancy lowered.

The council advised us that its engineering team completed the initial calculations through estimation and rough calculation. When we followed up with the council, it provided updated calculations from its assets team. The council advised us that its assets team will complete future LGPRF calculations to improve accuracy.

Note: The council in this case study is unnamed because it is not an audited council.

Source: VAGO, based on information provided by the council.

These issues reflect the findings of our 2019 audit *Reporting on Local Government Performance*. This audit found weaknesses in audited councils' quality assurance over LGPRF measures and incorrect or inconsistent interpretation of LGPRF reporting rules.

In its three most recent annual reports, VLGGC noted its ongoing concern over the accuracy of the data councils provide about their roads. We found examples of this:

- Four councils reported spending under \$15 000 on road maintenance in 2018–19, significantly below the state median of \$9 million.
- Three councils reported the size of their road network differently across two VLGGC datasets in the same year—the differences were between 8 and 26 per cent.
- Bendigo did not report expenditure data to the VLGGC from 2011–12 to 2017–18. Bendigo advised this was an oversight and has since recommenced providing this information to the VLGGC from 2018–19.

The errors we found were in the ALG1 dataset. VLGGC collects ALG1 data on behalf of the Australian Local Government Association and so does not audit councils' responses. It does not use ALG1 data to determine grant allocations to councils.

These issues discourage councils from using LGPRF and VLGGC data for performance monitoring or benchmarking. For example, none of the audited councils use the LGPRF or VLGGC to benchmark their costs or determine whether they are achieving value for money. By not accurately reporting their roads data, councils are wasting potentially rich datasets.

In 2019–20, VLGGC completed a pilot study demonstrating that it could streamline its data requirements with the Victorian Government’s spatial mapping tools. It plans to continue this work in 2021.

Total expected network costs

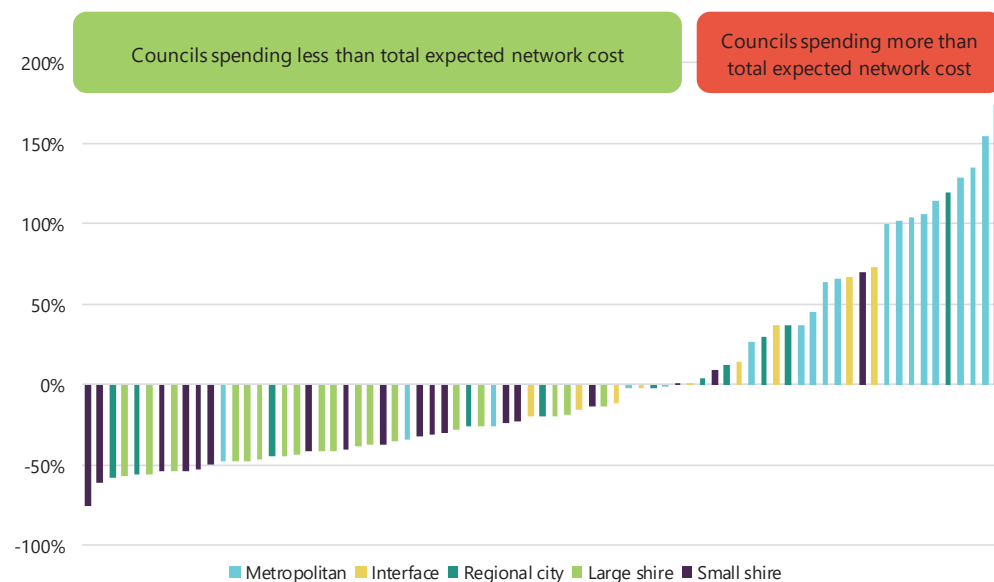
Despite inaccuracies in available data, the VLGGC and LGPRF datasets present some opportunities for councils to analyse or benchmark their costs. One way to do this is to compare councils' actual expenditure against VLGGC's total expected network costs. VLGGC uses this figure as a basis for its recommendations to the Australian Government about grants to councils to help them maintain their road network.

Our analysis of VLGGC data from 2016–17 to 2018–19 showed that:

- 11 councils spent more than double their total expected network costs
- 10 councils spent less than half of their total expected network costs.

Metropolitan councils were the most likely to spend more than expected costs. Figure 3B shows how councils compare.

FIGURE 3B: Percentage difference between road maintenance expenditure and total expected network costs across councils, 2016–17 to 2018–19



Note: We calculated road maintenance expenditure using the ALG1 dataset, excluding capital expansion. The ALG1 dataset is not audited and contains council reporting errors. This chart excludes: Melbourne City Council, which spent 492 per cent more than total expected network costs; three councils who inaccurately reported spending close to zero or approximately 100 per cent less than total expected network costs. Bendigo did not originally provide expenditure data from 2016–17 and 2017–18 to VLGGC but has provided updated data to VAGO, which is reflected in this chart.
Source: VAGO, based on 2016–17 to 2018–19 VLGGC annual reports and ALG1 data.

These discrepancies indicate that either:

- as noted above, the data councils provide to VLGGC about their expenditure is inaccurate or inconsistent, or
- some councils are spending a significant amount more or less than their network requires.

Although this information is publicly available and covers all 79 councils, none of the audited councils have used it to develop more detailed benchmarking of road costs. We did not find any evidence that audited councils compare or analyse their own roads' expenditure against the total expected network costs calculated by VLGGC. This is a missed opportunity for councils to utilise a large dataset to see where they stand compared to similar councils.

Long-term impacts of underspending

Expenditure significantly below total expected network costs reflects a potential risk of councils underspending on their roads. This can result in councils not completing enough preventative road maintenance and facing increased costs in later years.

For example, a road that has not received enough planned maintenance may need rehabilitation or reconstruction, which is more expensive. LGPRF data shows that from

of council engineers, but could not provide any documentary evidence of this. Relying on staff judgement, in the absence of objective data and documented rationale, risks councils making costly mistakes when planning maintenance.

Maribyrnong's performance on this measure has improved over time. In 2019–20, less than 7 per cent of its network was above intervention level.

For any council, having a high proportion of roads above intervention level suggests that:

- the council's intervention level is not practical or evidence-based and requires review
- the council will face increased future costs, such as more costly road repairs, reconstruction, and reactive maintenance.

Amount of resealing performed annually

Another way to assess a council's long-term asset planning is to consider its rate of resealing in the context of the life span of roads in its network.

The life span of a road varies and depends on factors such as surface type and traffic volume. For example, spray and geotextile seals generally last between five to 15 years. The ARRB best practice guides advise that sprayed seals have lower life expectancy than asphalt surfaces and require more frequent maintenance.

Data from our questionnaire shows that there were 11 councils who resealed less than 2 per cent of their sealed network on average per year between 2014–15 and 2018–19. If the councils maintain this rate, it will take them 50 years to reseal or resurface their entire network. One council resealed just 0.5 per cent of its sealed road network in a year. For this rate of planned maintenance to be appropriate, the council's sealed roads would need to have a useful life of 185 years, which is clearly not the case.

This suggests these councils could be allowing their roads to deteriorate to a point where they cease to protect the pavement underneath and lead to costlier repairs.

We asked the 11 councils why they had resealed less than 2 per cent of their sealed network:

- Six said they had reduced their expenditure, had limited budget or had not resealed as much they would like to.
- Four said their roads are in an overall condition that does not require resealing.
- One said it was undertaking a high amount of road rehabilitation and reconstruction due to population growth instead of resealing in the relevant years.

Resealing less due to budgetary constraints means councils are setting themselves up for increased costs in the future, as this would lead to the need for rehabilitation and reconstruction. As shown in Figure 1F, not resealing at the appropriate time leads to deterioration of sealed roads that may eventually require more expensive rehabilitation.

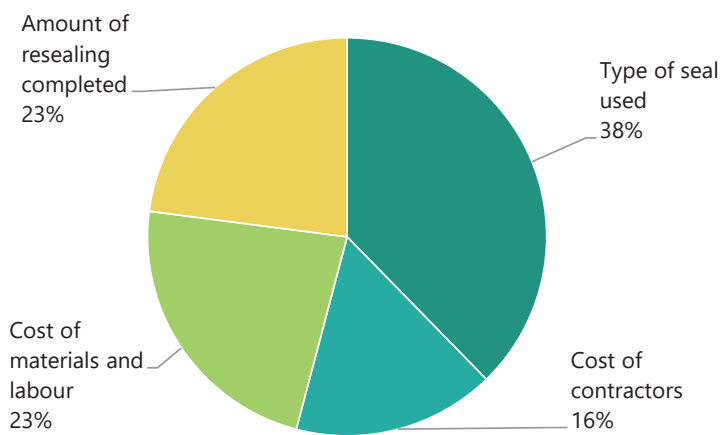
Choice of seal type

There are a number of reasons why expenditure may be significantly above total expected network costs, including councils:

- spending above what their communities require
- making larger upfront investments to reduce long-term costs
- lacking cost-efficient road maintenance programs.

When reporting to the LGPRF, councils can outline reasons for variations in their performance from year to year. Of the councils that gave reasons in 2019–20 for resealing costs higher or lower than previous years, over one third pointed to the type of treatment or seal used, as shown in Figure 3D.

FIGURE 3D: Reasons given for variation in resealing costs



Source: VAGO, based on 2019–20 LGPRF data.

As outlined in Section 1.2, there are five broad categories of seal type. More expensive types are more durable, last longer, and are less vulnerable to factors such as high volumes of traffic.

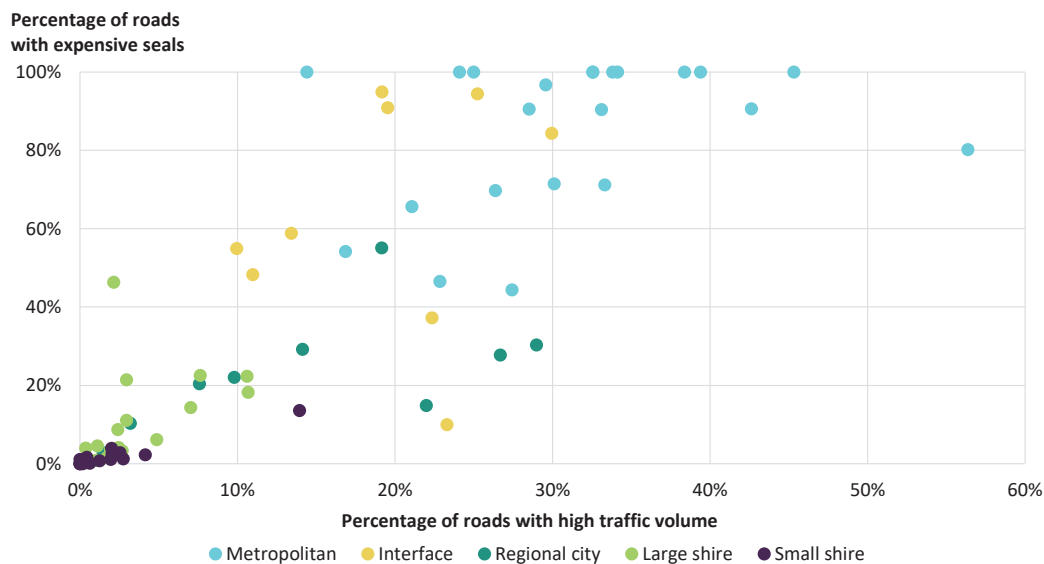
To analyse the relationship between seal type and cost, we collected data on seal types for all 79 councils. Our data confirmed the relationship between the cost of resealing and the seal type councils use. Ten councils that reported using thin or thick asphalt for their entire network had an average resealing cost of \$26.92 per square metre. By comparison, the seven councils that reported using only spray seal had an average resealing cost of \$4.45 per square metre.

Figure 3E shows the relationship between the percentage of councils' roads with higher traffic volume and the percentage of a council's road network with the two most expensive seal types, thin and thick asphalt.

Asphalt seals can be either thick or thin asphalt seals. Spray seals are geotextile/membrane, double or single spray seal.

See Appendix D for information on how we collected this data.

FIGURE 3E: Percentage of roads with expensive seals compared to high traffic volume roads



Note: High traffic volume roads are those with more than 1 000 vehicles on them per day. Expensive seals are thin and thick asphalt.
 Source: VAGO, based on VAGO questionnaire data and 2018–19 VLGGC data.

Figure 3E shows that rural and regional councils are significantly more likely to use less expensive seal types. These councils, overall, have less traffic volume on their roads. Metropolitan councils, with higher traffic volumes, mostly use more expensive seals. This is in line with the ARRB best practice guides, which note that the stresses imposed by traffic should influence choice of seal type.

However, Figure 3E also demonstrates that some councils are using more or less expensive seal types than other councils with similar traffic volume. For example, one large shire uses expensive seals for 46 per cent of its roads. One interface council has expensive seals on only 10 per cent. Both are significantly different from their council cohorts.

We also found that 10 metropolitan councils used the most expensive seal types—thin and thick asphalt—for their entire sealed road network. Eight of the councils did so despite having low traffic volume for between 38 and 64 per cent of their network. Similarly, Figure 3F outlines an example of how this type of data analysis can reveal potential overspending.

FIGURE 3F: **Comparison of seal types at two metropolitan councils**

Using data from VLGGC and our questionnaire, we compared two neighbouring metropolitan councils' use of different seal types. Council A and Council B had similar:

- sizes for their sealed network
- results on VLGGC's cost modifiers (see Section 1.5)
- percentages of high and low traffic roads in their municipality.

Despite these similarities, the councils did not have the same distribution of seal type. Council A used asphalt for its entire network, whereas Council B used less expensive spray seals on 25 per cent of its network.

This indicates that Council A may be using the same seal type regardless of the traffic and cost modifier factors on its roads. This creates a risk that the council is not achieving value for money for its community.

Note: Councils are not named as they were not audited councils.

Source: VAGO, based on analysis of 2018–19 VLGGC data and VAGO questionnaire data.

The relationship between cost, traffic volume and seal type is one factor that can explain variations in performance on the LGPRF resealing measure. However, without this type of data available, councils cannot analyse the extent to which it caused their variation. They also cannot analyse whether their choice of seal type meets community needs. Appendix E shows the seal types used by all councils.

Reducing maintenance costs

Monitoring costs

Analysing maintenance costs for sealed and unsealed roads provides insight into factors that can increase or reduce maintenance costs on these types of roads. Figure 3G outlines an example of this, where Northern Grampians changed its grading program to increase cost-efficiency after reviewing unsealed road maintenance costs. The council only started tracking costs for unsealed roads from 2017–18.

FIGURE 3G: **Northern Grampians—grading of unsealed roads**

In 2017–18, Northern Grampians graded 1 044 kilometres of road at an average rate of \$700 per kilometre.

After reviewing its unsealed road maintenance costs, the council found that grading in dry conditions increased operating costs by over four times. The average operating cost was \$550 per kilometre in winter

compared to \$2 300 per kilometre in summer. Operating costs are lower in winter because staff do not have to spend time wetting the road before grading.

In 2018–19, Northern Grampians reduced the amount of grading works completed in dry conditions. As a result, the council:

- graded an extra 214 kilometres of road compared to the previous year, which is a 20 per cent increase in productivity
- reduced operating costs by 21 per cent.

Source: VAGO, based on information from Northern Grampians.

Joint procurement

Councils can work together to jointly procure works, materials or condition surveys to reduce road maintenance costs. As part of our questionnaire, we asked councils whether joint procurement or collaborative tendering had increased or reduced their resealing or resurfacing costs.

As shown in Figure 3H, 18 of 79 Victorian local councils reported that they used joint procurement between 2014–15 to 2018–19 and that it reduced their resealing or resurfacing costs. None of the interface councils reported having joint procurement that reduced costs.

Two councils reported increased costs from joint procurement. However, these costs were related to an increase or change in the type of maintenance the council performed.

FIGURE 3H: Council cohorts reporting reduced costs from joint procurement for 2014–15 to 2018–19

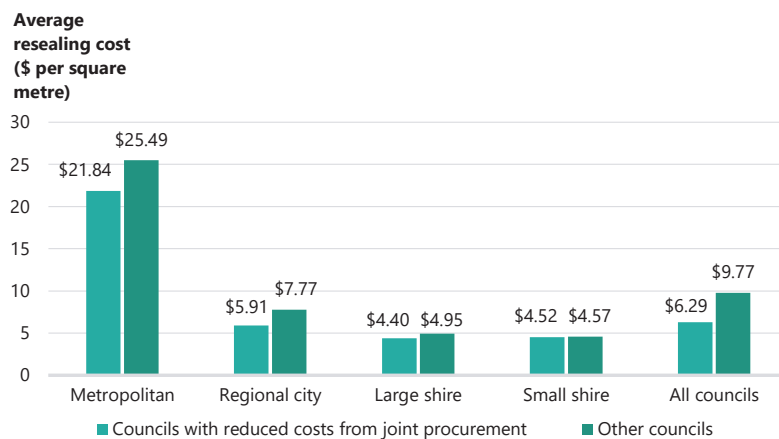
Council category	Councils reporting reduced costs	Total number of councils in the cohort
Metropolitan	3	22
Interface	0	9
Regional city	2	10
Large shire	3	19
Small shire	10	19
Total	18	79

Note: Joint procurement includes collaborative tendering. This figure only shows councils that reported having joint procurement that reduced costs. It does not include councils that may have joint procurement that increased, or did not have an impact on, costs.

Source: VAGO questionnaire data.

As shown in Figure 31, the average resealing cost per square metre was lower for the 18 councils with joint procurement (\$6.29) than for councils who did not use it (\$9.77). Councils with joint procurement also had lower average costs compared to the average cost of their council category. This difference in average cost was smallest for small shire councils (1 per cent) and largest for regional city councils (24 per cent).

FIGURE 31: Joint procurement and resealing costs



Note: Interface councils are not included in this figure as none reported joint procurement reducing or increasing resealing and resurfacing costs. Resealing costs from 2019–20 are not included in order to match the reporting period for our questionnaire.

Source: VAGO, based on VAGO questionnaire data and 2014–15 to 2018–19 LGPRF data.

Northern Grampians is the only audited council that has a joint procurement arrangement for road maintenance. It is a member of the Wimmera Regional Procurement Excellence Network with four other councils:

- Hindmarsh Shire Council
- Horsham Rural City Council
- West Wimmera Shire Council
- Yarriambiack Shire Council.

In 2014, the network ran a collaborative tender process and entered a five-year contract for a bituminous surfacing program with a contractor from 2014 to 2019. Northern Grampians could not quantify the costs saved through the procurement process. However, it noted that the councils involved considered the financial and capability benefits of the provider during tender evaluation.

3.2 Compliance with RMPs

Complying with RMPs is important because:

- completion of planned inspections provides a defence for councils against civil claims for road defects
- delays in scheduled inspections or maintenance could compromise the quality of the road for users
- failure to complete planned maintenance may lead to increased council expenditure on reactive maintenance.

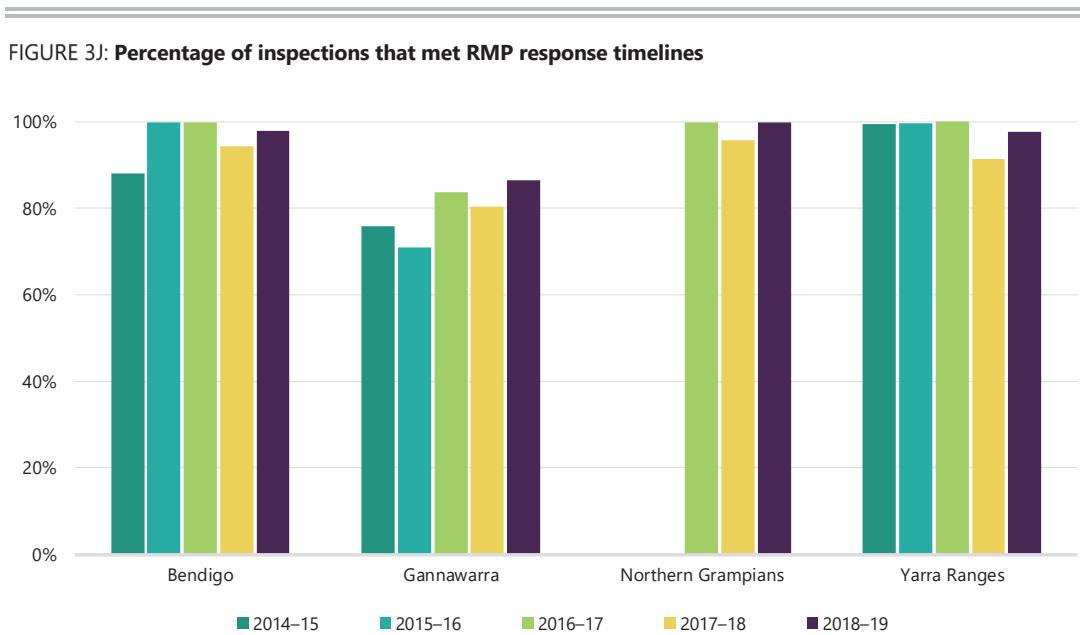
Meeting RMP timeliness standards

Inspections

Councils' RMPs outline the number of proactive inspections the council will perform for different classes of road across a set period, usually one year.

Failure to comply with timeliness standards in their RMPs may expose councils to civil liability, as discussed in Section 1.6.

Figure 3J shows that none of the audited councils have completed all planned inspections outlined in their RMPs for 2014–15 to 2018–19 on time. Yarra Ranges was the closest to full compliance, with three years above 99 per cent completion on time.



Note: This figure is based on inspections that have completion dates recorded. For Northern Grampians, this figure does not include inspections data for urban link roads and any roads that require inspections less than once a year. Northern Grampians could not provide proactive inspections data for 2014–15 or 2015–16. Maribyrnong could not provide sufficient proactive inspections data for 2014–15 to 2018–19 to allow for this calculation.

Source: VAGO, based on data from audited councils.

Defect responses

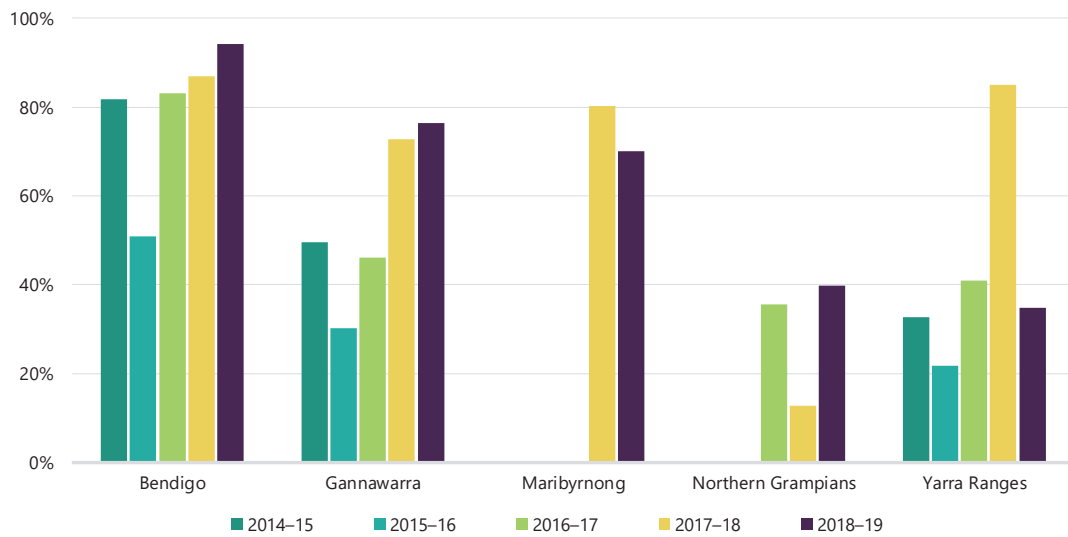
Councils' RMPs also outline response times for different defects across their road networks. For example, Bendigo's RMP notes that the council will respond within two weeks to potholes that are:

- in the traffic lane of a sealed road
- larger than 300 millimetres in diameter and 50 millimetres in depth
- on a hierarchy 1 road.

As shown in Figure 3K, the audited councils' completion of defect responses within set timeframes was lower than for inspections.

Councils set their own definitions of road hierarchies in their RMPs based on factors such as type of road, traffic volume and speed and general use.

FIGURE 3K: Percentage of defect responses that met RMP response timelines



Note: Figure is based on defects that have completion dates recorded. Maribyrnong was unable to provide data for 2014-15, 2015-16 and 2016-17. Northern Grampians was unable to provide data for 2014-15 and 2015-16.

Source: VAGO, based on data from audited councils.

Documenting RMP compliance

All audited councils, with the exception of Bendigo, had gaps in their records of RMP compliance. This makes it difficult for councils to:

- determine whether they have met the timeliness standards set out in their RMP
- show they are meeting road maintenance duties if a civil claim or complaint is made against them.

Inaccuracy

Three audited councils had inaccurate records of dates they completed inspections or defects.

Gannawarra's records incorrectly showed inspections it completed on the due date as late because its system incorrectly set an earlier time for completion. As a result, Gannawarra showed a higher percentage of non-compliance for inspections. It updated its system during our audit to address this.

Northern Grampians and Yarra Ranges incorrectly marked a proportion of defect rectifications as incomplete even when they had repaired them as part of other road projects or programs. For example:

- Northern Grampians did not update their records for 228 edge break defects repaired under its shoulder grading program.
- Yarra Ranges repaired surface cracks as part of their resealing and resurfacing program but did not record their completion dates.

An **edge break** is a broken or irregular edge of a road seal.

These gaps in data mean the councils cannot be assured of how many outstanding inspections or defects they have, and if they had completed them on time.

Access to previous RMP compliance data

Both Maribyrnong and Northern Grampians cannot access inspections and defect response data recorded prior to implementing new road management systems:

- Maribyrnong does not have inspections data covering 2014–15 to 2018–19 or defect response data prior to September 2017.
- Northern Grampians does not have inspections or defects data prior to July 2016.

Northern Grampians advised us it was unable to integrate the data from the old system to its new system. As a result, staff were initially required to work from both systems and did not address some defects.

The lack of historical data means that Maribyrnong and Northern Grampians cannot assure past compliance. It also makes it difficult for these councils to evaluate whether their RMP standards are practical for the council to meet. It also prevents them from looking at trends in their performance in relation to their RMPs, which we discuss in Section 3.3.

Accessibility of data

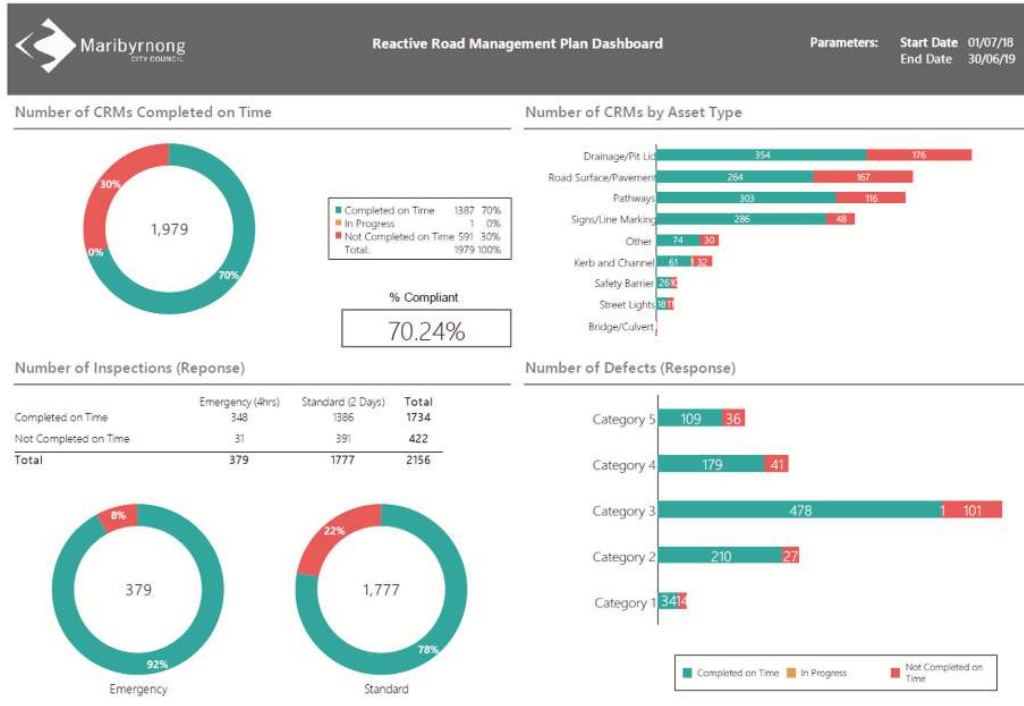
Easily accessible data helps councils to regularly monitor their compliance and use the data to inform their decisions on resourcing and work allocations.

Maribyrnong has a road management system that produces dashboards that report:

- its overall compliance rates
- outstanding works
- number of defects for each road asset type.

These also allow council staff to set date parameters to allow for comparisons over days, months or years. This information allows Maribyrnong to easily identify resourcing issues and road asset types that need to be prioritised. This data also provides insight on factors that can contribute to non-compliance of RMP standards. Figure 3L is a sample of Maribyrnong's dashboard.

FIGURE 3L: Maribyrnong's 2018–19 reactive maintenance dashboard



Source: Maribyrnong.

Similarly, Bendigo’s road management system allows it to automatically produce RMP compliance reports. Except Bendigo and Maribyrnong, audited councils rely on manual calculations to determine RMP compliance rates. This can be time-consuming and risks inaccuracies.

3.3 Measuring RMP performance

Measuring performance against RMP standards is important because it helps councils:

- understand whether they are meeting RMP standards
- identify factors that affect their performance, such as a lack of staff
- evaluate their performance over time through collecting the same data for each reporting period.

Four out of five audited councils’ RMPs describe an approach to monitoring compliance of RMP standards (see Figure 3M).

Gannawarra is the only audited council that does not include this information in its RMP. Without this, Gannawarra cannot show its community that it has formal reporting requirements and that it is consistently monitoring compliance.

FIGURE 3M: Compliance monitoring approach outlined in council RMP

Audited council	Compliance monitoring approach
Bendigo	Measures council performance against RMP on a quarterly basis (see Figure 3N)
Gannawarra	Under development
Maribyrnong	Inspects roads to determine if they comply with service levels
Northern Grampians	Conducts internal audits every six months to test effectiveness of RMP
Yarra Ranges	Produces annual performance and compliance reports Conducts regular audits to ensure all management systems for roads are delivering adopted service levels

Source: VAGO, based on audited councils' RMPs.

Bendigo is the only audited council that has clear performance measures outlined in its RMP. As shown in Figure 3N, Bendigo's quarterly reviews of its performance have allowed it to identify and respond to resourcing issues.

FIGURE 3N: **Bendigo's performance measures**

Bendigo has three performance measures outlined in its RMP:

- Proactive inspection frequencies are within the prescribed schedule.
- Reactive inspections are undertaken within the prescribed time.
- Inspection defects above intervention level are responded to within the prescribed time.

Bendigo reviews its performance against these measures on a quarterly basis. In September 2018, as part of its quarterly review, Bendigo reported that:

- it achieved 97–100 per cent of proactive inspections each month over the last three months
- average response time to customer requests was 4.7 days, which is better than the RMP standard of 15 days
- it had a high number of outstanding concrete footpath and guidepost defects compared to other road assets
- there were significant delays in the proactive grading program.

The council found that grading was delayed as staff responsible for grading were travelling excessively to respond to RMP defects on time. It decided to discuss solutions with grading staff and prioritise footpath defects because they present a higher risk of civil claims.

Source: VAGO, based on information from Bendigo.

APPENDIX A

Submissions and comments

We have consulted with Bendigo, Gannawarra, Maribyrnong, Northern Grampians, and Yarra Ranges, and we considered their views when reaching our audit conclusions. As required by the *Audit Act 1994*, we gave a draft copy of this report, or relevant extracts, to those agencies and asked for their submissions and comments.

Responsibility for the accuracy, fairness and balance of those comments rests solely with the agency head.

Responses were received as follows:

Bendigo.....	50
Gannawarra.....	55
Maribyrnong.....	60
Northern Grampians.....	65
Yarra Ranges.....	70



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4 March 2021

Mr Andrew Greaves
Auditor-General
Victorian Auditor-General's Office
Level 31/35 Collins Street
Melbourne Vic 3000

Dear Auditor-General,

Re: Audit Report on Maintaining Local Roads

Thank you for your letter inviting submissions and comments in relation to the recommendations contained in the Audit Report on Maintaining Local Roads. It is pleasing to note that City of Greater Bendigo (CoGB) officers have engaged proactively with your audit team to ensure that discussions were beneficial to both parties and that timeframes and milestones were met.

CoGB appreciated the opportunity to be a part of this audit and the recommendations contained in the report are accepted. The actions identified from the recommendations through the audit process are outlined in the attached Action Plan. It was pleasing to note that CoGB was highlighted as having better performance than the other audited councils in several areas. CoGB will continue to identify improvement opportunities including the areas highlighted.

We would like to thank the Audit Team for their constructive and collaborative approach in undertaking this audit and CoGB welcomes your continued feedback as we implement the actions from the recommendations.

Yours sincerely

A handwritten signature in blue ink, appearing to read "B Westley".

BRIAN WESTLEY
DIRECTOR PRESENTATION AND ASSETS

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Address: 195-229 Lyttleton Terrace, Bendigo
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**Greater Bendigo City Council action plan to address recommendations from
*Maintaining Local Roads***

No.	VAGO recommendation	Action	Completion date
1	Set and document timeframes to survey the condition of sealed and unsealed road networks with consideration of Australian Road Research Board's Best practice guide for sealed roads and Best practice guide for unsealed roads	The City of Greater Bendigo (CoGB) documents the timeframes for both sealed and unsealed road condition inspections in its "Asset Valuation and Revaluation Policy. When this policy is reviewed the existing documented timeframes will be reviewed with consideration of ARRBS best practice guidelines	November 2021
2	Review road surveying methods and consider options to incorporate technologically advanced surveying equipment	CoGB will review the current visual road surveying practices and documentation to ensure consistent and repeatable data collection is being obtained using the current visual survey technique. The benefits and costs associated with use of alternative road surveying techniques will be explored and compared with the current visual survey techniques.	December 2021
3	Review specifications of current predictive modelling software for roads and evaluate the need to procure, or jointly procure with other councils, an alternative software that integrates with other key council systems and is fit-for-purpose	A response to this recommendation has commenced with additional staff resources engaged to consider alternative predictive modelling software that best suits the organisation. A review of the existing software will be undertaken along with evaluation of alternative software. If a change in software is recommended, then this will be considered by Council as part of the preparation of future budgets.	November 2021

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Response provided by the Director Presentation and Assets, City of Greater Bendigo—*continued*

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4	Provide communities with detailed information on service levels for road maintenance and collect their feedback at least once every two years	Engagement of the community in matters of Council maintenance has been a challenge for the sector for many years. Currently the review and adoption of changes to Councils Road Management Plan has required public consultation. However typically the level of interest and input from the community has been low. With unsealed roads, the ability to meet service standards is particularly challenging due to weather impacting on the ability to undertake maintenance treatments that are long lasting at certain periods during the year. The CoGB will engage with the community through the current review of the RMP and broader development of the Community Plan. Further development of a communication strategy for community engagement in relation to road maintenance will be developed.	February 2022
5	Set unit rates for reactive maintenance to: * Determine the adequacy of planned maintenance in reducing reactive maintenance costs * Compare costs of different road maintenance activities	CoGB has costs for a range of maintenance treatments. These treatments are evaluated by experienced engineering staff however it is recognised that benefits could be achieved by improved evaluation and documentation of the planned maintenance treatments. Linking routine maintenance costs with planned maintenance treatments is a challenge for individual councils given the variables and timeframes associated with gaining data. CoGB will continue to rely on industry information such as that produced by ARRB and evaluation by experienced engineering staff. Information is known regarding the quantity	December 2021

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Response provided by the Director Presentation and Assets, City of Greater Bendigo—*continued*

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		and location of reactive maintenance works. COGB will explore options to better record the costs of reactive maintenance treatments by type and asset to produce unit rates for the types of reactive maintenance works and assist in quantifying the cost of reactive maintenance works.	
6	Record and maintain road condition data for its unsealed road network	As outlined in the report, CoGB currently undertake this task and will continue to do so in accordance with the current inspection timelines.	Ongoing
7	Ensure data reported to the Victorian Local Government Grants Commission and as part of the Local Government Performance Reporting Framework is accurate by: * Complying with relevant instructions * Establishing quality assurance processes over data collection and submission * Periodically reviewing data to identify errors	Quality Management procedures are in place for the preparation of data to other authorities. These procedures will be reviewed and updated as appropriate.	June 2021
8	Identify, collect and internally report on data necessary to understand whether the council is achieving long-term value for money in road maintenance, including: * Expenditure on planned and reactive maintenance * Use of different seal types * Amount of resealing completed	CoGB has a range of information that can be further evaluated to meet the recommendation. As highlighted above much of this work is being undertaken as part of management of the road network however the value of additional evaluation and reporting is recognised.	December 2021

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Response provided by the Director Presentation and Assets, City of Greater Bendigo—*continued*

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9	<p>Undertake self-assessments of the cost of road maintenance against similar councils by:</p> <ul style="list-style-type: none"> * Using publicly available data from the Local Government Performance Reporting Framework and the Victorian Local Government Grants Commission * Incorporating detailed analysis of factors such as traffic volume and road surface to understand whether costs are commensurate with community needs 	<p>As highlighted in the report the quality of data along with variations between Councils in relation to a wide range of variables such as traffic volumes, maintenance treatments, asset condition, etc make it difficult to compare councils based on the available data. The City will review the available benchmark data, but greater benefit is seen by the ongoing review of internal processes to ensure that the most appropriate and cost effective planned and reactive maintenance is undertaken.</p>	July 2021
10	<p>Document all council decisions about road maintenance, including decisions to defer resealing</p>	N/A – Maribyrnong City Council	N/A
11	<p>Collect and retain data on compliance with timeliness standards in road management plans</p>	<p>CoGB has a comprehensive and complete data base of RMP compliance regarding timeliness defined in the RMP. This information is available to supervising staff in real time.</p>	Ongoing
12	<p>Establish performance measures for road management plans and use them to annually review performance and the practicality of standards set out in the plans</p>	<p>The CoGB RMP contains comprehensive performance measures and also specifies that the reviews of these performance measures be undertaken quarterly and annually. This information is automatically generated into reports that are presented to and discussed with Senior Management at the quarterly and annual meetings.</p>	Ongoing

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Our Ref: 3.000168
IN21/1EBA712D
CG:MS

2 March 2021

Mr Andrew Greaves
Auditor General
Victorian Auditor-General's Office

Dear Mr Greaves

Proposed Performance Audit Report – Maintaining Local Roads

The Gannawarra Shire Council would like to thank the Auditor General for the Audit Report which demonstrates the complexity of road maintenance. We have completed and submitted our action plan and comments, which we understand will be attached with the parliamentary report.

Council is committed to providing an affordable and reasonable level of service to meet the community's expectation of our extensive road network. Whilst our Council has made excellent progress in minimising our renewal gap, we understand that closing the renewal gap still is a major challenge for many rural and regional Councils across the Victorian sector.

Council was pleased to contribute input into this important audit and equally provide context of the importance and challenges of road maintenance from a small rural council perspective.

Yours sincerely

Handwritten signature of Charlie Gillingham in black ink.

Cr Charlie Gillingham
MAYOR

Handwritten signature of Tom O'Reilly in black ink.

Tom O'Reilly
CHIEF EXECUTIVE OFFICER

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Gannawarra Shire Council action plan to address recommendations from *Maintaining Local Roads*

No.	VAGO recommendation	Action	Completion date
1	Set and document timeframes to survey the condition of sealed and unsealed road networks with consideration of Australian Road Research Board's <i>Best practice guide for sealed roads</i> and <i>Best practice guide for unsealed roads</i> (see Section 2.1)	Council is actively reviewing and/or redrafting all of its asset management documentation. The development of an action plan, as part of a newly redrafted Asset Management Strategy, lists the revision of asset inventory and condition assessment manuals as a high priority for action in 2022. Council last inspected sealed and unsealed roads during 2019 and currently inspects roads on a three year cycle. Council will next undertake a survey of roads during 2022.	December 2022
2	Review road surveying methods and consider options to incorporate technologically advanced surveying equipment (see Section 2.1)	Council does not see economic advantages in broadscale use of advanced technology to assess the condition of its road network and will continue to rely heavily on visual assessment. Notwithstanding the preceding comment, Council will investigate the efficacy of advanced technology on selected roads such as those with high traffic volumes. Current limitations on resources preclude such investigations for the near future.	December 2022
3	Review specifications of current predictive modelling software for roads and evaluate the need to procure, or jointly procure with other councils, an alternative software that integrates with other key council systems and is fit-for-purpose (see Section 2.1)	Prior to the consideration of predictive modelling software, Council will progressively improve the quality of its road data such that predictive analysis might be undertaken with some expectation of reliability. Procurement of predictive modelling software will again be reviewed in 2023. (Refer also the response to point 1 above)	December 2023
4	Provide communities with detailed information on service levels for road maintenance and collect their feedback at least once every two years (see Section 2.2)	Council is currently planning the review of its Road Management Plan. As part of this review, a redraft of service levels is proposed with the aim of improved community awareness and feedback. This process will have commenced by June 2021 and is aimed for completion by December 2021. The redrafted RMP will incorporate updated review and community feedback provisions	December 2021

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Response provided by the Mayor and Chief Executive Officer, Gannawarra Shire Council—*continued*

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5	<p>Set unit rates for reactive maintenance to:</p> <ul style="list-style-type: none"> determine the adequacy of planned maintenance in reducing reactive maintenance costs compare costs of different road maintenance activities (see Section 2.3). 	<p>The implementation of a maintenance management system integrated with both finance and asset management systems will improve the understanding of maintenance effort, effectiveness, and efficiency. Such implementation is referred to the current draft asset management strategy and its action plan. Council will review its existing MMS arrangements for its adequacy to report reactive maintenance costs. A revised/new MMS will allow Council to better report and analyse costs and document unit rates. In the context of council's strategic asset management action plan, this is a low priority and set for 2023.</p>	December 2023
6	<p>Record and maintain road condition data for its unsealed road network (see Section 2.1)</p>	<p>N/A Yarra Ranges Shire Council only.</p>	N/A
7	<p>Ensure data reported to the Victorian Local Government Grants Commission and as part of the Local Government Performance Reporting Framework is accurate by:</p> <ul style="list-style-type: none"> complying with relevant instructions establishing quality assurance processes over data collection and submission periodically reviewing data to identify errors (see Section 3.1) 	<p>Improved data accuracy will come from both the revised system (assessment manuals) and diligence in recording of asset data. Refer also 1 above. Improved data will be available in 2023. The document review (1 above) also seeks to review and redraft the suite of valuation processes that seek to better record and report asset inventory and valuations. Council will also seek to address the level of resources devoted to asset management.</p>	December 2023
8	<p>Identify, collect and internally report on data necessary to understand whether the council is achieving long-term value</p>	<p>Improved data acquisition (refer to response 1 above) and the implementation of a new/revised maintenance management system (refer to response 5 above) will provide Council with a body of data that can be reported to Council and</p>	December 2023

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Response provided by the Mayor and Chief Executive Officer, Gannawarra Shire Council—*continued*

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	<p>for money in road maintenance, including:</p> <ul style="list-style-type: none"> • expenditure on planned and reactive maintenance • use of different seal types • amount of resealing completed (see Section 3.1) 	<p>analysed. Council will continue to provide flexibility within contractual arrangements to consider and use alternative seal types as and when they can demonstrate cost efficiency and effectiveness. Council has adopted and demonstrated that it achieves a near 15-year cycle (when including construction effort) in resealing treatments. Council considers this to be sound value for money and proposes to continue this practice.</p>	
9	<p>Undertake self-assessments of the cost of road maintenance against similar councils by:</p> <ul style="list-style-type: none"> • using publicly available data from the Local Government Performance Reporting Framework and the Victorian Local Government Grants Commission • incorporating detailed analysis of factors such as traffic volume and road surface to understand whether costs are commensurate with community needs (see Section 3.1). 	<p>Council currently undertakes self-assessment of the cost of road maintenance using publicly available data. Improvements to the value of such comparisons are expected following the implementation of the steps outlined in the responses 1, 5 and 7 above.</p>	December 2022
10	<p>Document all council decisions about road maintenance, including decisions to defer resealing (see Section 3.1)</p>	<p>N/A</p> <p>Maribyrnong City Council only</p>	N/A
11	<p>Collect and retain data on compliance with timeliness standards in road management plans (see Section 3.2)</p>	<p>Council currently collects and retains data relating to compliance with its Road Management Plan (RMP). Council plans to review the RMP this year and aims to improve documentation, undertake an education program for system users, and improve compliance. Council intends to have the review started by July 2021 and be complete by December 2021.</p>	December 2021

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Response provided by the Mayor and Chief Executive Officer, Gannawarra Shire Council—*continued*

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12	Establish performance measures for road management plans and use them to annually review performance and the practicality of standards set out in the plans (see Section 3.3)	As part of the RMP review referred to in response 11 above, revised performance measures will be drafted. Similarly, review processes within the plan intend that performance against the nominated measures will be reported annually to Council.	December 2021
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Response provided by the Chief Executive Officer, Maribyrnong City Council

Maribyrnong City Council

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3 March 2021

Mr Andrew Greaves
Auditor – General
Victorian Auditor – General’s Office
Level 331/35 Collins St
Melbourne VIC 3000

Dear Auditor – General

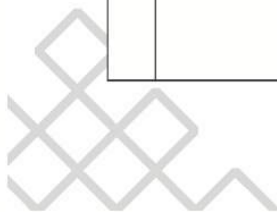
Proposed Performance Audit Report – Maintaining Local Roads

Thank you for your letter dated 17 February 2021 inviting submissions and comments in relation to the recommendations contained in the Proposed Audit Report – Maintaining Local Roads.

Maribyrnong City Council welcomes the findings and recommendations of the report on how we can improve our road management practices to ensure better service delivery and value for money to our community.

I have discussed the proposed report, findings and recommendations with Council’s Director Infrastructure Services and Manager Assets & Capital. In response to the recommendations and findings, we are committed to take the following actions

No.	VAGO recommendation	Action	Completion date
10	Document all council decisions about road maintenance, including decisions to defer resealing (see Section 3.1).	The decisions to defer resealing of roads are made in different circumstances, like State Government’s Major Projects overlap (West Gate Tunnel), utility works, and rapid deterioration of other sections of road where program needs to be reshuffled for budget requirements. Maribyrnong City Council will prepare a list of roads for resealing based on predictive modelling for four years. Any decisions to defer resealing will be recorded in the forward renewal program with proposed year to be undertaken. The forward renewal program will be recorded in Council’s Electronic Document Management System and only relevant officers will be authorised to make changes.	30 June 2021



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Response provided by the Chief Executive Officer, Maribyrnong City Council—continued

Maribyrnong City Council

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1	set and document timeframes to survey the condition of sealed and unsealed road networks with consideration of Australian Road Research Board's <i>Best practice guide for sealed roads</i> and <i>Best practice guide for unsealed roads</i> (see Section 2.1)	Maribyrnong City Council undertakes condition surveys every 4 years, which aligns with the ARRB best practice guides and coincides with the Local Government asset valuation requirement.	N/A
2	review road surveying methods and consider options to incorporate technologically advanced surveying equipment (see Section 2.1)	Council recently awarded road condition audit contract to ARRB. ARRB proposed vehicle mounted surveying, however were unable to secure one for this contract due to time constraints. Council will incorporate this in the subsequent condition audits starting in 2024/25.	30 June 2024
3	review specifications of current predictive modelling software for roads and evaluate the need to procure, or jointly procure with other councils, an alternative software that integrates with other key council systems and is fit-for-purpose (see Section 2.1)	Council currently uses predictive modelling software to develop road renewals program. Council will seek for partnership with other Councils and explore available systems that is capable of integrating with Council's corporate system whilst delivering sound predictive modelling.	30 June 2022
4	provide communities with detailed information on service levels for road maintenance and collect their feedback at least once every two years (see Section 2.2)	In place. Council does provide a six monthly report to its Audit and Risk Committee on compliance with Road Management Plan. Council also collects data through annual community satisfaction survey on road maintenance.	N/A



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Response provided by the Chief Executive Officer, Maribyrnong City Council—*continued*

Maribyrnong City Council

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5	<p>set unit rates for reactive maintenance to:</p> <ul style="list-style-type: none"> determine the adequacy of planned maintenance in reducing reactive maintenance costs compare costs of different road maintenance activities (see Section 2.3). 	<p>In place. Council entered panel service arrangement for reactive maintenance in 2019 based on schedule of rates through competitive tendering process.</p> <p>Council will develop a procedure to review reactive maintenance cost on roads with high maintenance requirement against planned maintenance.</p>	<p>N/A</p> <p>30 June 2022</p>
7	<p>ensure data reported to the Victorian Local Government Grants Commission and as part of the Local Government Performance Reporting Framework is accurate by:</p> <ul style="list-style-type: none"> complying with relevant instructions establishing quality assurance processes over data collection and submission periodically reviewing data to identify errors (see Section 3.1) 	<p>Council will develop internal procedure (manual) to provide information to LGPRF and ensure compliance with the data collection requirements. Procedure to be reviewed no later than every 4 years.</p>	<p>30 June 2022</p>
8	<p>identify, collect and internally report on data necessary to understand whether the council is achieving long-term value for money in road maintenance, including:</p> <ul style="list-style-type: none"> expenditure on planned and reactive maintenance use of different seal types amount of resealing completed (see Section 3.1) 	<p>Council will develop procedure to collect reactive maintenance data from annual inspection to ensure planned maintenance is informed in part by reactive maintenance needs.</p> <p>Use of seal types are currently based on industry best practice guidelines. However, Council seeks proposals from contractors on recycled/sustainable products that meets State road authority's technical specification.</p> <p>Council will develop a process to benchmark resurfacing cost (unit rates) to cohort Councils to ensure value for money.</p>	<p>30 June 2022</p>



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Response provided by the Chief Executive Officer, Maribyrnong City Council—continued

Maribyrnong City Council

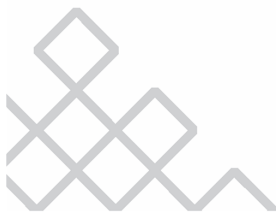
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9	undertake self-assessments of the cost of road maintenance against similar councils by: • using publicly available data from the Local Government Performance Reporting Framework and the Victorian Local Government Grants Commission • incorporating detailed analysis of factors such as traffic volume and road surface to understand whether costs are commensurate with community needs (see Section 3.1).	Council will investigate the opportunities to collaborate/joint procure for resurfacing of sealed roads with other adjacent Councils to ensure competitive unit rates. Council currently engages external consultants to provide details on asphalt treatment requirements that considers traffic volume, traffic type and speed limit. This process gives assurance that technical specifications of planned maintenance reflects the community and user needs.	Ongoing
11	collect and retain data on compliance with timeliness standards in road management plans (see Section 3.2)	Council's current system collects and retains the data for both compliances and non-compliances with the Road Management Plan.	N/A
12	Establish performance measures for road management plans and use them to annually review performance and the practicality of standards set out in the plans (see Section 3.3).	Council's current Road Management Plan does not have a performance measure. A percentage based compliance measure will be incorporated in the next review (due 30 June 2021). Compliance with RMP is a departmental action and is quarterly reported to Council's Corporate Performance team and six monthly to Council's Audit and Risk Committee	30 June 2021



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Response provided by the Chief Executive Officer, Maribyrnong City Council—*continued*

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Maribyrnong City Council is committed to improving our road management practices. We welcome VAGO periodic review of our improvement action plan in implementing these recommendations. The report and improvement action plan will be discussed with Councillors at a briefing and presented to the Ordinary Council meeting once the document is made publically available.

Yours faithfully

A handwritten signature in black ink, appearing to read "Stephen Wall".

Stephen Wall
Chief Executive Officer



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9 March 2021

Enquiries: 03 5358 8700

Mr Andrew Greaves
Auditor General
Victorian Auditor-Generals Office
Level 31/35 Collins St
MELBOURNE VIC 3000

Dear Mr Greaves

Response to Proposed Performance Audit Report – Maintaining Local Roads

In response to the Proposed Performance Audit Report - Maintaining Local Roads, Council has been provided many opportunities to consider the draft report and provide feedback. The process has been fair, robust, and considered.

The audit has provided Council with an opportunity to stop and analyse its process and enact some immediate corrections. Furthermore, the report has prompted some careful consideration regarding Council's proactive vs reactive road maintenance spend.

Council aims at addressing the audit recommendations via the Action Plan below and where Council is already addressing the recommendation, it aims to continually review the action taken and ensure its appropriateness.

 Northern Grampians Shire Council LIVE WORK INVEST VISIT	CONTACT US	CONNECT WITH US
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	www.ngshire.vic.gov.au	@ngshire
	(03) 5358 8700	@northerngrampiansshire
	PO Box 580 Stawell VIC 3380	#ngshire #liveworkinvestvisit #wandervictoria

Response provided by the Chief Executive Officer, Northern Grampians Shire Council—*continued*

No.	VAGO recommendation	Action	Completion date
1.	Set and document timeframes to survey the condition of sealed and unsealed road networks with consideration of Australian Road Research Board's Best practice guide for sealed roads and Best practice guide for unsealed roads (see Section 2.1)	<p>Northern Grampians Shire Council (NGSC) surveys both sealed and unsealed road condition once every four years to collect condition data to influence future road treatments. These inspections are also a requirement for accessing emergency disaster funding.</p> <p>Last assessment was completed in July 2018 and the next survey is due December 2022. These inspections are outsourced from specialist who use state of the art equipment to achieve the best results. These requirements are documented in our Asset Management Framework internal site, which was last updated July 2020.</p>	July 2020
2.	Review road surveying methods and consider options to incorporate technologically advanced surveying equipment (see Section 2.1)	<p>As part of the surveys mentioned in item 1, NGSC invites specialist companies through Council procurement processes, to carry out these works.</p> <p>In 2012 NGSC initiated advance surveying system on assets and Council has since continued that same advance surveying system in 2018. To further improve the knowledge of its asset condition Council engaged a specialist company to do a depth testing on a sample of its unsealed roads in 2018.</p> <p>This is consistent with ARRB best practice guides.</p>	June 2018
3.	Review specifications of current predictive modelling software for roads and evaluate the need to procure, or jointly procure with other councils, an alternative software that integrates with other key council systems and is fit-for-purpose (see Section 2.1)	<p>NGSC is looking into its current predictive software provider and understands it can integrate with the Asset database.</p> <p>This advancement in system is not only significantly costly but also a significant project ensuring the systems and data can work together.</p> <p>The integration has been highlighted to be the next step in system development and this project needs to be developed further.</p> <p>NGSC is also open to other options like joint procurement, to bring the costs down.</p>	June 2023



ngshire@ngshire.vic.gov.au

Response provided by the Chief Executive Officer, Northern Grampians Shire Council—continued

4.	Provide communities with detailed information on service levels for road maintenance and collect their feedback at least once every two years (see Section 2.2)	Council is in the process of reviewing its Asset Management Plan and Road Management Plan. During this process it is intended to engage the community regarding level of service to ensure that the product is agreeable between the two parties (Council and the community) Asset Management Plans will be reviewed annually to ensure they remain current, and Council intends to seek community engagement in that review biannually.	December 2021
5.	Set unit rates for reactive maintenance to: <ul style="list-style-type: none"> • determine the adequacy of planned maintenance in reducing reactive maintenance costs • compare costs of different road maintenance activities (see Section 2.3). 	Council monitors its grading of unsealed roads and tracks the extent of roads graded vs the cost of the work performed. This provides Council an indicative idea of the cost of work and has already seen significant correction in its grading practices due to this. It is Council's long-term plan to be able to monitor all maintenance work in a comparable way. NGSC is evolving its use of the maintenance module of the Asset Management Information System (Assetic Cloud). The use of this module is providing the capacity to gather an enormous amount of data which can be used to influence future works, including unit rates for individual work tickets undertaken. As Council's maturity evolves with the system our aim is to have the system provide relevant data to assess the adequacy of its process including unit cost monitoring for reactive works.	June 2024
6.	N/A		
7.	Ensure data reported to the Victorian Local Government Grants Commission and as part of the Local Government Performance Reporting Framework is accurate by: <ul style="list-style-type: none"> • complying with relevant instructions • establishing quality assurance processes over data collection and submission • periodically reviewing data to 	NGSC has Assetic Cloud as an only source of true data for all assets. When reporting on Asset data, both Finance and Asset teams are involved. This is to ensure that the information communicated is consistent and accurate. Furthermore, the information is quality checked by the managers of the two departments.	June 2020



Response provided by the Chief Executive Officer, Northern Grampians Shire Council—continued

	identify errors (see Section 3.1)		
8.	<p>Identify, collect, and internally report on data necessary to understand whether the council is achieving long-term value for money in road maintenance, including:</p> <ul style="list-style-type: none"> • expenditure on planned and reactive maintenance • use of different seal types • amount of resealing completed (see Section 3.1) 	<p>Through an annual assessment of Council performance against its Asset Management Plan Council intends to monitor its performance and allow Council to continually review its proportional Planned and Reactive spend.</p> <p>This performance monitoring is planned to be based on the Conditional, Functional and Utilisation service level requirements.</p> <p>Furthermore, the regular asset condition assessments will be used to determine the appropriateness of the road degradation graphs and by doing this Council can determine if treatments are acting as intended throughout the life of the asset.</p>	June 2021
9.	<p>Undertake self-assessments of the cost of road maintenance against similar councils by:</p> <ul style="list-style-type: none"> • using publicly available data from the Local Government Performance Reporting Framework and the Victorian Local Government Grants Commission • incorporating detailed analysis of factors such as traffic volume and road surface to understand whether costs are commensurate with community needs (see Section 3.1). 	<p>Council has access to public data made available by the Grants Commission and Local Government Performance Reporting Framework and intends to bring this data into its Asset Management Planning Review process mention in Item 8.</p> <p>Council takes a designed approach to the treatment of its roads and being a small rural Council, therefore achieving greater value for money is second nature. This means that the treatment a road receives is always based on the need, considering traffic load and type. At this point Council does not assess its design standards used to determine the treatment, against similar councils but will be a consideration in the development in the Road Management Plan and Asset Management Plan review process.</p>	June 2021
10.	N/A		



Response provided by the Chief Executive Officer, Northern Grampians Shire Council—continued

11.	Collect and retain data on compliance with timeliness standards in road management plans (see Section 3.2)	The maintenance module of Assetic Cloud is used to lodge and track Road Management Plan defect and inspection schedules. This is now available onsite and monitoring of this system is established for all works supervisors. This was considered one of the biggest blockers in Council's management of its defect response. Staff can sign off and monitor RMP compliance effectively without any blockers. With Assetic Cloud in full implementation, NGSC has increased its capacity to gather and retain asset data, and all historical data is available as when required.	June 2020
12.	Establish performance measures for road management plans and use them to annually review performance and the practicality of standards set out in the plans (see Section 3.3).	RMP specific KPIs are set for all relevant staff, and reviews are done at six months and 12 months intervals.	June 2020

I thank you for the opportunity to be involved in the audit process as I believe it has been beneficial to Council's delivery of road maintenance moving forward.

If there are any further enquiries regarding the responses provided above, Trenton Fithall in my office can be contacted on 03 5358 8700 or via email at trenton.fithall@ngshire.vic.gov.au for any further information.

Yours faithfully,



LIANA THOMPSON
CHIEF EXECUTIVE OFFICER



Response provided by the Chief Executive Officer, Yarra Ranges Shire Council

Enquiries: Office of the CEO
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3 March 2021

Mr Andrew Greaves
Auditor-General
Victorian Auditor General's Office
Level 31, 35 Collins Street
MELBOURNE VIC 3000

Dear Mr Greaves

RE: Proposed Performance Audit Report – Maintaining Local Roads

Thank you for your correspondence dated 17 February 2021, providing Yarra Ranges Council the opportunity to respond to the Proposed Performance Audit Report – Maintaining Local Roads.

Yarra Ranges Council places high importance on continuously improving all that we do, particularly in providing best value and service to our community. This report and the findings acknowledge Council's move towards enhanced technology solutions and integrated systems and will support our endeavours to provide better service.

Having reviewed the findings in the report and subsequent recommendations, an action plan has been developed that will further evolve our practices. A copy has been provided to your office. The audit performance results will be presented to Council's Executive Leadership Team and will be used to inform the way we plan and deliver maintenance of the sealed and unsealed road network. This will ensure our infrastructure is improving local amenity and liveability for our community.

I would like to thank you and the audit team for the professional and friendly conduct over the course of the audit and we welcome your continued feedback while we implement the recommendations.

Should you require any further information please contact my office on 9294 6101.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Tammi Rose'.

Tammi Rose
Chief Executive Officer

ABN 21 973 226 012
Yarra Ranges Shire Council

Yarra Ranges Council Action Plan to address recommendations from *Maintaining Local Roads* Audit.

No.	VAGO recommendation	Action	Completion Date
1.	Set and document timeframes to survey the condition of sealed and unsealed road networks with consideration of Australian Road Research Board's <i>Best practice guide for sealed roads</i> and <i>Best practice guide for unsealed roads</i> (see Section 2.1)	<p>Council's Road Infrastructure Asset Management Plan document will be updated to reflect the frequency of sealed road condition surveys to be every 3 years.</p> <p>The Road AMP will be reviewed in 2021/22 so document will be published 30 June 2022</p> <p>Please refer to action 6 for response to unsealed road survey.</p>	30 June 2022
2	Review road surveying methods and consider options to incorporate technologically advanced surveying equipment (see Section 2.1)	<p>The contract for the sealed road condition assessment has just been awarded and includes the use of visual and technological assessments.</p> <p>Survey vehicles utilising a laser profilometer will assess rutting, roughness and surface texture across approx. 40% of the road network. This is in addition to the visual assessment of conditions in accordance with IPWEA Condition Assessment & Asset Performance Guidelines.</p> <p>The remaining 60% of assessments will utilise visual assessments alone.</p> <p>This mix of assessments helps with affordability while targeting the technology-based assessments on the roads with higher risk of significant deterioration.</p>	March 2021
3	Review specifications of current predictive modelling software for roads and evaluate the need to procure, or jointly procure with other councils, an alternative software that integrates with other key council systems and is fit-for-purpose (see Section 2.1)	<p>Council has recently procured an Enterprise System, Technology One. This system includes a Strategic Asset Management (SAM) module. This SAM module will be configured following the successful implementation of the Asset Lifecycle Management (ALM) module which is already in the process of being implemented. The SAM module timeframe will be</p>	2023

Response provided by the Chief Executive Officer, Yarra Ranges Shire Council—*continued*

		approx. 2 years, as it is essential that the ALM module is embedded and working as required before the SAM module can integrate and provide accurate modelling based on the data in the ALM.	
4	Provide communities with detailed information on service levels for road maintenance and collect their feedback at least once every two years (see Section 2.2)	<p>Council is currently reviewing the Road Management Plan (RMP) and this will be placed out for public comment and then published on the website following completion of the review in accordance with the Road Management Act.</p> <p>Intervention and corresponding service levels are documented in the RMP. This information will be summarised on council's website.</p> <p>Further work is being done to include road maintenance service levels as a focus into the annual Community Consultation survey to gain community feedback.</p>	<p>July 2021</p> <p>January 2022</p>
5	<p>Set unit rates for reactive maintenance to:</p> <ul style="list-style-type: none"> • determine the adequacy of planned maintenance in reducing reactive maintenance costs • compare costs of different road maintenance activities (see Section 2.3). 	<p>Maintenance costs will be recorded by the ALM module of the Technology One system (to be implemented late 2021). Each work order will have actual and resource costs assigned and linked to the finance system to allow real cost analysis.</p> <p>Reporting of costs per road and activity using the work orders and quarterly reporting will be used to inform proactive maintenance activities and budgeting.</p> <p>The system provides oversight to ensure programmed works and reactive works are coordinated by alerting of duplication.</p> <p>Work order costing will provide actual expenditure on road assets to determine where reactive budget is being spent. This will inform proactive re-sheeting and resealing programs.</p>	Late 2021

Response provided by the Chief Executive Officer, Yarra Ranges Shire Council—*continued*

6	Record and maintain road condition data for its unsealed road network (see Section 2.1).	<p>Council notes this as an improvement opportunity and will work with the Road Maintenance contractor to conduct pre-condition audits of the unsealed network prior to grading.</p> <p>The time frame for this work to be completed is following the award of the next contract due in May 22. Although full implementation will likely take 6 months following that date.</p>	October 2022
7.	<p>Ensure data reported to the Victorian Local Government Grants Commission and as part of the Local Government Performance Reporting Framework is accurate by:</p> <ul style="list-style-type: none"> • complying with relevant instructions • establishing quality assurance processes over data collection and submission • periodically reviewing data to identify errors (see Section 3.1) 	Council notes this as an improvement opportunity and will refer these comments to the Asset Management team.	2021
8.	<p>Identify, collect and internally report on data necessary to understand whether the council is achieving long-term value for money in road maintenance, including:</p> <ul style="list-style-type: none"> • expenditure on planned and reactive maintenance • use of different seal types • amount of resealing completed (see Section 3.1) 	Maintenance costs will be recorded by the ALM module of the Technology One system (to be implemented late 2021). Each work order will have actual and resource costs assigned and linked to the finance system to allow analysis of real costs.	Late 2021
9.	<p>Undertake self-assessments of the cost of road maintenance against similar councils by:</p> <ul style="list-style-type: none"> • using publicly available data from the Local Government Performance Reporting Framework and the Victorian Local Government Grants Commission • incorporating detailed analysis of factors such as traffic volume and road surface to understand whether costs are commensurate with community needs (see Section 3.1). 	Council notes this as an improvement opportunity and will seek to incorporate the review of this data as an assessment step in the process of Strategic Asset Management.	2023
11.	Collect and retain data on compliance with timeliness standards in road management plans (see Section 3.2)	Council notes this as an improvement opportunity and has already made improvements in this area with increased reporting.	2021

Response provided by the Chief Executive Officer, Yarra Ranges Shire Council—*continued*

12.	Establish performance measures for road management plans and use them to annually review performance and the practicality of standards set out in the plans (see Section 3.3).	The review of the RMP this year will seek to further clarify service and compliance levels. A reporting structure will be implemented in line with this performance measures.	2021
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APPENDIX B

Acronyms, abbreviations and glossary

Acronyms

ARRB	Australian Road Research Board
LGPRF	Local Government Performance Reporting Framework
LGV	Local Government Victoria
RMP	road management plan
VAGO	Victorian Auditor-General's Office
VLGGC	Victorian Local Government Grants Commission

Abbreviations

ALG1	Victorian Local Government Grants Commission's road inventory expenditure and financial data, collected on behalf of the Australian Local Government Association
ARRB best practice guides	<i>Best practice guide for sealed roads 2020</i> and <i>Best practice guide for unsealed roads 2020</i>
Bendigo	City of Greater Bendigo
Gannawarra	Gannawarra Shire Council
Maribyrnong	Maribyrnong City Council
Northern Grampians	Northern Grampians Shire Council
VGC1	Victorian Local Government Grants Commission's expenditure and revenue data
VGC3	Victorian Local Government Grants Commission's local roads data covering road lengths, road type, strategic routes and bridges
Yarra Ranges	Yarra Ranges Shire Council

APPENDIX C

Scope of this audit

Who we audited	What we assessed	What the audit cost
<ul style="list-style-type: none">• Bendigo• Gannawarra• Maribyrnong• Northern Grampians• Yarra Ranges	We assessed whether councils are planning for and delivering cost-efficient road maintenance.	The cost of this audit was \$900 000.

Our methods

As part of the audit we:

- audited five councils, including reviewing their:
 - road inventory data
 - budget information
 - RMPs
 - inspections and defect responses data from 2014–15 to 2018–19. We selected this period to match our questionnaire (see Appendix D).
- conducted a sector-wide questionnaire (see Appendix D).

We selected the five audited councils as a representative spread of council types and sizes.

We conducted our audit in accordance with the *Audit Act 1994* and ASAE 3500 Performance Engagements. We complied with the independence and other relevant ethical requirements related to assurance engagements. We also provided a copy of the report to the Department of Premier and Cabinet and the Department of Treasury and Finance.

APPENDIX D

Questionnaire methodology

We conducted a sector-wide questionnaire about local roads to fill the gaps from other government data sources and determine whether councils are achieving value for money in maintaining their roads.

For 2014–15 to 2018–19, our questionnaire asked councils about the following.

FIGURE D1: **Questionnaire items**

Item	Description
Expenditure on road maintenance	Sum of the amount council spends on reactive and planned road maintenance for sealed and unsealed roads
Size of road network	Area (square metres) of sealed and unsealed roads in councils' Local Government Area
Seal types used	Area of the different seal types used on sealed roads by council
Amount of resealing undertaken	Area of councils' sealed roads resealed
Factors which lessened or increased resealing costs	Factors such as: <ul style="list-style-type: none">• quarries where materials were sourced from• heavy vehicles on councils' roads• technology, software, equipment used• business arrangements, i.e. joint procurement or tendering
Accuracy of questionnaire data	Councils' assessment of the accuracy of their data (low, moderate or high)

Source: VAGO.

We emailed each councils' mayor and chief executive officer and other relevant contacts, such as the chief financial officer or director of assets. The questionnaire was open for two weeks in May 2020 and we received a response from all 79 councils.

We provided all councils with our questionnaire, and LGPRF and VLGGC data that compared their results against their council cohort and sector.

Data cleaning methodology

To improve the quality of our data, we verified our questionnaire results and the LGPRF measure—cost of sealed local road resealing—with certain councils that reported values that were missing or were an outlier when compared to other councils' results. We also did extensive testing of the five audited councils to validate their data.

This report uses the updated data that resulted from this data cleaning.

Missing data check

Seventy councils had at least one piece of missing questionnaire data. Of the 1 069 individual checks completed:

- 83 per cent (888) of values were correct
- 4 per cent (44) of values were errors and councils updated their data
- 13 per cent (137) of values were unknown as councils did not have this data.

Outlier data check

Sixty-three councils had significantly lower or higher results compared to their council cohort in one or more category. We verified:

- resealing costs per square metre (LGPRF)
- proportion of sealed road network resealed
- per cent of road expenditure on planned maintenance
- total size of different seal types vs size of sealed network
- amount of resealing undertaken (our questionnaire and LGPRF).

Seventy-six per cent of these councils (48 out of 63) updated at least one datapoint we checked. For LGPRF data, 24 per cent (6 out of 25) of councils updated between two and nine datapoints.

For our check on planned maintenance expenditure, 56 per cent (10 out of 18) of councils advised us they had used estimates to arrive at the figures for this calculation.

Data validation

We validated the questionnaire data of the five audited councils. We did this by checking what data they had used and what calculations they made to arrive at their responses. To reduce the burden on councils, we only checked numeric responses from 2018–19.

We found that Gannawarra and Yarra Ranges misinterpreted the question on total size of different seal types. They then provided corrected data.

Limitations of the data

Due to the data quality issues noted above, we have not used planned maintenance expenditure data from our questionnaire in the report.

APPENDIX E

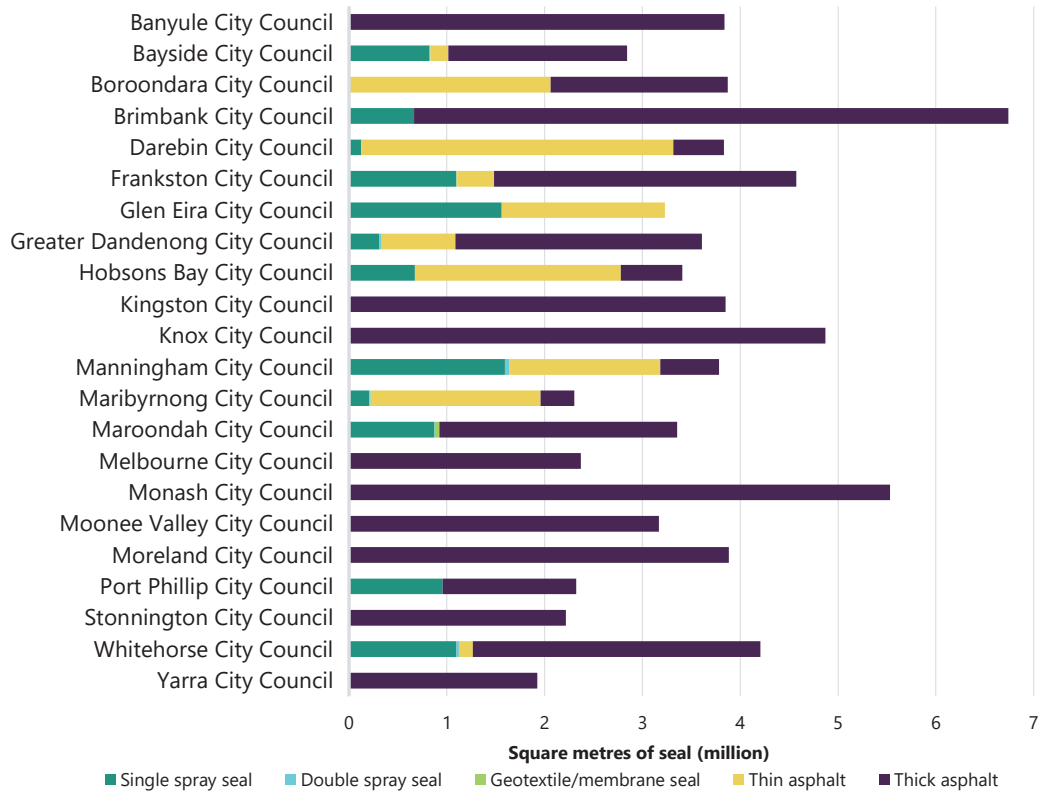
Seal types by council

As part of our sector-wide questionnaire, we asked councils about the seal types they used on their local road network. We asked councils to identify the amount of their network, in square metres, they sealed with:

- single spray seal
- double spray seal
- geotextile/membrane seal
- thin asphalt
- thick asphalt.

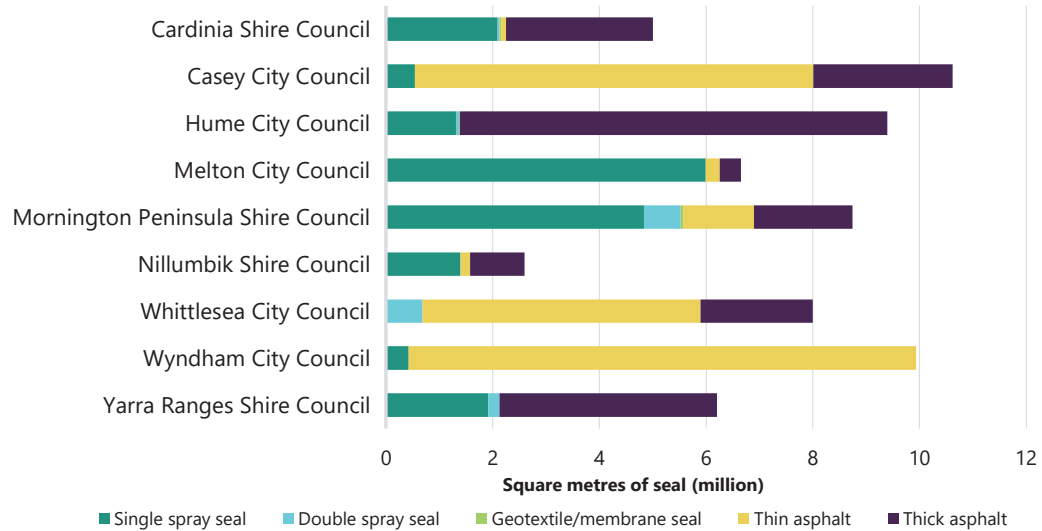
Figures E1 to E5 shows the results for all participating councils.

FIGURE E1: Seal types used on local road network—metropolitan councils



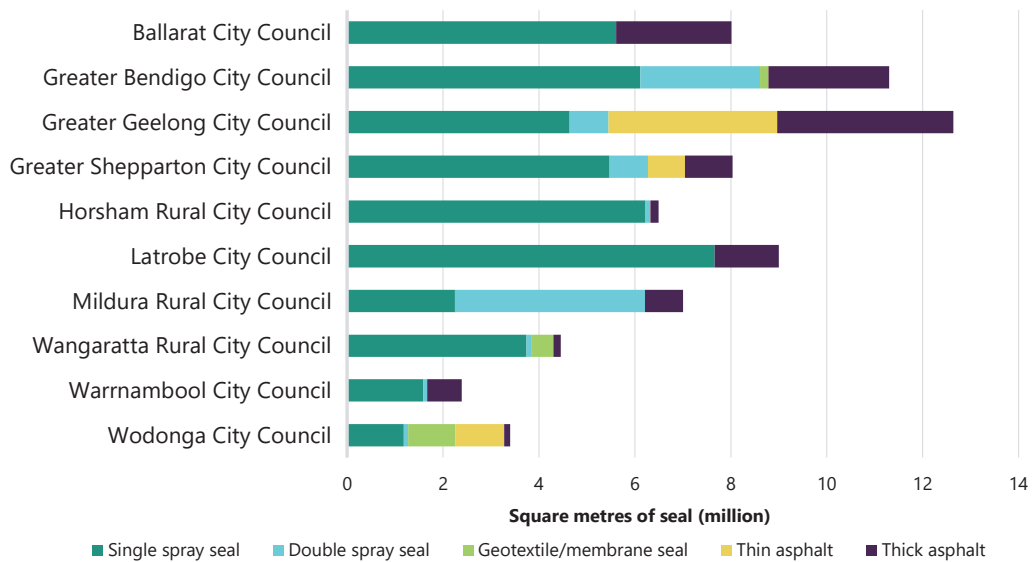
Note: Council names are sourced from LGV's Victorian Local Government Directory 2020.
 Source: VAGO questionnaire data.

FIGURE E2: Seal types used on local road network—interface councils



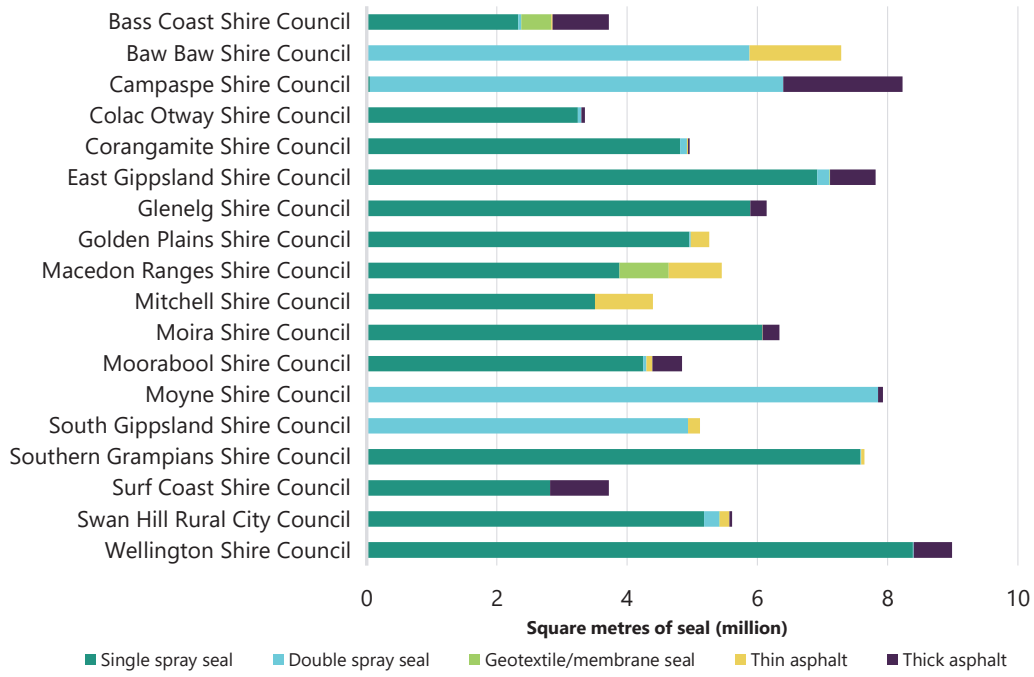
Note: Council names are sourced from LGV's Victorian Local Government Directory 2020.
Source: VAGO questionnaire data.

FIGURE E3: Seal types used on local road network—regional city councils



Note: Council names are sourced from LGV's Victorian Local Government Directory 2020.
Source: VAGO questionnaire data.

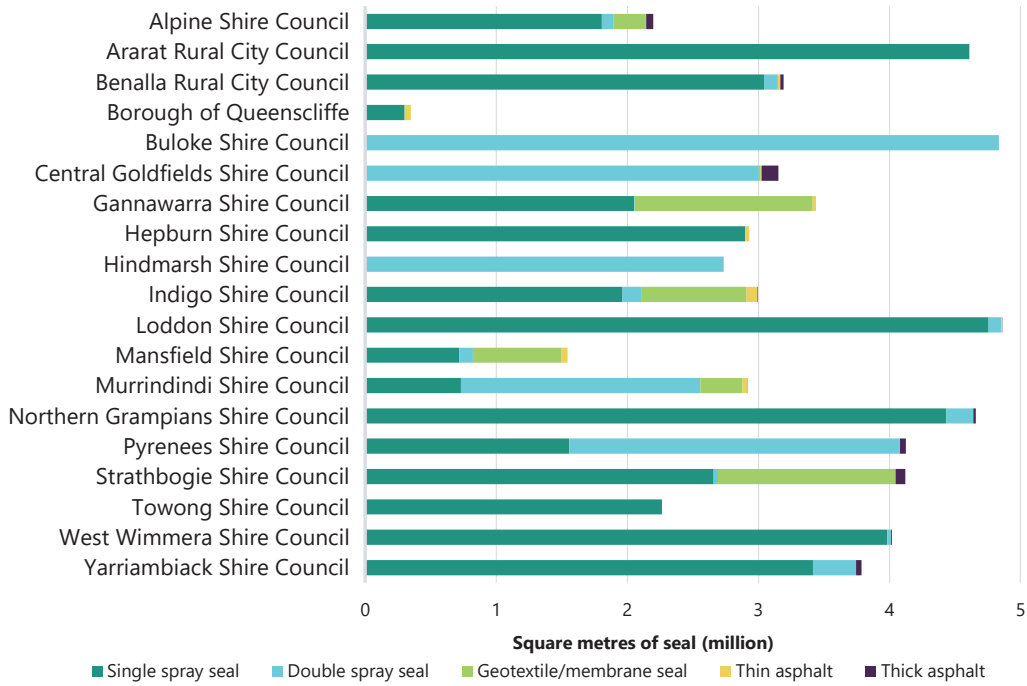
FIGURE E4: Seal types used on local road network—large shire councils



Note: Excludes Mount Alexander Shire Council, as they did not hold data on seal types in this format. Council names are sourced from LGV's *Victorian Local Government Directory 2020*.

Source: VAGO questionnaire data.

FIGURE E5: Seal types used on local road network—Small shire councils



Note: Council names are sourced from LGV's Victorian Local Government Directory 2020.

Source: VAGO questionnaire data.

Auditor-General's reports tabled during 2020–21

Report title

Rehabilitating Mines (2020–21: 1)	August 2020
Management of the Student Resource Package (2020–21: 2)	August 2020
Victoria's Homelessness Response (2020–21: 3)	September 2020
Reducing Bushfire Risks (2020–21: 4)	October 2020
Follow up of Managing the Level Crossing Removal Project (2020–21: 5)	October 2020
Early Years Management in Victorian Sessional Kindergartens (2020–21: 6)	October 2020
Accessibility of Tram Services (2020–21: 7)	October 2020
Accessing emergency funding to meet urgent claims (2020–21: 8)	November 2020
Auditor-General's Report on the Annual Financial Report of the State of Victoria: 2019–20 (2020–21: 9)	November 2020
Sexual Harassment in Local Government (2020–21: 10)	December 2020
Systems and Support for Principal Performance (2020–21: 11)	December 2020
Grants to the Migrant Workers Centre (2020–21: 12)	February 2021
Results of 2019–20 Audits: State-controlled Entities (2020–21: 13)	March 2021
Results of 2019–20 Audits: Local Government (2020–21: 14)	March 2021
Maintaining Local Roads (2020–21: 15)	March 2021

All reports are available for download in PDF and HTML format on our website www.audit.vic.gov.au

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6 General Business

6.1 Appointment of Audit and Risk Committee Chair

Mr Malcolm Lewis will lead the appointment of Chairperson for the 2021/22 financial year.

Resolution:

That Mr Peter Knights be reappointed as the chairperson of the Audit and Risk Committee for the 2021/22 financial year.

Moved: Ms Lynn Jenz

Seconded: Mr Tony Roberts

Carried

Attachments

Nil

6.2 Biannual Report 2020/21

Mr Malcolm Lewis presented the Biannual Report that included a summary of the Committee's activities during the prior 2020/21 financial year.

Resolution:

That the Biannual Report 2020/21 be endorsed with the following inclusion:

- The Committee noted that there were no internal audits completed during the course of the 2020/21 year.

Moved: Ms Lynn Jenz

Seconded: Mr Tony Roberts

Carried

Attachments

1. Audit and Risk Biannual Report 2020-21 [6.2.1 - 3 pages]

Audit and Risk Committee Biannual Report 2020-21

The Audit and Risk Committee (ARC) is required to:

- Prepare a biannual audit and risk report that describes the activities of the Audit and Risk Committee and includes its findings and recommendations; and
- Provide a copy of the biannual audit and risk report to the Chief Executive Officer for tabling at the next Council meeting.

The following Audit and Risk Committee meetings were held during the 2020/21 financial year:

- 16 September 2020
- 2 December 2020
- 3 March 2021

The Audit and Risk Committee completed the following activities during the 2020/21 financial year.

Risk Committee

- The Director Corporate Services provided ongoing updates regards the internal Risk Committee and its findings.
- The Risk Committee oversees the update and currency of the risk register that is managed using the CAMMS engage system. The ARC received a report regarding Council's risk register including a summary of overdue risks.
- During the 2020/21 year, the Risk Committee reviewed internal matters including:
 - A range of Council policies and strategies;
 - Risk management plans for major project undertakings;
 - Any high risk issues or incidents – matters included the immunisation review and updates regarding COVID-19 pandemic planning;
 - Risk / culture training matters;
 - Legislative updates;
 - Victorian Protective Data Security Framework.
- The ARC noted the report findings.

VAGO Audit

- Council's external auditors RSD Audit, acting on behalf of the Victorian Auditor General's Office (VAGO), presented the Audit Strategy for the 2020/21 financial year that mainly comprised:
 - The impact of new accounting standards.
 - The auditors focus on the potential significant impacts to financial statements.

- Infrastructure assets and management's review to confirm that the asset values do not need adjusting.
 - Changes to those charged with Governance – risks associated with loss of key personnel within the Finance team.
- The ARC recommendation was to note the report findings.

Financial Report 2019/20 and Performance Statement 2019/20

- The ARC received and reviewed the 2019/20 financial reports as reviewed by VAGO.
- The financial reports were initially presented to the September 20 ARC meeting and unable to be finalised until November 20 due to the asset revaluation impacts that required review by the VAGO technical team.
- The ARC recommendation was to note the report findings.

Quarterly Finance Reports

- The Audit and Risk Committee received and reviewed the quarterly Finance Reports that assessed current year performance against budget as well as against revised year end forecasts.
- The ARC recommendation was to note the report findings.

VAGO Sector Update

- The Committee reviewed the periodic reports prepared by VAGO regards emerging sector reports and issues that are relevant to Local Government.
- The ARC noted the report findings.

Occupational Health and Safety (OH&S) Management Report

- The Manager People and Culture presented the OH&S Management Report
- The ARC recommendation was to note the report findings.

Worksafe Audit

- The ARC received a report from the Manager People and Culture regarding the final Worksafe audit including the areas of focus mainly contract management, structured safety inspections and the OH&S Management Plan.
- The ARC noted the report findings including the proposed remedial action plan.

Sustainable Asset Management Policy and Strategy

- The ARC received the asset management reports, in the context of the Local Government Act 2020 that incorporates a policy and strategy designed to set the broad framework and guidelines regarding Council's approach to asset management.
- The ARC recommendation was to note the report findings.

Immunisation Review

- Report on an Investigation of a Vaccination Incident and Service Review.
- The subject matter relates to the vaccination provided to an infant during an immunisation session.
- The ARC recommendation was to note the report findings.

Ombudsman and Audit investigations

- The ARC received reports and considered findings from recent Ombudsman and VAGO audits into Local Government sector operations.
- The ARC noted the report findings.

Procurement Policy review

- The ARC noted Council's approach to procurement controls that resulted in amendments to the currency policy particularly regarding competitive testing for panel of works contractors.
- The ARC noted the report findings.

6.3 Performance Against Audit and Risk Committee Charter

Mr Vaughan Williams will discuss the survey of Audit and Risk Committee members.

Outcome

Mr Vaughan Williams, Director Corporate Services, advised that an online survey will be issued to enable members to assess the committee's performance.

Attachments

Nil

7 Financial Reporting and VAGO Audit

7.1 Interim Audit Letter for the Financial Year Ended 30 June 2021

Mr Malcolm Lewis and Mr Phil Delahunty will present the Interim Audit Letter for the 2020/21 financial year.

Outcome

Mr Phil Delahunty and Ms Blessing Mendoza, RSD Auditors, attended the meeting to discuss the progress of the VAGO audit for the 2020/21 financial year.

- Mr Delahunty provided a summary of the interim audit findings and key issues for the 2020/21 year end audit.
- The final audit is scheduled to commence 26 August 2021.
- Key issues will be the consolidation of new accounting standards first introduced during the prior 2019/20 year.
- The committee raised the matter regarding a lack of internal audit activity.
- In response, management proposes to complete a review of the risk management framework in order to address matters of highest risk.

Resolution:

That the Audit and Risk Committee:

1. Note the VAGO Interim Management Letter for the year ending 30 June 2021; and
2. Request that management prepare an external review into council's risk management framework as a basis for developing the internal audit function.

Moved: Ms Lynn Jenz

Seconded: Mr Tony Roberts

Carried

Attachments

1. Final Interim Management Letter NGSC June 2021 [7.1.1 - 16 pages]

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Northern Grampians Shire Council
Interim Management Letter
for the year ending 30 June 2021

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Background

I enclose for your information the interim management for the year ending 30 June 2021. The interim management letter provides a summary of audit findings from the interim phase of our audit. This letter will be discussed at the audit committee meeting on 21 July 2021.

Acknowledgement

I also take this opportunity to thank your executive team and staff for the time they made available to us during the interim phase of our audit.



Yours sincerely

P. P. Delahunty

Partner

RSD Audit

VAGO Audit Service Provider

Bendigo

17 June 2021

VAGO

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Detailed audit findings–open issues 8

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Introduction

We have partially completed the interim phase of the 2021 audit and now bring to your attention our findings from that phase of the audit. As part of our reporting, we include our assessment on the significance of the findings. The criteria we consider in this assessment is included in **Appendix A**. Findings can fall into the following categories:

- internal control findings
- financial reporting and performance statement reporting findings
- business improvement opportunities and other findings.

Internal control findings

As part of our audit, we assess the design and implementation of internal controls relevant to financial reporting and performance statement reporting. If we intend to rely on these controls, we test how effectively they are operating.

Any weaknesses in internal control identified during our audit is communicated to you through our management letters.

Financial reporting and performance statement reporting findings

As part of our audit, we may identify weaknesses in management's approach to financial reporting and performance statement reporting resulting in potential material misstatement. This includes, but is not limited to, non-compliance with the Australian Accounting Standards and/or other reporting frameworks.

Reporting and tracking internal control and financial reporting findings

As part of this communication we include:

- our assessment as to the significance of the finding
- recommended actions
- management comments and expected implementation dates.

We have discussed all findings with management. The nature and rating of the finding determines our expectations in relation to management acceptance and our monitoring of the implementation of remedial actions.

Scope of our audit

We did not carry out a comprehensive audit of all processes and systems of internal control you maintain or seek to uncover all deficiencies, breaches and irregularities in those systems and processes. Inherent limitations in any process and system of internal control may mean that errors or irregularities might not be detected.

As explained in the audit strategy presented to the Audit Committee in March 2021 the objective of the audit is for the Auditor-General to express an opinion on the financial report and performance statement. Although the audit considers internal controls relevant to preparing the financial report and performance statement, this is done in order to design audit procedures that are appropriate in the circumstances and not for the purpose of expressing an opinion on the effectiveness of those controls. Our planned approach, including level of reliance on internal controls, was communicated in our audit strategy.

Reports to Parliament

The Auditor-General may include items listed in this letter in a report to Parliament. We will send you a draft of the relevant material included in this report and ask for your comments before the report is tabled in Parliament. High rated findings may be specifically identified and reported in the Parliamentary reports.

Summary of audit findings

The table below summarises all 'open' (current and prior period) management letter issues, and prior period issues that have been resolved in the current period. Open items include all findings that are 'unresolved', 'partially resolved' or 'substantially resolved' as at the date of this letter.

Finding first raised (month / year)	Reference	Findings	Rating	Classification of deficiency			Resolved / unresolved	Management acceptance	Original agreed implementation date
				Internal control	Financial / performance reporting	Financial statement areas grouping			
Open issues (current and prior period)									
Interim 2021	2021.1	Grants Register and TFC assessment	Moderate	X	-	Governance	New	Yes	1 August 2021
Interim 2021	2021.2	Invalid Tax File Numbers	Low	X	-	Payroll	New	No	Further investigation required
Interim 2021	2021.3	ICT General Controls Weaknesses	Moderate	X	-	ICT	New	Partly	TBD
Final 2020	2020.4	Internal Audit Function	Moderate	X	-	Governance	Unresolved	No	N/A
Final 2020	2020.5	Infrastructure Asset Revaluation	Moderate	-	X	Infrastructure	Unresolved	Yes	31 May 2021
Final 2020	2020.6	Valuation of Park, Open Spaces & Streetscapes and Other Infrastructure	Low	-	X	Infrastructure	Unresolved	Partly	TBD
Interim 2020	2020.1	Probity Training	Low	X	-	Governance	Progressing	Yes	31 October 2020
Interim 2020	2020.2	Policies and Procedures	Low	X	-	Governance	Progressing	Yes	September 2020

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Finding first raised (month / year)	Reference	Findings	Rating	Classification of deficiency			Resolved / unresolved	Management acceptance	Original agreed implementation date
				Internal control	Financial / performance reporting	Financial statement areas grouping			
Final 2019	2019.3	Provision for Doubtful Debts Assessment	Low	-	X	Receivables	Unresolved	Yes	30 June 2020
Final 2018	2018.2	Employee Provisions	Moderate	-	X	Provisions	Progressing	Yes	December 2018
Prior period issues resolved during the period									
Interim 2018	2018.1	Payment Processes	Moderate	X	-	Procurement	Resolved	Yes	December 2018

Detailed audit findings—open issues

Ref	Description of finding and implication	VAGO recommendation on new findings and update on open items	Response from management
2021.1	<p>Grants Register and Tfc assessment</p> <p>From the beginning of FY20, all organisations are required to apply the new Accounting Standards AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities. These require judgements to be made that then defines the appropriate accounting treatment to be applied to the grant. During our interim visit, we assessed the process in place to record the conclusions made in the application of the standards. There was not a clear record of the assessment and conclusions.</p> <p>We recommend the implementation of a grants register. The Council should record in the register the references to, and brief comments about, each of the key grant agreement clauses which influenced the assessment of which Accounting Standard applied.</p> <p>That is, it should be noted in the grants register whether the grant is to be recognised under AASB 15 or AASB 1058, and the register should note details of any performance obligations and their due dates, and the revenue and income in advance recognition principles.</p> <p>As part of this register, the Council should also incorporate an assessment of Termination for Convenience clauses (Tfc), details of which we reported on in the 2021 Audit Strategy Memorandum. The register should include your conclusion as to whether there is a Tfc clause, and whether you concluded the clause will;</p> <ul style="list-style-type: none"> → result in the immediate recognition of income (ie the clause is merely “protective” in its nature), <p>or alternatively,</p> <ul style="list-style-type: none"> → recognise the grant as deferred income using the financial instruments standards (AASB 9 and AASB 132) and AASB 1058, concluding that the TFC clauses are substantive in nature (i.e. they serve a business or economic purpose). 	<p>We recommend the following:</p> <ul style="list-style-type: none"> → implement a review process to ensure all grant contracts are recorded in the register; → ensure grant register is reviewed on a quarterly basis; & → ensure an assessment for TFC is completed and details of the applicable clauses, and your assessment of their implications, are also added to the grant register 	<p>Recommendation accepted</p> <p>Responsible officer: Rohma Rauf/ Phuong Au</p> <p>Implementation date: 1.8.21</p> <p>Council currently has a grants register for “competitive grants”. (ie any that we need to submit an application for specific projects and that are assessed on merit based criteria, as opposed to Financial Assistance Grants). However this does not include the reference to new ACG stds. ACG stds worksheets are currently included to the year end workpapers as a separate document and will now be incorporated to the grants register.</p>

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Ref	Description of finding and implication	VAGO recommendation on new findings and update on open items	Response from management
2021.2	<p>Invalid Tax File Numbers</p> <p>Based on the TFN Substantive Analysis and recruitment payroll control audit testing we performed, we have identified 40 employees in the employee Masterfile that have invalid TFN numbers. Further sample testing has been conducted to confirm the TFN numbers by obtaining a selection of individual TFN declarations. Our testing identified that the TFN numbers entered into the payroll system were incorrect for the sample we tested.</p>	<ul style="list-style-type: none"> → We recommend that a secondary review by an independent officer is conducted for all the new payroll information and changes made into the system and this review process and evidence of the review undertaken should be documented to confirm the check is occurring. → A full review of the TFN information in the Employee Masterfile should be conducted to ensure that TFN numbers entered into the system agrees to completed TFN declarations. <p>We note management is still investigating this issue, and will re-visit the finding at our year end audit.</p>	<p>Recommendation: not accepted</p> <p>Responsible officer: Rohma Rauf/ Sara Smith</p> <p>Implementation date:</p> <p>I believe there was an initial error with the sample. I checked with HR and some of the TFN's seem to have a "0" missing. It seems like a formatting issue and is still being investigated. It seems highly unlikely for 40 employees to have incorrect TFN numbers.</p>
2021.3	<p>ICT General Controls Weaknesses</p> <p>Information Technology controls exist within an organisation's internal control framework to provide assurance over the security, confidentiality, integrity, and availability of council data.</p> <p>As part of our review of NGSC General IT controls, we identified the following weaknesses:</p> <ul style="list-style-type: none"> → There is no documented Disaster Recovery Plan and Policy in place, while Council do not have an organisation wide DRP, Council advise they do have a data backup program in place → There is no ICT Security Management Policy (this policy will cover End user device security, Physical Security, Operational Security, Procedural security by ICT and Communications security) → There is no backup Disaster Recovery Policy → No ICT Penetration testing has been performed → No periodic review of the Network Access to IT systems 	<p>We recommend NGSC:</p> <ul style="list-style-type: none"> → Develop and adopt a Disaster Recovery Plan and Policy document → Develop an ICT Security Management Policy → Engage an external party to undertake an IT infrastructure penetration testing → Conduct a periodic review of the Network User Access → Improve the password complexity requirements 	<p>Recommendation: partially accepted</p> <p>Responsible officer: Stretch Smith</p> <p>Implementation date:</p> <p>See page 16 for response</p>

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Ref	Description of finding and implication	VAGO recommendation on new findings and update on open items	Response from management
2020.4	<p>Internal Audit Function</p> <p>Under the Local Government Act 2020 section 54 Audit and Risk Committee Charter states that the Audit and Risk Committee Charter must specify the functions and responsibilities of the Audit and Risk Committee, including the following-</p> <ul style="list-style-type: none"> (a) monitor the compliance of Council policies and procedures with- <ul style="list-style-type: none"> (i) the overarching governance principles; and (ii) this Act and the regulations and any Ministerial directions; (b) monitor Council financial and performance reporting; (c) monitor and provide advice on risk management and fraud prevention systems and controls; (d) oversee internal and external audit functions. <p>This implies that there is an internal audit function. NGSC does not have an internal audit program. Apart from the Act implying that there should be, good governance and risk management relies in part on the review of compliance with establishment of policies and procedures etc.</p>	<p>We recommend NGSC implement a structured internal audit function to be undertaken either in-house or provided by an experienced contractor.</p> <p>2021 Interim audit update</p> <p>We remain concerned that the council does not seem to have in place a process to ensure compliance with its policies are independently assessed. The Risk Management Standard includes processes requiring monitoring and reporting on compliance.</p>	<p>Recommendation: Not accepted</p> <p>Responsible officer: Director Corporate Services</p> <p>Implementation date: Not applicable</p> <p>Management comment:</p> <p>Management is in the process of finalising risk review that includes the use of the CAMMS system to track strategic and operational risks with ongoing assessment and action plans. Management believes this ongoing review is an appropriate way of managing its risks.</p> <p>Management comment – update May 2021</p> <p>No further comments</p>
2020.5	<p>Infrastructure Asset Revaluation Timing</p> <p>In each of 2019FY and 2020FY the finalisation of the reporting requirements has been affected and delayed by the identification of Prior Year Errors.</p> <p>The council has implemented improvements to its Infrastructure accounting over recent years, which we commend the council for. However, the improved processes have led to the identification of material deficiencies in existing infrastructure records, requiring adjustments to be made to previously reported balances.</p> <p>These adjustments have substantially delayed the finalisation of the audit and caused substantial additional audit hours to be incurred.</p> <p>The revaluation process commences well before the end of the financial year but is not finalised until after June.</p>	<p>While substantial work has been undertaken in recent years, some infrastructure records are still to be examined under these new processes.</p> <p>We recommend that the Council bring forward the infrastructure revaluation, and accounting, to allow it to be finalised, and audited, prior to 30 June. In that way, should further challenges occur, they can be resolved before the reporting deadlines.</p> <p>2021 Interim audit update</p> <p>To be reviewed at year end.</p>	<p>Recommendation: Accepted</p> <p>Responsible officer: Manager Infrastructure</p> <p>Implementation date: May 2021</p> <p>Management comment: Management has recognised the need for more timely completion of asset revaluations and scheduled the next phase of asset fair value reviews (and required revaluation) for 31 December 2020 (and each 12 months subsequent to this as per the asset revaluation and condition assessment schedule). Revaluation reports are to be available for the interim audit including review at the June 21 Audit & Risk Committee meeting.</p> <p>Management comment – update May 2021</p> <p>Where a revaluation is to occur, the reval will be scheduled for completion at the time of the</p>

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Ref	Description of finding and implication	VAGO recommendation on new findings and update on open items	Response from management
			interim audit. There are no revaluations for 20/21 year.
2020.6	<p>Valuation of parks, open spaces & streetscapes, and Other Infrastructure</p> <p>Council values most infrastructure at Fair Value, but parks, open spaces & streetscapes (WDV \$4.7m), and Other Infrastructure (WDV \$166K) are instead valued using the Cost Basis.</p> <p>The Local Government Better Practice Guide for Financial Reporting states at G75 that “The overriding principle in the recognition of assets is that all assets must be recognised at their fair value.” Then at G76 its further states “Councils are required to undertake revaluations with such regularity to ensure that at all times the reported value of assets is not materially different to that which would be determined if a full revaluation was undertaken.”</p>	<p>We recommend that the council adopt the Fair Value basis of accounting for these classes of assets and undertake a revaluation at the earliest opportunity.</p> <p>A revaluation would also allow the council to review the completeness and accuracy of the asset registers for these classes of assets, as occurs when Council undertakes revaluations of its other infrastructure categories.</p> <p>2021 Interim audit update</p> <p>To be reviewed at year end.</p>	<p>Recommendation: Partly accepted</p> <p>Responsible officer: Manager Infrastructure</p> <p>Implementation date: To be determined</p> <p>Management comment:</p> <p>Management have made significant strides over the past 4 years to address the revaluation and recording of infrastructure assets. (from a financial reporting perspective and an on the ground use perspective). Management believe that the cost to perform a full assessment and revaluation of parks & open space assets would be cost be cost prohibitive given the limited resources of small rural councils in the context of rate capping and an increasing infrastructure gap. Notwithstanding the above, management will continue to work with the auditors to find cost effective solutions in order to comply with accounting standards and audit recommendations.</p> <p>Management comment – update May 2021</p> <p>No further updates.</p>
2020.1	<p>Probity Training – Interim 2020</p> <p>Probity is a fundamental part of every procurement project and activity. Probity provides a level of assurance to delegates, suppliers that procurement was conducted in a manner that is fair, equitable and defensible.</p> <p>Based on our discussion with NGSC staff, probity training is only provided at the commencement of employment. It is noted that there is no refresher training administered on a regular basis.</p>	<p>We recommend that probity training is reinforced to all NGSC staff members on a regular basis. Probity training should be tailored to the needs of NGSC staff and offers the foundations of probity together with practical case studies to facilitate an improved understanding of how probity applies in a government service context.</p>	<p>Recommendation: Accepted</p> <p>Responsible officer: Manager Financial Services</p> <p>Implementation date: Ongoing</p> <p>Management comment:</p> <p>Probity from a procurement perspective forms part of the Procurement Policy that is adopted by Council on an annual basis. Ongoing refresher training is provided to staff following the adoption of the 2020 Procurement Policy. This training commenced in October 2020.</p>

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Ref	Description of finding and implication	VAGO recommendation on new findings and update on open items	Response from management
			<p>Management comment – update May 2021 No further updates due to resource constraints.</p>
<p>2020.2</p>	<p>Policies and Procedures – Interim 2020</p> <p>Based on the review performed on policies and procedures, we noted that the following policies are past their review dates.</p> <ul style="list-style-type: none"> • Rates Debt Collection Policy (last reviewed in March 2014) • Human Resources Policy (last reviewed in February 2016) <p>Final FY 2020 Audit Additional Finding</p> <p>We also noted additional policies and procedures that are past their review dates:</p> <p>Business Continuity Management Framework (last reviewed in February 2014)</p>	<p>We recommend that NGSC perform a cyclical review of all policies and procedures. In addition, the frequency of the agreed review dates stipulated in each of the policies and procedures should be reviewed to confirm the frequency is appropriate.</p> <p>2021 Interim audit update</p> <p>We note the following policies still remain past their review dates:</p> <ul style="list-style-type: none"> → Business Continuity Management Framework (last reviewed in February 2014) → Rates Debt Collection Policy (March 2014) → Human Resources Policy and the Learning Development Plan (February 2016) <p>The Human Resources Policy and the Learning Development Plan has not been reviewed by management, as the LGA 2020 requires that development of a workforce plan which will affect these policies. Management will review and replace the out-of-date policies in line with the legislative changes.</p>	<p>Recommendation: Accepted</p> <p>Responsible officer: Manager Financial Services</p> <p>Implementation date: Ongoing</p> <p>Management comment:</p> <p>Council's policies and procedures form part of a regular cyclical review notwithstanding the age of the documents flagged by the auditors. The Rates Debt Collection Policy was recently the subject of review and amendment however, in the current COVID-19 environment, management did not consider it prudent timing for Council to review rates debt collection.</p> <p>Review of the Human Resources Policy was delayed until June 2021 due to the Workforce Development Planning requirements under the new Local Government Act 2020.</p> <p>The update of the Business Continuity Management Framework is delayed due to resource constraints. Management is aware of the delay and will consider engaging an external resource, to complete this work, at the next Risk Committee meeting and/or the statutory Audit & Risk Committee.</p> <p>Management comment – update May 2021 No further updates due to resource constraints.</p>

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Ref	Description of finding and implication	VAGO recommendation on new findings and update on open items	Response from management
2019.3	<p>Provision for Doubtful Debts Assessment</p> <p>Due to the adoption of AASB 9 for 2019, there has been a change in the way entities are to assess receivable balances for impairment. This new standard introduces an expected credit loss model (ECL) that recognises potential losses based on forward-looking information (rather than based on a currently impaired assessment model). This requires management to develop a 'provision matrix', where the provision for doubtful debts for trade receivables is based on an assessment of the historical default rate, as well as consideration to specific factors.</p>	<p>We recommend management review the updated standard to ensure the provision is recognised in accordance with the expected credit loss model.</p> <p>Final 2020 Audit Update:</p> <p>Based on the review of the provision for doubtful debt at year-end the ECL methodology still have not been applied by NGSC. However, we note the very low level of bad debts historically. Despite this, we recommend management formally review the ECL annually, and take into account changing economic circumstances if appropriate.</p> <p>2021 Interim audit update</p> <p>To be reviewed at year end.</p>	<p>Recommendation: Accepted</p> <p>Responsible officer: Manager Financial Services</p> <p>Implementation date: 30 June 2020</p> <p>Management comment: The Manager Financial Services will work with revenue staff to review outstanding debts for any possibly provisions required.</p> <p>Management update Interim Audit FY20:</p> <p>A review is currently being undertaken with revenues staff for the credit loss model.</p> <p>Final 2020 management comment:</p> <p>Management accepts the auditor's recommendation and will adapt the current credit loss applied to the sundry debtors to the provision for doubtful debts. It should also be noted that NG record a low level of doubtful debts that mitigate the risk of potential write off.</p> <p>Management comment – update May 2021</p> <p>No further updates until completion of year end.</p>
2018.2	<p>Employee Provisions</p> <p>During our 2018 audit of the employee provisions, we noted several issues, none of which were material, but which raise questions about the accuracy of the excel based leave register. Furthermore, it was noted the AL and LSL hours in the manual calculations were more than the hours reported in the leave register report from the system.</p> <p>Consequently, there is a potential overstatement of the LSL liability warranting further investigation during 2019.</p>	<p>We recommend management review the system generated leave register report to determine whether this can be used as the basis for AL and LSL liabilities, and review the AL and LSL calculations to ensure the calculations are accurate and reduce some of the complexities in the calculation (if possible).</p> <p>2021 Interim audit update</p> <p>To be reviewed at year end.</p>	<p>Recommendation: Accepted</p> <p>Responsible officer: Manager Financial Services</p> <p>Implementation date: December 2018</p> <p>Prior Year management response:</p> <p>Council prepares the complete employee provisions listing at the end of each financial year. Management will work on this process during FY19 and prepare a reviewed and accurate listing for the FY19 audit.</p>

Ref	Description of finding and implication	VAGO recommendation on new findings and update on open items	Response from management
	<p>Final FY 2020 Audit Update</p> <p>Based on our detailed review of the LSL at year end, we have noted an error in the LSL model used by NGSC. The result of the errors are immaterial overall hence no adjustment was required as a result of the review.</p> <ul style="list-style-type: none"> The model uses a higher nominal LSL hours, resulting to an immaterial overstatement in LSL <p>Prior year discount rates have been applied instead of FY 2020.</p>		<p>Management update Interim Audit FY20:</p> <p>Work has been completed with final adjustments to balances to be made as part of the year end reporting.</p> <p>Management update final FY 2020:</p> <p>Management agree that a higher discount rate was applied that marginally overstated the employee provision.</p> <p>Management comment – update May 2021</p> <p>No further action until completion of year end.</p>

Appendix A. Rating definitions and actions

We have rated our findings as follows:

Rating	Description of rating	Management action required
High	<p>This issue represents:</p> <ul style="list-style-type: none"> → a material misstatement in the financial report which has occurred, or an issue which could potentially result in a modified audit opinion if not addressed as a matter of urgency by the entity, or → a control weakness which could cause or is causing a major disruption of the process or the entity's ability to achieve process objectives in relation to financial reporting and comply with relevant legislation. 	<ul style="list-style-type: none"> → Requires executive management to correct the misstatement in the financial report, or address the issue, as a matter of urgency to avoid a modified audit opinion. → Requires immediate management intervention with a detailed action plan to be implemented within one month.
Moderate	<p>This issue represents:</p> <ul style="list-style-type: none"> → a misstatement in the financial report that is not material and has occurred, or that may occur, the impact of which has the possibility to be material, or → a control weakness which could have or is having a moderate adverse effect on the ability to achieve process objectives and comply with relevant legislation. 	<ul style="list-style-type: none"> → Requires management intervention with a detailed action plan implemented within three to six months.
Low	<p>This issue represents:</p> <ul style="list-style-type: none"> → a misstatement in the financial report that is likely to occur but is not expected to be material, or → a minor control weakness with minimal but reportable impact on the ability to achieve process objectives and comply with relevant legislation. 	<ul style="list-style-type: none"> → Requires management intervention with a detailed action plan implemented within six to 12 months.

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Response to 2021.3 ICT General Controls Weaknesses

Weakness	Recommendation	NGSC comment
There is no documented Disaster Recovery Plan	Develop and adopt a Disaster Recovery Plan and Policy document	While there is no documented DRP – our servers are in the cloud with multiple redundancy built in provided by a specialist provider, with local back up as a fail-safe. Agree – this does need to be document.
There is no ICT Security Management Policy (this policy will cover end user device security, physical security, operational security, procedural security by ICT and communications security)	Develop an ICT Security Management Policy	In line with the VPDSS requirements, an Information Security Management Framework is in development and will be formally approved in the near future.
There is no backup Disaster Recover Policy		A documented backup plan has been developed.
No ICT penetration testing has been performed	Engage an external party to undertake IT infrastructure penetration testing	A quote was obtained for penetration testing in 2020/21 - however the costs were very high – so this activity was deferred to try to undertake a shared activity across our region.
No periodic review of the network access to IT systems	Conduct a periodic review of the network user access	Work is underway to formalise this as a process. A business system profile has been developed, along with a Business Systems and User Access Management Procedure. The next step is to develop a periodic review of access to be undertaken by system owners.

7.2 Quarterly Financial Report - 2020/21

Mr Malcolm Lewis presented the third quarter report for the period ended 31 March 2021.

Attachments

1. Quarterly Finance Report March 2021 v 3 [**7.2.1** - 15 pages]

Financial Report

31 March, 2021



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Executive Summary as at 31 March, 2021

It should be noted that this report only reflects spending to 31 March, 2021.

The forecast shows a favourable movement of \$5.4M in expected closing cash held at the end of the financial year compared to budget.

It is projected that the Council will end the year with \$15.4M cash.

Cash Flow Statement as at 31 March, 2021

	Actuals to March, 2021 \$'000	Total Forecast \$'000	Budget 2020-21 \$'000	Variations to Budget Fav (Unfav) \$'000
Operating Activities				
Revenue				
Rates & Charges	(14,254)	(18,374)	(18,262)	112
Operating Grants	(6,198)	(7,671)	(6,822)	849
Statutory Fees & Fines	(152)	(438)	(318)	120
User Fees	(1,000)	(1,317)	(1,258)	59
Contributions	(52)	(52)	(48)	4
Other Revenue	(718)	(702)	(703)	(1)
Total Revenue	(22,374)	(28,554)	(27,411)	1,143
Expenses				
Employee Costs	11,998	16,094	16,169	75
Materials & Services	6,637	9,629	10,064	435
Borrowing Costs	47	102	102	-
Other Expenses	820	1,316	1,455	139
Total Expenses	19,502	27,141	27,790	649
Expenses				
Employee Costs	0	0	0	0
Materials & Services	-	-	-	-
Major Emergency Expenses	0	0	0	0
	Net Operating	(2,872)	(1,413)	379
				1,792
Investing Activities				
Capital Expenditure	12,082	22,435	13,392	(9,043)
Capital Grants	(6,336)	(9,348)	(3,452)	5,896
Capital Income	-	-	-	-
Capital Contributions	-	(70)	(85)	(15)
Proceeds from investment in associates	-	(246)	(190)	56
Repayment of Loans & Advances	(194)	64	(63)	(127)
Net Investing Activities	5,552	12,835	9,602	(3,233)
Major Emergency Restoration Investment Activities				
Capital Expenditure	-	-	-	-
Capital Grants	(449)	-	-	-
Net Major Emergency Restoration	(449)	0	0	0
Financing Activities				
Principal Repayments	163	218	218	-
Interest Paid - Lease Liability	-	4	3	(1)
Repayment of Lease Liability	-	114	108	(6)
Net Trust Movement	-	-	-	-
Net Financing Activities	163	336	329	(7)
Net Movements for Year	2,394	11,758	10,310	(1,448)
Opening Cash	27,208	27,208	20,338	6,870
Closing Cash	24,814	15,450	10,028	5,422

Operating Statement as at 31 March, 2021

75% through the year

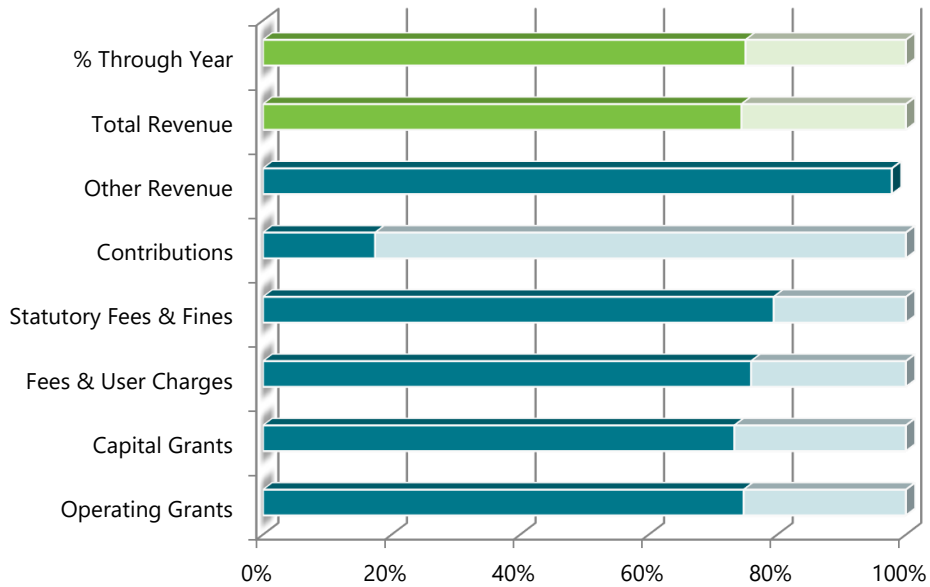
	YTD Committed Actuals \$000's	Forecast \$000's	Adopted Budget \$000's	% Actuals to Forecast %
Revenue				
Rates & Charges				
Residential	(8,025)	(8,033)	(7,858)	100%
Farm/Rural	(4,993)	(5,017)	(5,025)	100%
Commercial	(783)	(783)	(848)	100%
Industrial	(291)	(291)	(291)	100%
Cultural & Recreational	(11)	(11)	(11)	100%
Municipal Charge	(1,313)	(1,312)	(1,308)	100%
Garbage Charge	(2,820)	(2,815)	(2,810)	100%
Rates in Lieu	(24)	(112)	(112)	21%
Rates & Charges	(18,260)	(18,374)	(18,262)	99%
Grants Capital				
Capital Grants	(6,336)	(8,640)	(5,617)	73%
Grants Capital	(6,336)	(8,640)	(5,617)	73%
Grants Operating				
Aged & Disability Services Grants	(586)	(925)	(714)	63%
Child Care Grants	(774)	(1,207)	(641)	64%
Economic Development Grants	(574)	(766)	(1,149)	75%
Environmental Grants	(75)	(75)	(75)	100%
Untied Grants	(2,838)	(3,903)	(3,903)	73%
Operating Grants	(1,229)	(1,289)	(217)	95%
Public Safety Grants	(121)	(123)	(123)	98%
Grants Operating	(6,198)	(8,288)	(6,822)	75%
User Fees				
Aged and Disability Service Fees	(322)	(412)	(412)	78%
Child Care Fees	(203)	(276)	(276)	73%
Leisure Fees	(239)	(342)	(297)	70%
Local Law Fees	(79)	(115)	(115)	69%
Other Fees	(58)	(119)	(119)	48%
Public Health Fees	(10)	(14)	-	77%
Rental Income	(50)	-	-	0%
Private Works Infrastructure	(10)	(17)	(17)	60%
Waste Management Fees	(28)	(21)	(21)	128%
User Fees	(1,000)	(1,317)	(1,258)	76%
Statutory Fees and Fines				
Building Fees	(218)	(278)	(178)	79%
Local Law Fees	(9)	(4)	(4)	224%
Other Fees	(18)	(22)	(22)	82%
Planning Fees	(102)	(134)	(114)	76%
Statutory Fees and Fines	(348)	(438)	(318)	79%
Contributions				
Contributions to Capital	-	(246)	(50)	0%
Contributions Other	(52)	(52)	(48)	100%
Contributions	(52)	(298)	(98)	18%
Other Revenue				
Interest Income	(2)	(175)	(175)	1%
Other Revenue	(715)	(527)	(527)	136%
Other Revenue	(718)	(702)	(702)	102%
Revenue	(32,912)	(38,058)	(33,077)	86%
Revenue (excl Rates & Charges)	(14,651)	(19,684)	(14,815)	74%

Operating Statement as at 31 March, 2021

75% through the year

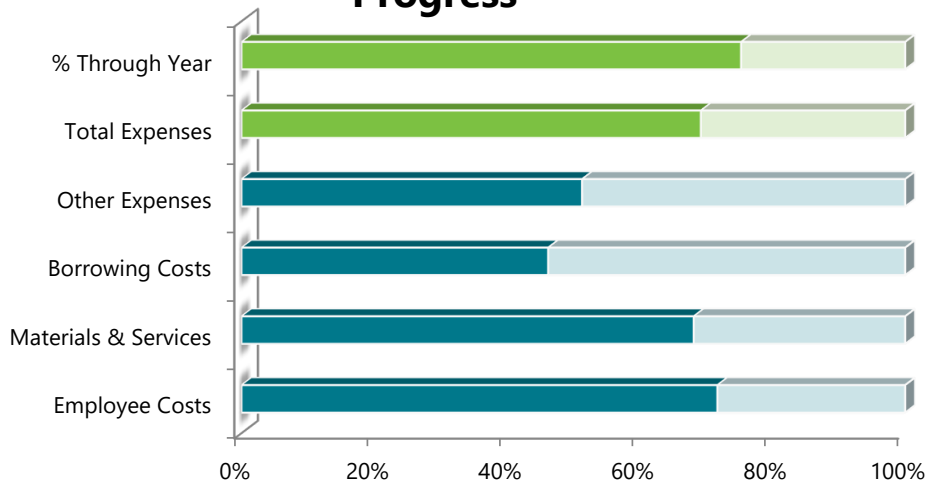
	YTD Committed Actuals \$000's	Forecast \$000's	Adopted Budget \$000's	% Actuals to Forecast %
Expenses				
Employee Benefits				
Salary & Wages	10,575	14,459	14,005	73%
Superannuation	1,031	1,438	1,410	72%
LSL Provision Movement	-	402	402	0%
Fringe Benefit Tax	9	33	33	27%
Workcover	291	319	319	91%
Employee Benefits	11,906	16,651	16,169	72%
Materials & Services				
Advertising	54	88	94	62%
Apprentice Reimbursements	2	7	7	32%
Audit Fees	28	46	56	
Bank Fees	39	66	66	60%
Catering	6	50	45	11%
Communications	47	123	154	38%
Contract Employees	292	273	367	107%
Contractors	1,708	2,525	3,338	68%
Contributions - Reciprocal	250	105	105	239%
Cost of Goods Sold	118	142	142	83%
Equipment Mtc & Repair	509	678	678	75%
Fuel	342	556	556	61%
Insurance	292	510	579	57%
Leases	236	469	293	50%
Legal Expenses	125	87	95	145%
Memberships & Subscriptions	119	217	221	55%
Minor Equipment	235	290	229	81%
Office Supplies	5	8	10	60%
Other Materials and Services	1,017	1,527	1,075	67%
Postage & Freight	23	37	37	62%
Printing	16	77	80	20%
Professional Advice	149	288	301	52%
Recruitment & Retention Expenses	17	21	21	80%
Security Expenses	28	57	57	50%
Software Costs	598	904	904	66%
Uniforms & Protective Clothing	47	84	115	56%
Utilities	257	419	435	61%
Materials & Services	6,559	9,653	10,060	68%
Depreciation				
Depreciation	6,909	11,378	11,378	61%
Depreciation	6,909	11,378	11,378	61%
Amortisation				
Amortisation	-	99	99	0%
Amortisation	-	99	99	0%
Finance Costs				
Finance Costs	47	102	102	46%
Lease Costs	-	-	3	0%
Finance Costs	47	102	105	46%
Other Expenses				
Contributions - Non Reciprocal	177	733	973	24%
Councillor Allowances	165	211	214	78%
Other Expenses	152	336	272	45%
Other Expenses	493	1,280	1,459	38%
Expenses	25,914	39,164	39,271	66%
Expenses (excl Depreciation)	19,005	27,687	27,794	69%
Other Income Statement Items				
Proceeds of Asset Sales	(168)	(168)	-	100%
Written Down Value of Assets Sold	332	332	246	100%
Net (Increment) Revalued Assets	(106)	-	-	0%
Other Income Statement Items	59	164	246	36%
Operating Statement	(6,939)	1,270	6,439	

Ordinary Operating Revenue Progress

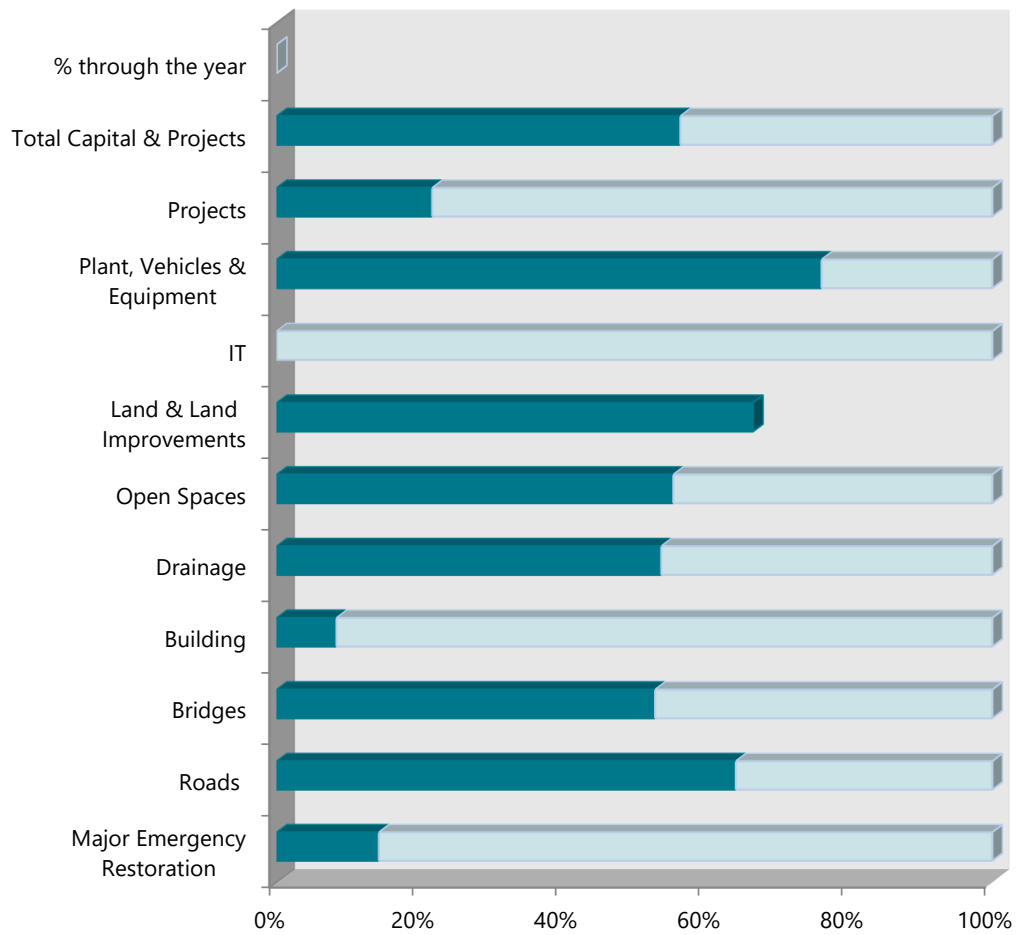


This graph excludes rates & charges , with the details for this area shown in the Debtors Report.

Ordinary Operating Expenditure Progress



Capital & Project Expenditure Progress



Capital & Project Expenditure Summary

Programs	Actuals \$000's	Forecast \$000's	% Complete	Remaning
Major Emergency Restoration	29	200	14%	86%
Roads	5,425	8,474	64%	36%
Bridges	1,124	2,130	53%	47%
Building	175	2,104	8%	92%
Drainage	35	65	54%	46%
Open Spaces	3,757	6,793	55%	45%
Land & Land Improvements	1,226	605	202%	-102%
IT	25	-	0%	100%
Plant, Vehicles & Equipment	638	839	76%	24%
Projects	309	1,424	22%	78%
Total Capital & Projects	12,742	22,635	56%	44%

2020/21 Capital Program

Capital Projects	12,303	20,307
Expensed Projects	411	2,128

2020/21 Major Emergency Restoration

Capital Projects	0	-
Expensed Projects	29	200

Total Capital & Projects	12,742	22,635
-------------------------------------	---------------	---------------

Summary of Major Variations for March 2021

	Forecast Variation Fav/(Unfav)
	\$
Funded Capital and Projects included in variations (no net impact on cash)	
Successful Funding	
LRCI Extension - 2nd Instalment	1,538,400
CASI - Community Activation & Social Isolation	25,000
Libraries - Digital Grant	2,500
	<u>1,565,900</u>

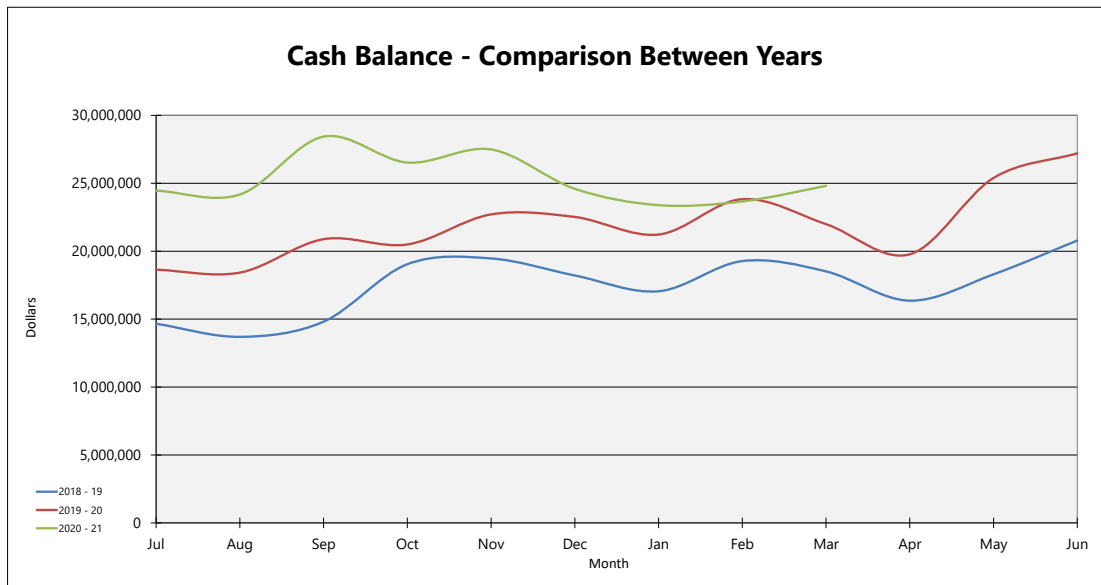
Capital & Project Expenditure Summary as at 31 March, 2021

Capital and Projects	Forecast	Adopted Budget
1112 - B - Roads - Aerodrome Program	439,710	500,000
1101 - B - Roads - Final Seal Program	453,548	321,000
1110 - B - Roads - Footpaths Program	167,113	130,000
1100 - B - Roads - Kerb & Channel Program	402,392	325,000
1102 - B - Roads - Major Rural Roads Program	1,588,794	390,000
1104 - B - Roads - Resealing Program	1,299,516	1,330,000
1105 - B - Roads - Resheeting Program	1,014,000	1,120,000
1106 - B - Roads - Rural & Residential Program	518,832	285,000
1111 - B - Roads - Streetscapes	1,202,455	0
1107 - B - Roads - Town Street Sealing Program	113,200	85,000
1108 - B - Roads - Transport Dev Program	723,607	460,000
1109 - B - Roads - Urban Rd Improvement Program	132,000	70,000
1103 - B - Roads - Rehabilitation Program	409,115	250,000
1113 - C - Bridge & Major Culverts Program	2,129,620	1,090,000
1114 - C - Floodway Program	10,000	35,000
1115 - D - Building Program	2,104,385	1,800,000
1116 - E - Drainage Program	65,000	65,000
1122 - F - Open Spaces Program	6,793,193	3,850,500
1120 - G - Land & Land Improvement Program	605,465	600,000
1119 - H - IT Program	0	0
1118 - H - Plant, Vehicles & Equipment Program	839,035	685,000
1121 - J - Projects	1,423,759	20,000
Total 02 - Capital	22,434,739	13,411,500
04 - Emergency Capital		
0257 - 11/19 Bushfire Recovery	200,000	0
Total 04 - Emergency Capital	200,000	0
Grand Total	22,634,739	13,411,500

Capital & Project Revenue Summary as at 31 March, 2021

Level 2	Forecast	Adopted Budget
02 - Capital		
1112 - B - Roads - Aerodrome Program	(120,000)	(300,000)
1101 - B - Roads - Final Seal Program	(129,802)	(100,000)
1110 - B - Roads - Footpaths Program	(60,000)	(10,000)
1100 - B - Roads - Kerb & Channel Program	0	0
1102 - B - Roads - Major Rural Roads Program	(940,935)	(300,000)
1104 - B - Roads - Resealing Program	0	0
1105 - B - Roads - Resheeting Program	(1,857,000)	(1,682,000)
1106 - B - Roads - Rural & Residential Program	(82,600)	(63,000)
1111 - B - Roads - Streetscapes	0	0
1107 - B - Roads - Town Street Sealing Program	0	0
1108 - B - Roads - Transport Dev Program	(245,000)	(335,000)
1109 - B - Roads - Urban Rd Improvement Program	(36,000)	0
1103 - B - Roads - Rehabilitation Program	0	0
1113 - C - Bridge & Major Culverts Program	(724,000)	(1,009,000)
1114 - C - Floodway Program	0	(25,000)
1115 - D - Building Program	(700,000)	(700,000)
1116 - E - Drainage Program	0	0
1122 - F - Open Spaces Program	(3,781,013)	(643,000)
1120 - G - Land & Land Improvement Program	(300,000)	(300,000)
1119 - H - IT Program	0	0
1118 - H - Plant, Vehicles & Equipment Program	(70,000)	(35,000)
1121 - J - Projects	(617,750)	0
Total 02 - Capital	(9,664,100)	(5,502,000)
04 - Emergency Capital		
0256 - 09/16 Natural Disaster Funding Income	(449,461)	0
0257 - 11/19 Bushfire Recovery	0	(200,000)
Total 04 - Emergency Capital	(449,461)	(200,000)
Grand Total	(10,113,561)	(5,702,000)

Cash and Investments as at 31 March, 2021



Total Cash Balance at Month End

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
2017 - 18	12,943,095	11,722,616	12,402,540	10,045,586	11,871,466	10,298,760	8,070,124	10,076,254	10,520,858	9,157,008	11,843,662	16,202,519
2018 - 19	14,662,878	13,696,212	14,814,349	19,043,239	19,466,664	18,213,979	17,049,983	19,275,427	18,514,123	16,357,309	18,298,119	20,785,979
2019 - 20	18,642,143	18,424,373	20,885,437	20,496,673	22,711,437	22,520,759	21,226,659	23,831,676	21,993,073	19,771,946	25,394,596	27,206,212
2020 - 21	24,458,405	24,173,971	28,436,358	26,525,969	27,490,366	24,592,324	23,388,847	23,663,702	24,811,535			

Restricted Cash required as at 31 March, 2021

\$ 5,148,000

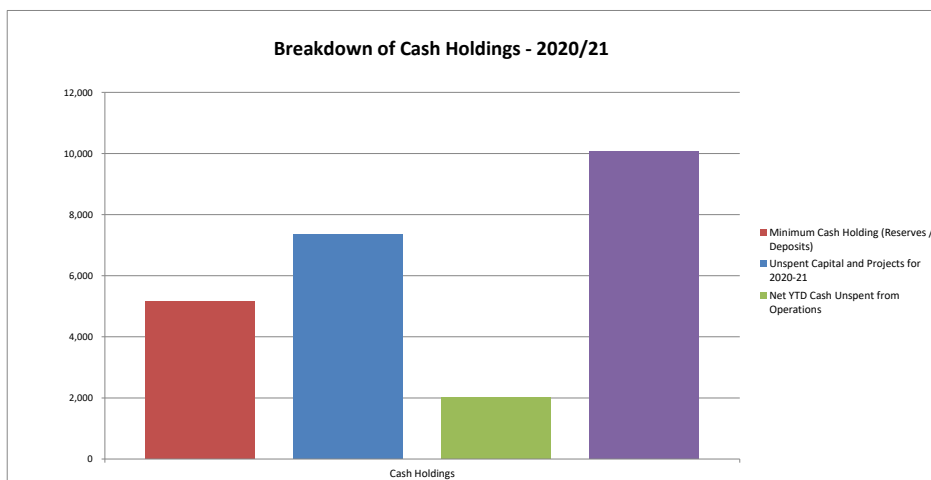
Available Cash as at 31 March, 2021

\$ 19,444,324

\$ 24,592,324

[1] Breakdown of Cash Holdings

	\$000's
Minimum Cash Holding (Reserves / Deposits)	5,148
Cash for Future Capital Expenditure	10,078
Unspent Capital and Projects for 2020-21	7,341
	<u>22,567</u>
Net YTD Cash Unspent from Operations	2,025
Total Cash held as at 31 March, 2021	24,592



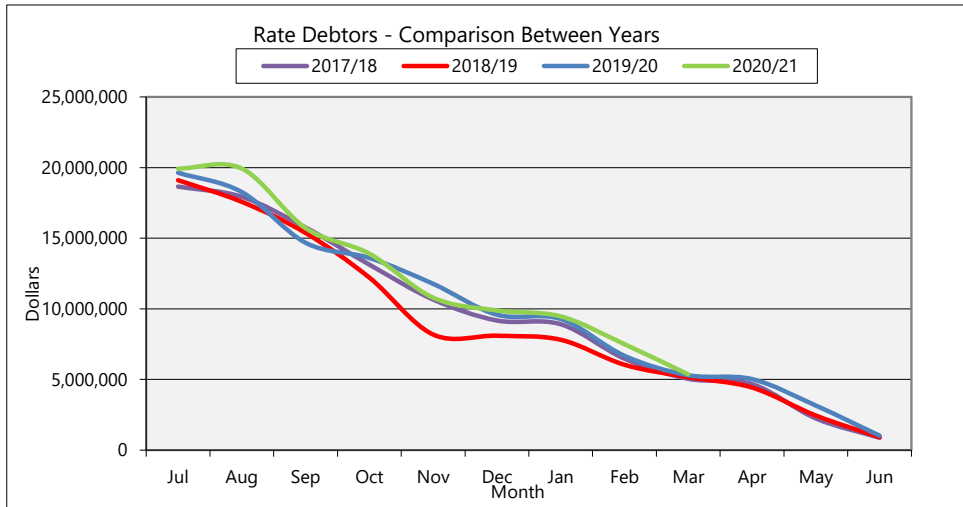
Reserves - Restricted Assets:

	\$000's
Development Fund	392
Community / Heritage Loan	113
Waste Program	3,530
Defined Benefits Additional Call	300
Loan Repayment	<u>625</u>
	<u>4,960</u>

Discussion:

Council should see a slight increase in the cash held into the future. Council will be holding more cash as it builds up it's funds to pay off the long term interest only loans entered into together with future capital program expenditure. By 30 June 2021 it is anticipated that the cash balance will be down at \$15.4m.

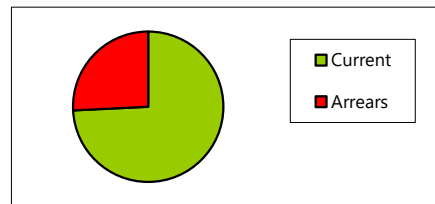
Debtors Reports as at 31 March, 2021



Rates Debtors YTD

Current
Arrears
Total

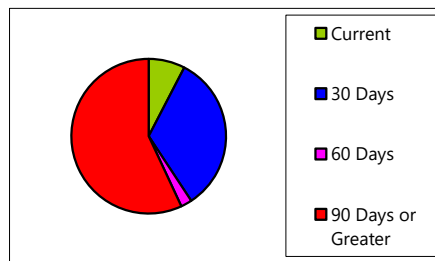
	\$	%
Current	3,978,683	74%
Arrears	1,381,946	26%
Total	5,360,629	100%



Sundry Debtors YTD

Current
30 Days
60 Days
90 Days or Greater
Total

	\$	%
Current	28,414	7.6%
30 Days	123,538	33.1%
60 Days	8,721	2.3%
90 Days or Greater	212,449	56.9%
Total	373,122	100%



+

Details:

Current	The majority of the current balance is for Home care type accounts.
30 days	Recovery of income related to capital projects via grant funding from Department of Jobs for Stawell Housing Development (\$100k)
60 days	No major debtors
90 Days or Greater	Larger debts relate to: Dept of Jobs - Central Park upgrade (\$82k); Stawell Cemeteries (\$61k); Wheelie Waste - Community Education Program (\$15k); Ararat Wind Farm (\$6k) and St Arnaud Sports BSL (\$7k).

Loan Report - Budget 2020/2021

Borrowing Principles:

Indebtedness

Our level of debt will not exceed 60% or \$11.1 Million of Rates and Charges Revenue.

Indebtness Calculation Check 12% ✓

Debt Servicing Costs

Our level of annual debt servicing costs (principal plus Interest) will not exceed 5% or \$1.8 Million of our Total Operating Revenue.

Debt Servicing Calculation Check 1% ✓

Loans Budgeted 2020/2021:

Principal

	\$000's
Loans Outstanding as at 30 June, 2020	2,408
Add proposed new loans 2020/2021	-
Less Scheduled Repayments 2020/2021	(218)
Loans Outstanding as at 30 June, 2021	2,190

Expiry of Existing Loans

	Expiry	Current Balance \$000's
Loan 15	Jun-21	0
Loan 16	Jun-23	190
Loan 18	Nov-21	1,000
Loan 20	Jun-26	1,000
		2,190

7.3 VAGO Sector Update

Mr Malcolm Lewis presented the VAGO sector update June 21 included the VAGO report into Measuring and Reporting on Service Delivery May 2021.

Attachments

1. VAGO LG sector monthly update - June 2021 [**7.3.1** - 15 pages]
2. 20210526- Service Delivery Report [**7.3.2** - 113 pages]



Victorian Auditor-General's Office

Local Government audit update — June 2021

Local Government reports tabled within the previous 6 months

Topic	Overview	Status	Tabled	Agency(ies)	Link
Annual Plan 2021–22	The Victorian Auditor-General's Annual Plan 2021–22 was prepared pursuant to the requirements of section 73 of the Audit Act 1994 and tabled in the Parliament of Victoria on 10 June 2021.	Completed	10 June 2021	<ul style="list-style-type: none"> Department of Environment, Land, Water and Planning Department of Education and Training Department of Families, Fairness and Housing Department of Health Department of Justice and Community Safety Department of Transport Department of Premier and Cabinet Department of Treasury and Finance Local councils in Victoria 	https://www.audit.vic.gov.au/report/annual-plan-2021-22
Measuring and Reporting on Service Delivery	<p>Audit examined if departments:</p> <ul style="list-style-type: none"> - meet their responsibilities to measure and report on performance in compliance with DTF's Resource Management Framework (the Framework) - ensure their performance information is accurate 	Completed	26 May 2021	<ul style="list-style-type: none"> Department of Environment, Land, Water and Planning Department of Education and Training Department of Families, Fairness and Housing Department of Health 	https://www.audit.vic.gov.au/report/measuring-and-reporting-service-delivery

OFFICIAL

Topic	Overview	Status	Tabled	Agency(ies)	Link
	<ul style="list-style-type: none"> - report their performance information in a way that users can readily understand. 			<ul style="list-style-type: none"> • Department of Justice and Community Safety • Department of Jobs, Precincts and Regions • Department of Transport • Department of Premier and Cabinet • Department of Treasury and Finance • Local councils in Victoria 	
Implementing a New Infringements Management System	<p>Audit examined whether the rollout of the new infringement system was effective and cost efficient.</p> <p><i>*This report did not include Local Councils but drew on the work of the Fines Reform Advisory Board who consulted with them about revenue lost through inability to collect fines revenue through Fines Victoria</i></p>	Completed	5 May 2021	<ul style="list-style-type: none"> • Department of Justice and Community Safety • Department of Treasury and Finance • Fines Victoria 	https://www.audit.vic.gov.au/report/implementing-a-new-infringements-management-system
Service Victoria— Digital Delivery of Government Services	<p>Audit examined the implementation of Service Victoria (SV), the Department of Premier and Cabinet (DPC)'s oversight of it, and the benefits SV is delivering.</p> <p><i>*This report will not include Local Councils but contains contents concerning Local Government operations.</i></p>	Completed	18 March 2021	<ul style="list-style-type: none"> • Service Victoria • Department of Premier and Cabinet 	https://www.audit.vic.gov.au/report/service-victoria-digital-delivery-government-services
Maintaining local roads	<p>Audit examined whether councils use asset data, budget information and community feedback to inform their planning for road maintenance. A detailed dashboard is also published from the public and individual reports for each one of the 79 councils, comparing their results against their cohort and state averages.</p>	Completed	17 March 2021	<ul style="list-style-type: none"> • Gannawarra Shire Council • Greater Bendigo City Council • Maribyrnong City Council • Northern Grampians Shire Council • Yarra Ranges Shire Council 	https://www.audit.vic.gov.au/report/maintaining-local-roads

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Topic	Overview	Status	Tabled	Agency(ies)	Link
Results of 2019–20 audits: Local government	<p>This report outlines the results and observations from financial audits of the LG entities for the year ended 30 June 2020.</p> <p>An LG data dashboard is also published, making publicly available all the data used in the report to generate the analysis, benchmarking information and financial sustainability assessments.</p>	Completed	17 March 2021	<ul style="list-style-type: none"> All Councils 	https://www.audit.vic.gov.au/report/results-2019-20-audits-local-government

Planned and in progress Local Government reports

Topic	Overview	Status	Proposed Tabling	Agency(ies)	Link
Council waste management services	To determine whether councils' waste management services are achieving value for money.	In Progress	2021-22	<ul style="list-style-type: none"> Ballarat City Council Bayside City Council Department of Environment, Land, Water and Planning Grampians Central West Waste and Resource Recovery Group Greater Dandenong City Council Melbourne City Council Metropolitan Waste Resource and Recovery Group Sustainability Victoria 	https://www.audit.vic.gov.au/report/delivering-local-government-services-waste-management-services

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Topic	Overview	Status	Proposed Tabling	Agency(ies)	Link
Supplying and using recycled water	To determine whether responsible agencies are increasing the use of recycled water to meet future water demand.	In Progress	2021-22	<ul style="list-style-type: none"> Department of Environment, Land, Water and Planning Environmental Protection Authority Victoria Barwon Water City of Greater Geelong 	https://www.audit.vic.gov.au/report/supply-and-use-alternative-urban-water-sources
Fraud control over local government grants	To determine whether fraud and corruption controls over grants in local government are well designed and operating as intended.	In Progress	2021-22	<ul style="list-style-type: none"> Hume City Council Knox City Council Loddon Shire Council Southern Grampians Shire Council West Wimmera Shire Council 	https://www.audit.vic.gov.au/report/fraud-control-over-grants-local-government
Offsetting native vegetation loss on private land	To determine whether government is achieving its policy objective of no net loss to biodiversity as a result of permitted clearing on private land.	Planned	2021-22	<ul style="list-style-type: none"> Department of Environment, Land, Water and Planning Trust for Nature Baw Baw Shire Council Campaspe Shire Council Nillumbik Shire Council Yarra Ranges Shire Council 	N/A
Effectiveness of the Enhanced Maternal and Child Health Program	To determine whether the Enhanced Maternal and Child Health (EMCH) Program leads to improved access, participation, and outcomes for vulnerable children and their families targeted by the program.	Planned	2022-23	<ul style="list-style-type: none"> Department of Health and Human Services Department of Education and Training Municipal Association of Victoria City of Casey Hobsons Bay City Council Mildura Rural City Council South Gippsland Shire Council Yarra City Council 	https://www.audit.vic.gov.au/report/effectiveness-enhanced-maternal-and-child-health-program

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Topic	Overview	Status	Proposed Tabling	Agency(ies)	Link
Implementing Plan Melbourne 2017-50	To determine the extent to which implementation of Plan Melbourne 2017–50 is supporting productivity, sustainability and liveability.	Planned	2022-23	<ul style="list-style-type: none"> Department of Environment, Land, Water and Planning Department of Jobs, Precincts and Regions Maroondah City Council Moonee Valley City Council 	https://www.audit.vic.gov.au/report/implementing-plan-melbourne-2017-50
Fraud and corruption risk in local government procurement	To determine whether fraud and corruption controls over local government procurement are well-designed and operate as intended.	Planned	2022-23	<ul style="list-style-type: none"> Banyule City Council Hepburn Shire Council Municipal Association of Victoria Mitchell Shire Council Nillumbik Shire Council Wodonga Regional City Council 	https://www.audit.vic.gov.au/report/fraud-and-corruption-risk-local-government-procurement
Developing Fishermans Bend	To determine whether planning and early development of Fishermans Bend supports the delivery of the development’s objectives.	Planned	2022-23	<ul style="list-style-type: none"> Department of Environment, Land, Water and Planning Development Victoria Department of Jobs, Precincts and Regions Melbourne City Council Port Phillip City Council 	https://www.audit.vic.gov.au/report/developing-fishermans-bend
Road congestion and public transport	To determine whether regulatory interventions for road-based public transport on congested roads are working as planned.	Planned	2022-23	<ul style="list-style-type: none"> Department of Transport Victoria Police Selected local councils 	https://www.audit.vic.gov.au/report/road-congestion-and-public-transport
Regulation of council building approvals in local government	To determine whether council regulation of building activity ensures that safety and amenity requirements are met, and council assets are protected.	Planned	2022-23	<ul style="list-style-type: none"> Manningham City Council Monash City Council Surf Coast Shire Council Wangaratta Rural City Council Wyndham City Council 	https://www.audit.vic.gov.au/report/regulation-council-building-approvals-local-government

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Topic	Overview	Status	Proposed Tabling	Agency(ies)	Link
Managing land-use buffers	To determine whether the management of land-use buffers is promoting public health, safety and liveability.	Planned	2022-23	<ul style="list-style-type: none"> Department of Environment, Land, Water and Planning Environment Protection Authority Victoria Metropolitan Waste and Resource Recovery Group City of Greater Dandenong City of Kingston 	https://www.audit.vic.gov.au/report/managing-land-use-buffers
Hazardous waste management	To determine whether responsible agencies' control and regulation of hazardous waste has reduced inappropriate disposal.	Planned	2023-24	<ul style="list-style-type: none"> Department of Environment, Land, Water and Planning Environment Protection Authority Victoria Maribyrnong City Council Metropolitan Waste Resource Recovery Group Sustainability Victoria Whittlesea City Council WorkSafe Victoria 	https://www.audit.vic.gov.au/report/hazardous-waste-management-0
Food safety regulation in local government	To determine whether councils' administration of food safety regulation ensures legislative compliance and supports public health.	Planned	2023-24	<ul style="list-style-type: none"> Department of Health and Human Services A selection of local councils 	https://www.audit.vic.gov.au/report/food-safety-regulation-local-government

Other Integrity and Local Government Related Bodies update — June 2021

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Local Government reports prepared within the previous 6 months

Topic	Overview	Status	Published	Link
Victorian Local Government and Minister for Local Government				
Victorian Local Government Rating System Review	The Victorian Government is conducted a full review into the Victorian Local Government Rating System. The report provided a list of 56 recommendation to be considered for the Victorian Local Government Rating System.	Completed	21 December 2020	https://www.localgovernment.vic.gov.au/council-governance/victorian-local-government-rating-system-review https://engage.vic.gov.au/rating-review
Victorian Ombudsman				
Investigation into Melton City Council's engagement of IT company, MK Datanet Pty Ltd	The Victorian Ombudsman investigation found that a well-paid council IT contract worker directed \$1.6 million of ratepayers' money into one of his own companies as lax oversight allowed him to manipulate processes. Following the investigation, the Ombudsman has recommended the issues be raised with Victoria Police and the Australian Securities and Investments Commission.	Completed	9 June 2021	https://www.ombudsman.vic.gov.au/our-impact/investigation-reports/investigation-into-melton-city-councils-engagement-of-it-company-mk-datanet-pty-ltd/
Investigation into how local councils respond to ratepayers in financial hardship	In light of the COVID-19 pandemic, Victorian Ombudsman investigated how Victoria's 79 local councils are responding to ratepayers in financial hardship. The investigation focused on council hardship relief for homeowners (ratepayers who cannot pay rates on their primary residence).	Completed	17 May 2021	https://www.ombudsman.vic.gov.au/our-impact/investigation-reports/investigation-into-how-local-councils-respond-to-ratepayers-in-financial-hardship/
Outsourcing of parking fine internal reviews – a follow-up report	The Ombudsman's follow-up investigation report found that more than 17,400 parking fines could be overturned as it identified a further five councils, a university and an agency outsourced internal reviews of parking infringements. There are now 12 councils and agencies in Victoria that have or are setting up refund schemes for motorists affected by historical outsourcing of parking fine reviews.	Completed	17 March 2021	https://www.ombudsman.vic.gov.au/our-impact/investigation-reports/outsourcing-of-parking-fine-internal-reviews-a-follow-up-report/

Local Government reports currently in progress

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Topic	Overview	Status	Proposed Publishing	Link
Independent Broad-based Anti-Corruption Commission				
Operation Sandon	IBAC held public hearings during 2019 and 2020 into allegations of serious corrupt conduct in relation to planning and property development decisions at the City of Casey council.	In Progress	To be advised	https://www.ibac.vic.gov.au/investigating-corruption/IBAC-examinations/operation-sandon

Active Council governance matters as at date:

Topic	Councils and timeline	Link
Long-term Government appointed administrators	<ul style="list-style-type: none"> • South Gippsland Shire Council (21 June 2019 until the next election for the council in October 2021) • Casey City Council (14 May 2020 to October 2024) • Whittlesea City Council (19 June 2020 to October 2024) 	https://www.localgovernment.vic.gov.au/council-governance/commission-of-inquiry-into-south-gippsland-shire-council2 https://www.localgovernment.vic.gov.au/council-governance/independent-reports https://www.localgovernment.vic.gov.au/council-governance/independent-reports

Interstate Audit Office and Integrity body update — June 2021

Interstate Local Government reports tabled within the previous 3 months

Topic	Overview	Status	Tabled	Agency(ies)	Link
New South Wales					
Report on Local Government 2020	The report details the results of the local government sector council financial statement audits for the year ended 30 June 2020.	Completed	27 May 2021	<ul style="list-style-type: none"> All local councils 	https://www.audit.nsw.gov.au/our-work/reports/report-on-local-government-2020
Investigation into the conduct of councillors of the former Canterbury City Council and others (Operation Dasha) - by Independent Commission Against Corruption (ICAC)	<p>The ICAC investigated allegations concerning the former Canterbury City Council, including whether, public officials including former councillors dishonestly and/or partially exercised their official functions in relation to planning proposals and/or applications concerning properties in the Canterbury City Council local area.</p> <p>In its investigation report, the Commission makes findings of serious corrupt conduct against the concerned former public officials. The report makes 23 corruption prevention recommendations to help address the corruption risks identified and to help prevent the same conduct identified from reoccurring.</p>	Completed	22 March 2021	<ul style="list-style-type: none"> Canterbury City Council 	https://www.icac.nsw.gov.au/investigations/past-investigations/2021/canterbury-city-council-operation-dasha
Queensland					
Local government 2020	This audit summarised the results of our financial audits of the Queensland councils and the related entities they control that produced financial statements at 30 June.	Completed	22 April 2021	<ul style="list-style-type: none"> All local councils 	https://www.gao.qld.gov.au/reports-resources/reports-parliament/local-government-2020
Western Australia					

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Topic	Overview	Status	Tabled	Agency(ies)	Link
Audit Results Report – Annual 2019-20 Financial Audits of Local Government Entities	This report summarises the third year of QAO’s 4-year transition into local government financial auditing. It includes the results of 117 local government entities.	Completed	16 June 2021	<ul style="list-style-type: none"> 117 local government entities 	https://audit.wa.gov.au/reports-and-publications/reports/audit-results-report-annual-2019-20-financial-audits-of-local-government-entities/
Local Government General Computer Controls	The report summarises the results of OAG’s 2020 annual cycle of information systems audits across a selection of 50 local government entities.	Completed	12 May 2021	<ul style="list-style-type: none"> Selection of 50 local councils 	https://audit.wa.gov.au/reports-and-publications/reports/local-government-general-computer-controls/
Regulation and support of local government	This audit assessed whether the Department of Local Government, Sport and Cultural Industries effectively regulates and supports local government entities.	Completed	30 April 2021	<ul style="list-style-type: none"> Selection of local councils 	https://audit.wa.gov.au/auditing-in-wa/audit-program/
Tasmania					
Auditor-General’s Report on the Financial Statements of State Entities Volume 2	This report summarises the outcomes of audits of financial statements of State entities and audited subsidiaries of State entities for the years ended 31 December 2019 and 30 June 2020.	Completed	25 March 2021	<ul style="list-style-type: none"> Public Sector entities including 29 Local councils 	https://www.audit.tas.gov.au/publication/agr2020v2/
Australian National Audit Office (ANAO)					
Cyber Security Strategies of Non-Corporate Commonwealth Entities	<p>The objective of the audit was to assess the effectiveness of cyber security risk mitigation strategies implemented by selected non-corporate Commonwealth entities to meet mandatory requirements under the Protective Security Policy Framework, and the support provided by the responsible cyber policy and operational entities.</p> <p><i>*This report will not include Local Councils, but its contents may directly apply to areas concerning Local Government operations.</i></p>	Completed	19 March 2021	<ul style="list-style-type: none"> Across entities 	https://www.anao.gov.au/work/performance-audit/cyber-security-strategies-non-corporate-commonwealth-entities

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Local Government reports currently in progress and planned

Topic	Objective(s)	Status	Proposed Tabling	Agency(ies)	Link
New South Wales					
Business continuity and disaster recovery planning	This audit will examine the effectiveness of business continuity planning processes in a selection of local councils in preparing these organisations for recent emergency events.	Planned	2020-21	<ul style="list-style-type: none"> A selection of local councils 	https://www.audit.nsw.gov.au/our-work/reports/business-continuity-and-disaster-recovery-planning
Council annual charges	This audit could examine selected common charges across a number of councils to understand what is driving the variability in charges for the common services, that vary greatly between councils.	Planned	2020-21	<ul style="list-style-type: none"> A selection of local councils 	https://www.audit.nsw.gov.au/our-work/reports/council-annual-charges
Compliance review: Cybersecurity	In February 2019 the Department of Finance, Services and Innovation launched the NSW Cyber Security Policy to ensure all NSW Government Departments and Public Service Agencies are managing cyber security risks to their information and systems. The policy mandates a number of requirements that are a minimum that all agencies must implement. In addition, agencies must assess their level of cyber maturity. This audit will examine whether agencies are complying with the Policy.	Planned	2020-21	<ul style="list-style-type: none"> All NSW Government Departments and Public Service Agencies 	https://www.audit.nsw.gov.au/our-work/reports/compliance-review-cybersecurity
Queensland					
Effectiveness of Local Government Audit committees	This audit will assess the effectiveness of audit committees in local governments.	Planned	2021-22	<ul style="list-style-type: none"> A selection of local councils 	https://www.gao.qld.gov.au/audit-program
Local government 2021	This audit will summarise the results of our financial audits of the Queensland councils and the related entities they control that produced financial statements at 30 June	Planned	2021-22	<ul style="list-style-type: none"> A selection of local councils 	https://www.gao.qld.gov.au/audit-program

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Topic	Objective(s)	Status	Proposed Tabling	Agency(ies)	Link
Water 2021	This audit will summarise financial audit results of state and local government owned water entities, and two controlled entities for 2020–21.	Planned	2021-22	<ul style="list-style-type: none"> • Seqwater • SunWater • Gladstone Area Water Board • Mount Isa Water Board • Queensland Urban Utilities • Unitywater. • Local Councils who own water entities 	https://www.gao.qld.gov.au/audit-program
Queensland Floods Commission of Enquiry	This audit will assess whether Queensland is better able to prevent and prepare for floods following the Queensland Floods Commission of Inquiry.	Planned	2021-22	<ul style="list-style-type: none"> • Department of Natural Resources, Mines and Energy • Department of Environment and Science • Queensland Reconstruction Authority • A selection of local councils • Department of State Development, Manufacturing, Infrastructure and Planning 	https://www.gao.qld.gov.au/audit-program
Commonwealth Games Legacy	This audit will assess whether the state has realised the intended legacy benefits from the Commonwealth Games.	Planned	2021-22	<ul style="list-style-type: none"> • Department of Innovation and Tourism Industry Development • Department of State Development, Manufacturing, Infrastructure and Planning • A selection of local councils 	https://www.gao.qld.gov.au/audit-program
Managing conflicts of interest in Local Government	This audit will assess how effectively councils manage and respond to conflicts of interest.	Planned	2022-23	<ul style="list-style-type: none"> • A selection of local councils 	https://www.gao.qld.gov.au/audit-program

OFFICIAL

Topic	Objective(s)	Status	Proposed Tabling	Agency(ies)	Link
Maintaining strong and prosperous regions	This audit will assess the Queensland Government's effectiveness in progressing the goals for strong and prosperous regions in its Queensland Plan.	Planned	2022-23	<ul style="list-style-type: none"> Department of Local Government, Racing and Multicultural Affairs Selection of local councils 	https://www.gao.qld.gov.au/audit-program
Transport service contracts	This audit will assess whether transport service contracts are managed effectively to meet the government's transport objectives, maximise value for money and meet community needs.	Planned	2022-23	<ul style="list-style-type: none"> Department of Transport and Main Roads A selection of local councils 	https://www.gao.qld.gov.au/audit-program
Local government entities: 2022	This audit will summarise the results of our financial audits of the Queensland councils and the related entities they control that produced financial statements at 30 June.	Planned	2022-23	<ul style="list-style-type: none"> A selection of local councils 	https://www.gao.qld.gov.au/audit-program
Water 2022	This audit will summarise financial audit results of state and local government owned water entities, and two controlled entities for 2020–21.	Planned	2022-23	<ul style="list-style-type: none"> Seqwater SunWater Gladstone Area Water Board Mount Isa Water Board Queensland Urban Utilities Unitywater. Local Councils who own water entities 	https://www.gao.qld.gov.au/audit-program
Managing Invasive species	This audit will assess how effectively the Department of Agriculture and Fisheries is managing invasive species.	Planned	2022-23	<ul style="list-style-type: none"> Department of Agriculture and Fisheries Department of Environment and Science Department of Natural Resources, Mines and Energy Selection of local councils 	https://www.gao.qld.gov.au/audit-program

OFFICIAL

Topic	Objective(s)	Status	Proposed Tabling	Agency(ies)	Link
Western Australia					
Safe and Viable cycling in the Perth and Peel region	The objective of the audit is to assess the effectiveness of LG entities in improving the Perth and Peel cycling network and follow-up recommendations from our 2015 performance audit <i>Safe and Viable Cycling in the Perth Metropolitan Area</i> .	In Progress	2021-22	<ul style="list-style-type: none"> Local government entities for Perth and Peel regions Department of Transport (DoT) 	https://audit.wa.gov.au/auditing-in-wa/audit-program/
State of Cyber security in local government entities	The objective of this audit is to determine if local government entities are effectively managing cyber security.	In Progress	2021-22	<ul style="list-style-type: none"> Sample of Local government entities 	https://audit.wa.gov.au/auditing-in-wa/audit-program/
Local Government financial hardship support	The objective of this audit is to assess if LG entities provide effective financial hardship support to assist ratepayers impacted by COVID-19.	Planned	2021-22	<ul style="list-style-type: none"> Sample of Local government entities 	
Tasmania					
Council general manager recruitment, appointment and performance assessment	This audit will assess recruitment processes, contractual and remuneration arrangements and performance assessment for council general managers.	Planned	2021-22	<ul style="list-style-type: none"> A selection of local councils 	https://www.audit.tas.gov.au/wp-content/uploads/Annual-Plan-of-Work-2020-21.pdf
Managing landfills	<p>This audit will examine whether the Environmental Protection Authority's (EPA) current regulatory approach is appropriately administered, is being complied with and has been effective in providing assurance that landfills are not leading to adverse human health and environmental impacts, both currently and for future generations.</p> <p>This audit will examine the activities of the EPA and a sample of councils and joint authorities that own and operate landfills</p>	Planned	2021-22	<ul style="list-style-type: none"> Environmental Protection Authority Department of Primary Industries, Parks, Water and Environment Selected Councils and Joint Authorities 	https://www.audit.tas.gov.au/wp-content/uploads/Annual-Plan-of-Work-2019-20.pdf

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Topic	Objective(s)	Status	Proposed Tabling	Agency(ies)	Link
Council Procurement - Report 3	<p>This audit will assess whether procurement of goods and services by councils is being undertaken in accordance with the:</p> <ul style="list-style-type: none"> • <i>Local Government Act 1993</i> • <i>Local Government (General) Regulations 2015</i> • Council's Code for Tenders and Contracts <p>Council's internal policies, procedures and manuals</p>	Planned	2021-22	<ul style="list-style-type: none"> • A selection of local councils 	https://www.audit.tas.gov.au/wp-content/uploads/Annual-Plan-of-Work-2020-21.pdf
Australian National Audit Office (ANAO)					
Operation of Grants Hubs	<p>The objective of this audit is to assess the design and implementation of the Streamlining Government Grants Administration (SGGA) Program in improving the effective and efficient delivery of grants administration.</p> <p><i>*This report will not include Local Councils but its contents may directly apply to areas concerning Local Government operations.</i></p>	In Progress	August 2021	<ul style="list-style-type: none"> • Department of Finance • Department of Industry, Science, Energy and Resources • Department of Social Services 	https://www.anao.gov.au/work/performance-audit/operation-grants-hubs

The logo for the Victorian Auditor-General's Office (VAGO) consists of the letters 'VAGO' in a bold, blue, sans-serif font.

Victorian Auditor-General's Office

The background of the cover features a blurred office scene with a desk, a pen, and a keyboard. A large, dark blue, tilted rectangular area is overlaid on the right side of the image, containing the title and other text.

Measuring and Reporting on Service Delivery

May 2021

Independent assurance report to Parliament
2020–21:19

This report is printed on Monza Recycled paper. Monza Recycled is certified Carbon Neutral by The Carbon Reduction Institute (CRI) in accordance with the global Greenhouse Gas Protocol and ISO 14040 framework. The Lifecycle Analysis for Monza Recycled is cradle to grave including Scopes 1, 2 and 3. It has FSC Mix Certification combined with 99% recycled content.

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Measuring and Reporting on Service Delivery

Independent assurance report to Parliament
Ordered to be published

VICTORIAN GOVERNMENT PRINTER
May 2021

PP no 227, Session 2018–21

VAGO

Victorian Auditor-General's Office

The Hon Nazih Elasmr MLC
President
Legislative Council
Parliament House
Melbourne

The Hon Colin Brooks MP
Speaker
Legislative Assembly
Parliament House
Melbourne

Dear Presiding Officers

Under the provisions of the *Audit Act 1994*, I transmit my report *Measuring and Reporting on Service Delivery*.

Yours faithfully



Andrew Greaves
Auditor-General

26 May 2021

The Victorian Auditor-General's Office acknowledges Australian Aboriginal peoples as the traditional custodians of the land throughout Victoria. We pay our respect to all Aboriginal communities, their continuing culture and to Elders past, present and emerging.

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Audit snapshot

Does the way Victorian government departments measure and report on their service delivery support accountability and good decision-making?

Why this audit is important

Departments are accountable to Parliament and the community for what they achieve using public funds. They must accurately report their performance in the Budget papers and their annual reports because this information is essential to identify what is working and what areas need improvement.

Over the last 20 years, our audits have found significant and persistent weaknesses in departments' performance reporting, including weak links between the objectives they set and the way they measure success.

Who we examined

We examined all eight departments and selected the following three for further analysis as case studies: the departments of Treasury and Finance (DTF), Education and Training (DET) and the former

Health and Human Services (DHHS).

What we examined

We examined if departments:

- meet their responsibilities to measure and report on performance in compliance with DTF's *Resource Management Framework* (the Framework)
- ensure their performance information is accurate
- report their performance information in a way that users can readily understand.

What we concluded

Departments do not measure or report on their performance well.

They do not:

- fully comply with the Framework
- measure their service efficiency or effectiveness

- present their performance information in a way that enables efficient and effective analysis.

It is also apparent that the process of adding new measures into the Budget papers is failing.

The Framework requires departments to measure output delivery and outcome achievement. However, there are too many input and process measures and poorly constructed output measures and objective indicators in the Budget papers. This obfuscates departments' performance reporting and diminishes their accountability.

We continue to find the same issues whenever we examine departments' performance reporting, which indicates the need for a 'root and branch' review of the entire performance reporting framework.

Key facts

Service delivery 2020–21

8
departments



Approximately
\$78.6b
budget



39
objectives



149
objective
indicators



122
outputs



1 258
'output'
performance
measures



What we found and recommend

We consulted with the audited agencies and considered their views when reaching our conclusions. The agencies' full responses are in Appendix A.

Measuring outcomes

Clear objectives are the foundation of a meaningful performance measurement system because they define the desired outcomes that performance will be measured against. The Department of Treasury and Finance's (DTF) *Resource Management Framework* (the Framework) requires departments to set clear objectives and report on their progress towards achieving them.

Departments report their objectives in the *Budget Paper No. 3: Service Delivery* (BP3). While most departments have set clear objectives, BP3 includes examples of objectives that do not clearly express the desired outcome the department aims to achieve. For example:

- the Department of Justice and Community Safety's (DJCS) objective, 'Effective management of prisoners and offenders and provision of opportunities for rehabilitation and reparation', states DJCS's responsibilities in regards to correctional services, not the intended outcome, which would likely relate to reduced recidivism
- the Department of Premier and Cabinet's (DPC) objective, 'High-performing DPC', does not express the intended outcome for the community or other departments for the services it provides.

In these circumstances, it is difficult to understand the goals that departments are working towards.

We also found multiple examples of objective indicators that do not meet the Framework's requirements and subsequently do not provide useful information about outcome achievement.

BP3 outlines the government's priorities for the services it provides and sets out the costs of the services. It includes a breakdown of all output funding with associated performance targets.

Many objective indicators in BP3 are not informative about outcome achievement because they ...	For example ...
Measure outputs (for example, the quantity of services provided) rather than outcomes	The Department of Education and Training's (DET) objective indicator 'Engagement: Increase the number of Victorians actively participating in education, training, and early childhood development services' counts the 'outputs' DET delivers, not the outcomes of enrolments, which would be course completions or employment
Are vague because it is difficult to interpret what is being measured	For the Department of Transport's (DoT) objective indicator 'Reliable travel', there is no further detail in BP3 to explain what is being measured or how
Lack any business rules to explain how results are calculated and where data is sourced	Around 60 per cent of objective indicators in the 2019–20 BP3 have no documented business rules
Lack baseline data to measure progress against	No departments have baseline data for any of their objective indicators. This is particularly problematic for the many objective indicators that aim to 'reduce', 'improve' or 'increase' something

As a result, departments' performance reporting is missing key information about whether service delivery is achieving intended outcomes. This is a significant gap. Without information on outcome achievement, the government lacks a sound basis for its future investment and policy decisions.

In 2019, DPC introduced *Outcomes Reform in Victoria* (the Outcomes policy), which aims to improve the way departments report on their outcomes and support the creation of bespoke outcomes frameworks for specific service delivery areas. However, the policy does not articulate what relationship or priority departmental outcomes should have to departments' objectives and objective indicators, and makes no reference to the Framework at all.

As a result, there is a risk that departments may develop conflicting sets of outcomes and measures, de-prioritise their BP3 objectives and objective indicators, or create confusion among staff, government decision-makers, Parliament and the community about what the departments' objectives are and which performance information to use.

Measuring output performance

An output should capture all the specific activities that make up a service and should contribute to the achievement of a department's objective. The 2020–21 BP3 includes examples of outputs that are too large in size or combine too many separate activities. This reduces transparency and accountability by making it difficult for Parliament and the community to understand the cost and performance of the individual services the output covers.

Across all departments and service delivery areas, there are many output performance measures that provide useful insights into departments' performance. However, no

department consistently meets the requirements of the Framework for designing output performance measures.

This is despite the Framework describing output performance measures as the 'building blocks of the accountability system' and the 'basis for the certification of departmental revenue'. The lack of clear and relevant output measures is a significant failure of the state's key performance and accountability framework. Without well-designed output performance measures, departments cannot be held properly accountable to the government, Parliament and the community for their output performance.

Figure A outlines the wide range of issues that limit the usefulness of departments' current output performance measures.

A **unit cost** is the cost of providing one instance of a service, rather than the total cost of all activities that a department delivers. For example, the unit cost for an ambulance service could be 'cost per ambulance trip'.

Figure A: **Limitations of 2020–21 output performance measures**

Issue	Breach of mandatory requirements?	Inconsistent with Framework guidance?	Example
Only 64 per cent of outputs have at least one output performance measure in each of the four dimensions of quantity, quality, timeliness and cost. Where outputs have output performance measures that lack one or more of the four dimensions, it is not possible to see if departments are making trade-offs, such as sacrificing quality for timeliness.	Yes	Yes	DET has no timeliness measures for any of its outputs, which include activities where timeliness is important, such as its regulatory oversight functions, delivery of various supports to students or training programs to teachers.
Across the 1 258 output performance measures for all government departments in 2020–21, there are only two direct measures of technical efficiency. This represents a significant gap in performance reporting for public service delivery in Victoria.	Yes	Yes	Many output performance measures that simply count the number of services provided could be converted to show unit costs. For example, DJCS's measure 'Annual daily average number of male prisoners' would be more valuable as an efficiency measure, such as cost per prisoner.
Many measures do not measure outputs and instead measure inputs, processes or outcomes. This results in significant gaps in service performance information.	Yes, because the Framework requires departments to develop output measures	Yes	For DTF's Invest Victoria output group, where service delivery aims to increase business investment in Victoria, there is only one true output measure, which counts the number of visits to the Invest Victoria website. Aside from this, one input measure is included ('total cost') and the rest are all outcome measures that outline the numbers of jobs created, businesses attracted to Victoria and funds generated. These results may be influenced by factors outside of DTF's control.
Some output performance measures are too vague for the user to understand what is being measured. BP3 does not provide any further detail to explain them.	No	Yes	Output performance measures, such as the following, fail to describe what is being measured and how:

Issue	Breach of mandatory requirements?	Inconsistent with Framework guidance?	Example
Some departments use output performance measures where performance results are not attributable to them.	No	Yes	<ul style="list-style-type: none"> the Department of Health and Human Services' (DHHS)* 'Hand hygiene compliance' the Department of Jobs, Precincts and Regions' (DJPR) 'Engagements with businesses' DJCS's 'Prosecutable images'.
Some departments use output performance measures and targets that only reflect meeting minimum standards or legal requirements.	No	Yes	<p>Some output performance measures count things that departments cannot control, such as:</p> <ul style="list-style-type: none"> DoT's 'Road vehicle and driver regulation, driver licences renewed' DHHS's 'Statewide emergency road transports'. <p>These are measures of external demand and not output performance measures.</p>
Some departments' output performance measures prevent comparison of performance over time.	Yes	Yes	<p>Output performance measures that only show that a department has not breached legal requirements are not useful in showing performance, such as:</p> <ul style="list-style-type: none"> DTF's 'Budget Update, Financial Report for the State of Victoria, Mid-Year Financial Report, and Quarterly Financial Reports are transmitted by legislated timelines' The Department of Environment, Land, Water and Planning's (DELWP) 'Portfolio entity annual reports including financial statements produced in line with the <i>Financial Management Act 1994</i> and free from material errors'.
Some departments' output performance measures prevent comparison of performance over time.	Yes	Yes	<p>Raw counts of services delivered prevent comparison over time because they do not consider changes in population, service user numbers or funding amounts. For example, DHHS's measure 'Total community service hours' could be tracked if converted to an efficiency measure, such as cost per community service hour or community service hours per capita to demonstrate levels of service usage.</p>

*Note: As the time period of this audit predates relevant machinery of government changes, throughout this report we refer to DHHS, which is the predecessor agency of what are now the Department of Health (DH) and the Department of Families, Fairness and Housing (DFFH).
Source: VAGO, based on the Framework and the 2020–21 BP3.

The frequency of issues in output measure design we observed across departments shows a lack of understanding of the Framework's requirements and the service logic of the activities being measured.

A **service logic** explains how activities lead to a desired outcome. For example, a service logic approach explains how departments transform their inputs into outputs to achieve their desired outcomes. We discuss this in Section 1.1.

As DTF has an important role in reviewing and providing advice about departments' measures and as the owner of the Framework, it could do more to address this. However, DTF does not comply with some of its own requirements either. Further, despite accepting the recommendation in our 2014 audit, *Public Sector Performance Measurement and Reporting*, to improve its guidance material on performance measurement by including examples of efficiency and effectiveness measures and how to link outputs to departmental objectives, DTF has not done this this effectively.

Recommendations about measuring objectives and output performance

We recommend that:	Response
All departments	<p>1. review their objectives, indicators and output performance measures using a service logic approach to clearly distinguish between their service objectives, inputs, processes and outputs, and use this information to re-validate and, as needed, redesign their performance statements (see Sections 2.1, 2.2 and 3.3)</p> <hr/> <p>2. ensure their performance statements comply with the <i>Resource Management Framework</i> (and, where possible, its guidance material) including:</p> <ul style="list-style-type: none"> • developing baseline data for objective indicators (see Section 2.2) • clearly linking outputs with departmental objectives/objective indicators (see Section 2.2) • redefining outputs that are too large and/or heterogenous in terms of service delivery (see Section 3.1) • ensuring outputs have a balanced and meaningful mix of output performance measures that assess quantity, quality, timeliness and cost (see Section 3.2) • setting output performance measures that allow for comparison over time and, where possible, against other departments and jurisdictions (see Section 3.3) <hr/> <p>3. develop output performance measures that use unit costing to measure service efficiency (see Section 3.2).</p>
Department of Treasury and Finance	<p>Accepted by: DELWP, DET, DJCS, DJPC, DPC, DTF and DoT</p> <p>Accepted in principle by: Department of Families, Fairness and Housing (DFFH), Department of Health (DH)</p> <hr/> <p>Accepted by: All departments</p> <hr/> <p>Accepted by: DFFH, DH, DJCS, DJPR, DPC, DTF</p> <p>Accepted in principle by: DELWP, DET, DoT</p> <hr/> <p>Accepted</p>
4. improves the <i>Resource Management Framework's</i> guidance materials to:	<ul style="list-style-type: none"> • show departments how to align their output measures and objective indicators to a service logic model (see Sections 2.2 and 3.2) • include practical examples of how to design objective indicators and output performance measures to assess effectiveness and efficiency (see Sections 2.2 and 3.2)

	5. in its annual review of departmental performance statements as part of the Budget process, advise the Assistant Treasurer on the extent to which each department's performance statements comply with all mandatory requirements of the <i>Resource Management Framework</i> (see Sections 2.1, 2.2, 3.1, 3.2 and 3.3).	Accepted in principle
Department of Treasury and Finance and Department of Premier and Cabinet	6. integrate and harmonise the <i>Outcomes Reform in Victoria</i> policy with the <i>Resource Management Framework</i> to ensure coherence and cohesiveness in departmental performance reporting, and use the approach to performance reporting adopted in New Zealand as a good practice reference point (see Section 2.3).	Partially accepted by: DPC Accepted in principle by: DTF

Using performance information

The information that departments publish provides some useful insights about elements of their performance. However, current publications of departments' performance do not clearly demonstrate performance over time to show whether a department's service delivery is improving or not.

Not all departments publicly report performance results across multiple years in their annual reports, and BP3 only compares expected performance for the current year to results from the previous year. While DTF also publishes all departments' historical performance results as Microsoft Excel files on its website, the format means the user must manually create their own graphs to show performance trends.

Given that identifying performance successes and issues is the purpose of performance reporting, the lack of trended data is a significant missed opportunity.

To address this, we developed an interactive dashboard to show departments' performance information in a more meaningful and user-friendly way. It presents data from DTF's website and departments' annual reports since 2008–09.

Our dashboard shows that in 2019–20, departments reported meeting a combined total of 57 per cent of their output performance measure targets. They did not meet 37 per cent of their targets. We categorised the remaining 6 per cent as neutral measures. The dashboard is accessible on our website.

In addition to the lack of trended performance information, departments do not always meet requirements to give clear explanations when their output performance results vary by more than 5 per cent above or below target. They either fail to provide any reason or simply state that the target was exceeded or not met. Without proper explanations of the cause of variances, departments are not fulfilling Framework requirements and are therefore impairing accountability.

Data accuracy

With the exception of DJCS, departments are also not properly documenting the business rules and data sources for their measures, which creates risks to data integrity. This is inconsistent with the Framework's guidance. DPC has no data dictionary for its measures, and other departments' dictionaries do not include all of the required information. For example, some are missing vital items such as detailed measure definitions, calculation formulas and data sources. This lack of

Neutral measures are measures where meeting or not meeting the target does not provide meaningful information about a department's performance. For example, with DHHS's output performance measure, 'Reports to Child Protection Services about the wellbeing and safety of children', it is not clear what the department is aiming to achieve. A result below the target may mean that preventative services to support child safety are working as intended. On the other hand, a result above the target may mean that there are higher levels of reporting on the wellbeing and safety of children, which could also be a positive result.

A **data dictionary** is a centralised repository of information about data, such as its meaning, relationships to other data, origin, usage and format. An alternative term is a 'metadata repository'.

documentation creates a risk that departments may not collect and present their performance data consistently and accurately.

For the selection of departments (DET, DHHS and DTF) and measures (across seven outputs) where we checked controls over performance reporting and recalculated the results, we found reasonable processes and confirmed accurate results.

Unlike departments' financial statements, which we independently audit, there is no legislated requirement for departments' performance statements to be independently audited either in BP3 or in departments' annual reports.

In contrast, local government, water authorities and Technical and Further Education (TAFE) entities in Victoria are required to have their annual performance statements independently audited. Western Australia requires an independent audit of its departments' performance statements and this will also commence in New Zealand from January 2022.

The present scenario in Victoria means that Parliament and the community only have independent assurance of the accuracy and fair presentation of public sector agencies' financial statements. Yet financial statements of public sector agencies only report on how much is spent, not how well resources have been used in the provision of goods and services.

From this perspective, it is arguable that service delivery performance reporting on an outcome and output basis is at least equally, if not more, important than input-based financial reports. It is unclear then why non-financial service performance information obtains less assurance than financial information.

In BP3, departments present **performance statements** that report their objectives, objective indicators and output performance measures and targets. This includes their expected performance for that year and their actual performance for the previous year.

Recommendations to support useful performance reporting

We recommend that:	Response	
Department of Treasury and Finance	7. regularly reviews departments' data dictionaries to ensure they include all of the required information and cover all of their objective indicators and output performance measures (see Section 4.1)	Accepted in principle
	8. develops a public online dashboard that reports departments' output performance measures results and enables comparison over time (see Section 4.3)	Accepted in principle
	9. requires independent auditing of departments' performance statements (see Section 4.4).	Not accepted
All departments	10. ensure they provide specific reasons and analysis for all of their output performance results that vary by more or less than 5 per cent (see Section 4.3)	Accepted by: All departments

11. ensure they have complete data dictionaries that include up-to-date information on:
- detailed business rules for every output performance measure and objective indicator
 - activities that are specifically included or excluded in reporting performance results
 - the data source and how the result is calculated
 - the process for validating or assuring the quality of the raw data and/or the calculated result
 - how each measure's target is set (see Section 4.1).
-

Accepted by: DELWP,
DET, DJCS, DJPR, DoT,
DPC, DTF

Accepted in principle by:
DFFH, DH

1. Audit context

Departments measure and report on their service performance to show what they have delivered with public money. This information helps the government to allocate funding, and Parliament and the community to understand if departments are delivering efficient and effective services.

DTF sets performance reporting requirements for departments. Each year, departments provide details of their objectives and associated performance measures, targets and results in the state's Budget papers. Departments also publicly report on their performance in their annual reports.

This chapter provides essential background information about:

- Measuring performance
 - Measuring outcomes
 - Measuring outputs
 - Legal and policy framework for performance reporting
 - Reporting on performance
 - Roles and responsibilities
 - Previous audits on departmental performance reporting
-

1.1 Measuring performance

Governments have a broad range of service delivery obligations set in legislation as well as specific objectives expressed through government policies. Governments make investment decisions to support the achievement of their objectives and allocate funding to departments to deliver these objectives through the annual budget process.

Departmental objectives relate to the most fundamental aspects of community life. They focus on delivering health, education and justice services, constructing and maintaining transport infrastructure, and efforts to protect the environment. As such, it is critical that departments use a performance measurement system that allows the government, Parliament and the community to understand the impact that taxpayer-funded government services have on achieving these objectives.

Government departments need to measure and report on their performance to:

- be accountable for, and transparent about, how they use public money
- monitor and benchmark their performance over time and identify opportunities to improve their services
- support government decision-making
- enable the government to assess if it is achieving its policy objectives.

To effectively measure performance, it is important that departments understand the 'service logic' of the policy initiatives and services they deliver. By using a service logic model, departments can identify the distinct parts of a 'service' and show how its funding and activities relate to its desired outcome. By identifying the parts that make up a service, departments can then design relevant performance measures that can show if the desired outcomes are being met.

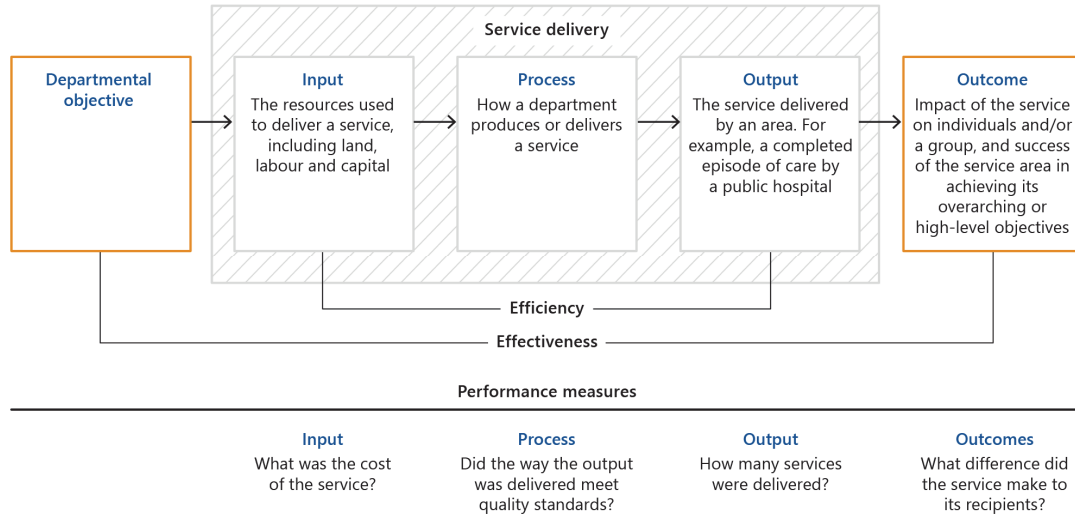
This method is demonstrated by the Productivity Commission in its Report on Government Services (RoGS).

Productivity Commission's RoGS

Each year, the Productivity Commission produces RoGS to provide comparable, public information on the equity, efficiency and effectiveness of government services in Australia.

As shown in Figure 1A, the Productivity Commission uses a service logic model to produce RoGS. This allows it to report on how government departments transform their inputs into outputs to achieve their desired outcomes. The figure also shows how performance measures can align with each part in the model.

FIGURE 1A: The Productivity Commission's service logic model and definitions



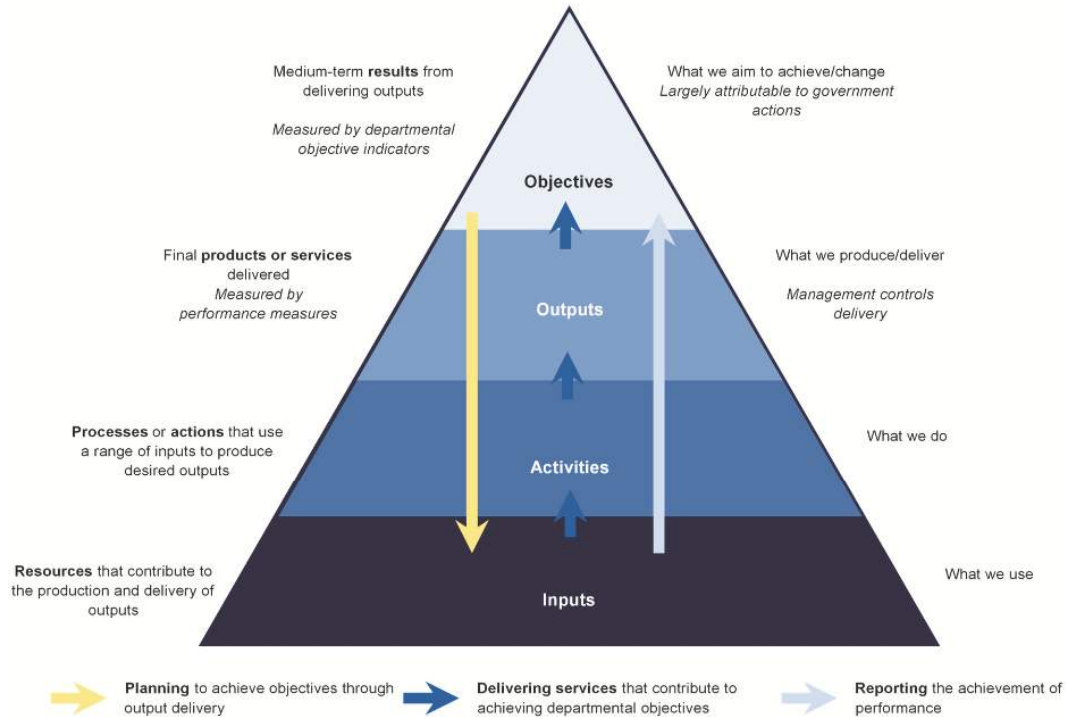
Note: Service element definitions are from RoGS.
 Source: VAGO, based on information from the Productivity Commission.

Resource Management Framework

The Framework, which DTF updated in May 2020, is the overarching policy for the state Budget process and performance reporting. It also sets out a service logic that is similar to the one used by the Productivity Commission. Figure 1B shows that to meet government priorities, departments need to determine how their inputs and activities are converted into outputs that contribute to their objectives.

It is important that departments design performance measures that clearly relate to the part in the service logic they wish to measure.

FIGURE 1B: Key service logic concepts in the Framework



Source: DTF, the Framework.

1.2 Measuring outcomes

Performance reporting that measures outcomes allows departments to better understand and demonstrate their impact in the community. Measuring outcomes can identify when a particular government policy is working and should be continued or expanded, or when it is not and requires change.

Measuring the outcomes of government service delivery can be challenging because the types of outcomes that governments often seek, such as better education, are influenced by many different factors. This highlights the value of using a service logic to understand how a policy or program contributes to achieving an outcome and how best to measure it.

In Victoria, government departments are required to report on their progress in achieving their outcomes through 'objective indicators'. These are expressed in the annual state Budget papers and departments report on their achievement against these objective indicators in their annual reports.

As set in government policy, departmental objective indicators:

- reflect the effects or impacts that the government, through departments, seeks to have on the community and other key stakeholders
- are usually set with a medium to long-term (four years or more) timeframe
- describe the department's contributions to government objectives.

In February 2019, DPC introduced the Outcomes policy to strengthen outcome reporting. The Outcomes policy acknowledges that a focus on measuring outputs does not provide information about the impact of a government activity. The policy aims to embed a more consistent approach to measuring:

- outcomes across the government
- the impact of cross-department initiatives and projects.

In alignment with this work, departments have developed a range of outcomes for specific service areas that overlap to varying degrees with their reporting on objective indicators in the Budget papers and their annual reports. These include, for example, outcomes specific to:

- family violence
- mental health
- public health and wellbeing
- community safety
- multicultural affairs
- gender equality.

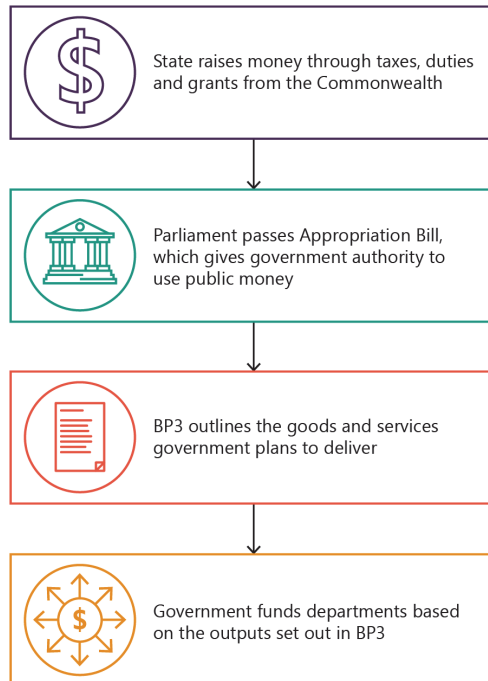
Departments often undertake their own bespoke reporting against these frameworks.

1.3 Measuring outputs

Each year, departments receive funding appropriations to deliver specific services, or 'outputs'. This is the 'price' the government pays for public goods and services.

As shown in Figure 1C, BP3 outlines the goods and services that the government plans to deliver across all departments. Parliament then endorses this plan by passing the annual Appropriation Bill (the Bill). The Bill gives the government the legal authority to use public money. Once the Bill is passed in Parliament, the government allocates funding to departments based on the outputs set in each department's performance statement.

FIGURE 1C: The appropriation and state Budget process



Source: VAGO, based on information in the Framework.

Each department is required to submit an invoice claim twice a year to certify its revenue. DTF assesses the amount claimed in the invoice against the department's output performance measure results.

As defined in government policy, an output:

- is a final product, good or service produced or delivered by, or on behalf of a department or public agency to external customers/recipients
- includes products and services delivered to the community or to other departments.

Prior to the mid-1990s, the Victorian Government funded agencies based on inputs. However, this method cannot provide assurance that departments are using their funds to optimise their outputs.

The value in reporting against output measures and targets (which generally identify the desired volume of an output), is that it should allow the government, Parliament, and the community to identify the cost-efficiency of departmental service delivery. The results can then inform the government of the need to make funding changes or other interventions to improve efficiency where necessary.

1.4 Legal and policy framework for performance reporting

Departments' reporting obligations are governed by the:

- *Financial Management Act 1994* (FMA)
- *Standing Directions 2018* (the Standing Directions) issued by the Assistant Treasurer under section 8 of the FMA
- Framework, which is issued under section 4.3 of the Standing Directions.

Financial Management Act 1994

The FMA allows departments to use public money in Victoria. It outlines the accountability processes that departments and other government agencies must follow and details how they should report their expenditure.

The Standing Directions establish standards for financial management accountability, governance, performance, sustainability, reporting and practice for government agencies.

Under the Standing Directions, DTF issued the Framework to support departments to meet the FMA's requirements.

The Framework

Departments must comply with the Framework and account for how they use public resources and achieve value for money in service delivery. Portfolio agencies that deliver services on behalf of departments must also use it. It guides departments on how to:

- set their performance objectives
- develop measures and targets to assess and report on their performance.

Requirements for departments' performance statements

The Framework outlines how departments need to develop their yearly performance statements. It states that good-quality performance statements:

- help the government make informed decisions about allocating resources
- allow departments to develop and assess standards of service delivery in line with the government's expectations
- allow Parliament and the community to understand the government's performance and expenditure
- drive continuous improvement by analysing historical performance and negotiating agreed targets from year to year.

Portfolio agencies are 'stand-alone' entities that departments oversee in their sector. They also deliver government's outputs or services, and can include health services, TAFEs and certain transport-related agencies.

According to the Framework, departments should:

- document the assumptions and methodology they use to collect, analyse and report on their performance results. This includes specifying how they calculate their data, the source and frequency of data collection, and any other business rules and assumptions
- maintain performance records to a standard that allows an independent auditor to verify their integrity
- represent an appropriate proportion of the departments' and state's Budget. An output should not be too large or combine different services or activities because this reduces transparency and accountability.

Figure 1D sets out the Framework's requirements and guidance for performance statements.

FIGURE 1D: The Framework's requirements and guidance for performance statements

Departmental objectives	Objective indicators
<p>Must:</p> <ul style="list-style-type: none"> • align with government objectives and priorities • have a clear and direct link to outputs • represent the totality of the department's output budget • only cover the responsibilities the department is funded to execute. <p>Should:</p> <ul style="list-style-type: none"> • clearly identify the intended achievement • identify who the beneficiaries are • specify the desired quality of the achievement • relate to a medium-term timeframe. 	<p>Must:</p> <ul style="list-style-type: none"> • use data to show how outputs link to departmental objectives • use existing and comparable data series and use data that is regularly available • analyse past performance data to identify a baseline performance level • be reported in the department's annual report. <p>Should:</p> <ul style="list-style-type: none"> • provide a coherent link between a single objective and its supporting outputs • indicate their impact on the community and thereby contribution to achieving departmental objectives • measure the result of government action, rather than external factors • remain relevant over the medium to long term so progress can be tracked and compared • be free of perverse incentives and balanced with other departmental objective indicators • ideally rely on existing, regularly updated data streams • be verifiable, with the method for indicator reporting clearly documented and records kept to allow an independent auditor to verify integrity.

Outputs	Output performance measures
<p>Must link to a departmental objective.</p> <p>Should:</p> <ul style="list-style-type: none"> capture the full activities and costs that make up a service that a department delivers be defined at a level that will assist government decision-making about output funding provide transparent and effective reporting to Parliament and the community enable the government to determine if the goods and services that departments deliver provide value and meet their objectives. 	<p>Must:</p> <ul style="list-style-type: none"> include a mix of measures that cover output quality, quantity, timeliness and cost assess service efficiency and effectiveness cover all major activities funded by an output enable meaningful comparison and benchmarking over time. <p>Should:</p> <ul style="list-style-type: none"> help the government make informed decisions about funding allow departments to assess service delivery standards allow Parliament and the community to scrutinise government performance and expenditure have a one-year target that specifies the agreed standard of service delivery for that year have a clear management audit trail of data treatment, calculation and reporting.

Performance statement reviews

Departments must:

- review objectives and indicators, outputs, targets and performance measures yearly to assess their continued relevance and make any changes as part of the Budget process
- provide explanations for all significant variations between targets and expected outcomes (including output costs). The Framework defines 'significant' as a 5 per cent variance (increase or decrease) or a change that may be of public interest.

Source: VAGO, based on the Framework.

1.5 Reporting on performance

Departments use objective indicators and output performance measures to monitor and report on their progress against their overall objectives. They do this through their internal reporting process as well as publicly reporting their results in BP3 and their annual reports.

BP3 sets out the goods and services (outputs) that departments expect to deliver with government funding. This is organised by departmental objectives and their associated outputs.

In BP3, departments present performance statements that report their objectives, objective indicators and output performance measures and targets. This includes the expected performance for the current financial year and actual performance for the previous year.

All departments must also produce an annual report that details their financial and service performance for the previous financial year. DTF's *Model Report for Victorian Government Departments* (the Model Report) outlines the information departments must include. It states that departments must report four years of results against their departmental objective indicators.

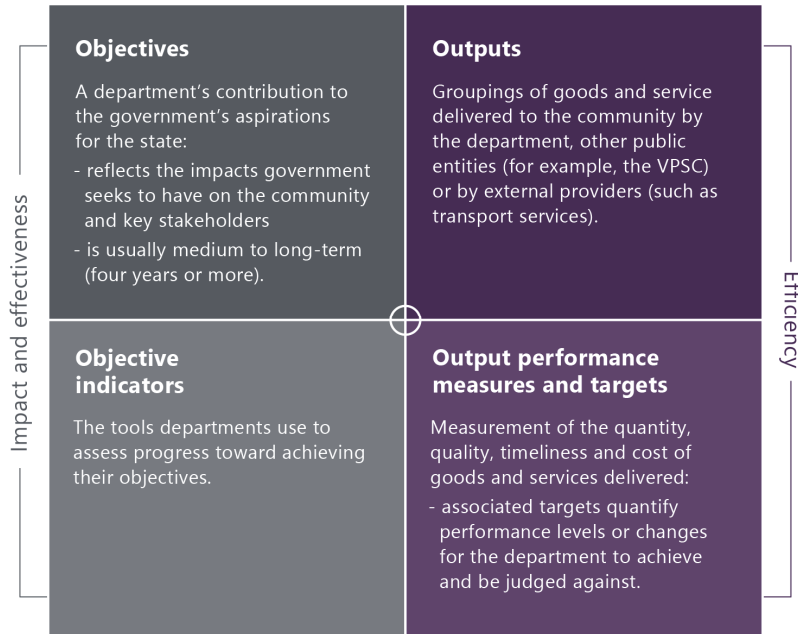
Performance statements

Performance statements in BP3 complement the financial information in Budget papers.

Performance statements ...	Financial statements ...
<ul style="list-style-type: none"> • Focus on the delivery of outputs • Report on how well a department has used its funding to achieve the government's objectives 	<ul style="list-style-type: none"> • Focus on the cost of inputs • Report on how much a department is funded and has previously spent delivering goods and services.

Figure 1E outlines the information contained in departments' performance statements.

FIGURE 1E: Components of departments' performance statements

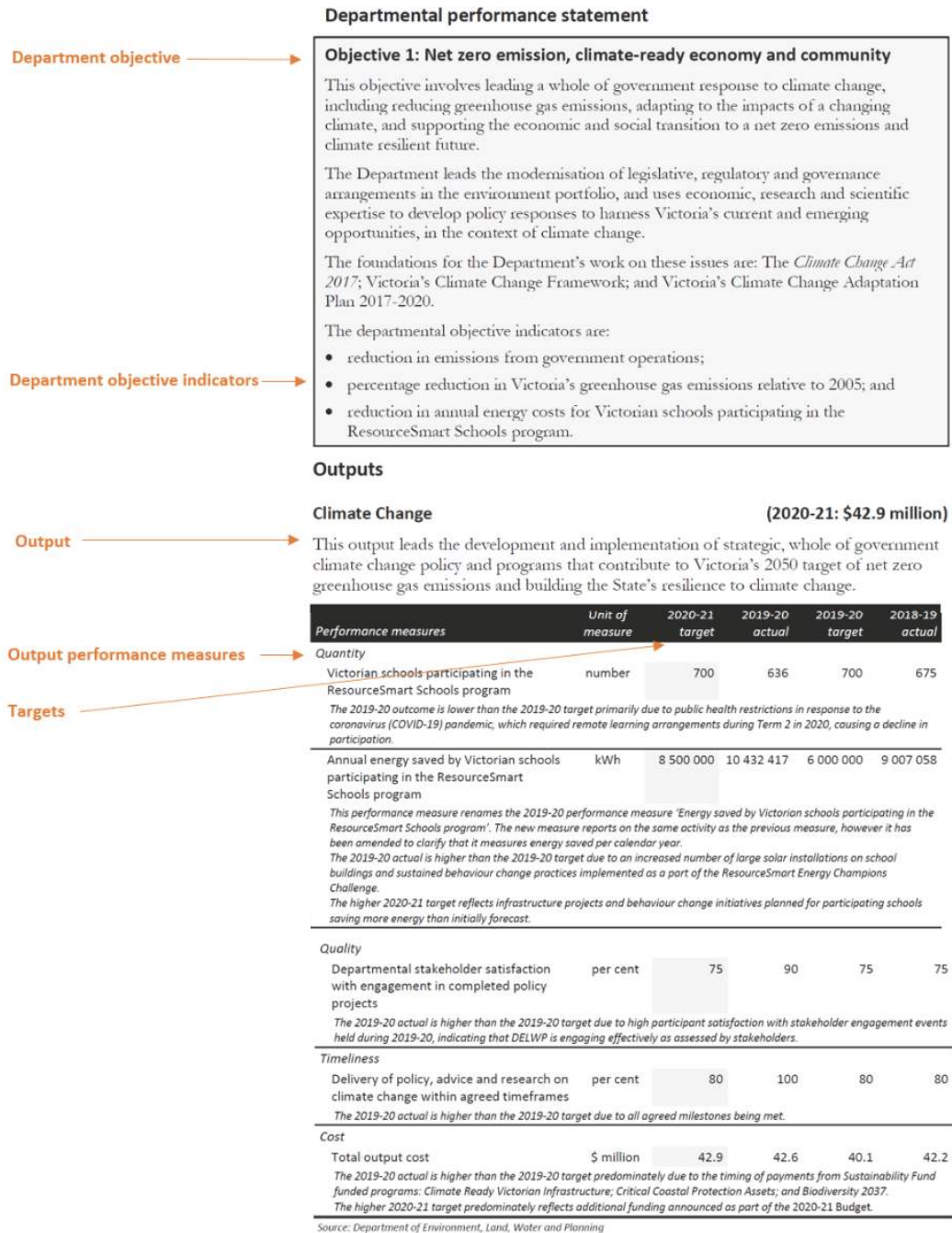


Note: Victorian Public Sector Commission (VPSC) works to strengthen the efficiency, effectiveness and overall capability of the public sector while ensuring professionalism and integrity in all aspects of its operation.

Source: VAGO, based on information from the Framework.

Figure 1F is an example of a performance statement, in this case from DELWP, for one of its departmental objectives.

FIGURE 1F: Example of a department's performance statement



Source: 2020-21 BP3.

1.6 Roles and responsibilities

Department of Treasury and Finance

DTF provides advice to departments about their objectives and output performance measures but does not endorse or approve them. The relevant minister approves the sections of a department's performance statement that relate to their portfolio.

DTF supports the Assistant Treasurer by:

- providing advice on the quality and relevance of the suite of objectives, objective indicators, outputs and output performance measures in the departments' performance statements
- reviewing the departments' output performance and advising the government on risks that may impact service delivery.

DTF also briefs the government in February on agencies' achievements against their targets in BP3.

Our 2014 audit *Public Sector Performance Measurement and Reporting* identified the need for DTF to better support departments to develop meaningful performance statements and clear efficiency measures. At that time, we recommended that DTF:

- improves its guidance material on performance measurement to include more practical examples to help departments measure efficiency and effectiveness
- more rigorously and consistently assesses and communicates performance back to portfolio departments and government.

Government departments

Departments support their portfolio ministers in achieving the government's objectives and priorities. As the accountable officer, a department's secretary is responsible for:

- approving their department's plans
- delivering outputs to the agreed performance standards
- supporting portfolio ministers to develop their department's performance statement, medium-term plan and annual report.

Parliament

Parliament holds the government accountable for its overall performance and authorises the Bill following the annual Budget.

To strengthen accountability and transparency for performance management, Parliament's Public Accounts and Estimates Committee (PAEC), at the invitation of the Assistant Treasurer, reviews output performance measures as part of the annual Budget process.

1.7 Previous audits on service performance reporting

Numerous VAGO audits in the last two decades have found significant weaknesses in the way that departments measure and report performance. Figure 1G summarises the findings from these audits.

FIGURE 1G: **Key findings from previous VAGO audits on service performance reporting**

Audit title	Year	Findings
<i>Departmental Performance Management and Reporting</i>	2001	The performance management and reporting framework was not complete. Key components, including the government's desired outcomes, measures of progress, departmental objectives and associated performance indicators, were yet to be finalised and publicly released.
<i>Performance Management and Reporting: Progress Report and a Case Study</i>	2003	The progress measures and performance indicators were poorly specified and did not allow the government to easily track departments' overall performance or assess their contributions to achieving the government's outcomes.
<i>Performance Reporting by Departments</i>	2010	Departments did not consistently measure or clearly report how well they were achieving outcomes that were consistent with government policy objectives. Only a few departments were able to demonstrate the extent to which they had met their objectives. Stronger central agency leadership was needed due to little progress in measuring and communicating outcomes over the previous decade.
<i>Public Sector Performance Measurement and Reporting</i>	2014	BP3 and annual reports that were meant to explain performance were impenetrable documents because: <ul style="list-style-type: none"> the numerous output measures reported rarely provided sufficient information to understand the effectiveness and efficiency of output delivery weaknesses in defining objectives and linking them to outputs meant they were not sufficient to measure and report on outcomes the absence of meaningful commentary on output metrics meant these documents were of minimal value in explaining performance. DTF's oversight of the performance measurement and reporting system was only partly effective. Its efforts to guide, support and check on departments' progress were visible but inadequate.

Source: VAGO.

VAGO's December 2012 *Reflections on audits 2006–12: Lessons from the past, challenges for the future* summarised repeated and significant weaknesses, including:

- departments not using appropriate measures of performance
- departments failing to measure outcomes
- insufficient guidance, advice and oversight by central agencies to support departments to implement the performance measurement system.

2. Measuring outcomes

Conclusion

Departments have not consistently developed or reported on objective indicators that show their achievement against their stated objectives. This means departments are not meeting the Framework's mandatory requirements. More importantly, it weakens departments' accountability and transparency by preventing the government, Parliament and the community from accessing vital information about their performance. Without information on departments' outcome achievement, the government lacks a sound basis for future investment and policy decisions.

Common issues that weaken outcome measurement across departments include:

- incorrectly using output rather than outcome objective indicators
- setting vague objective indicators that are hard to interpret and calculate results against
- not having baseline data to assess performance against.

While DPC's recent Outcomes policy aims to improve how departments approach measuring their outcomes, it misses a significant opportunity by not linking to the Framework, which is the state's primary accountability mechanism.

This chapter discusses:

- How departments set objectives
 - How departments set objective indicators
 - The Outcomes policy
-

2.1 How departments set objectives

Objectives must express a clear, measurable achievement

The starting point for a performance measurement system is to be clear about the desired objective of the activity you are measuring. Most departmental objectives for 2020–21 meet the Framework’s requirement that departments clearly set out the outcomes they intend to achieve with their funding.

Examples of clear objectives that focus on outcomes include:

- ‘Raise standards of learning and development achieved by Victorians using education, training, and early childhood development services’ (DET)
- ‘Net zero emission, climate-ready economy and community’ (DELWP)
- ‘Victorians are healthy and well’ (DHHS)
- ‘Ensuring community safety through policing, law enforcement and prevention activities’ (DJCS)
- ‘Optimise Victoria’s fiscal resources’ (DTF).

In these examples, the objectives meet the expectations set out in the Framework. The intended achievement is clear, which means it is measurable. The beneficiaries are also clear—in these examples, the public.

However, we found some examples where the objective does not meet required or recommended aspects of the Framework. In some of these instances, the stated departmental objective does not identify the intended beneficiaries, although it is generally possible to infer it based on the aligned departmental indicators. The more problematic issue is where an objective expresses no intended result or outcome. This is a missed opportunity because an objective should signal to public servants the tangible purpose of their work and tell the community what benefits a department is striving to deliver.

Figure 2A gives more detailed examples.

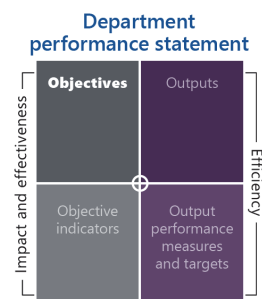


FIGURE 2A: **Examples of departmental objectives that do not clearly express the intended result (outcome) of their output delivery**

Departmental objective	Problem
High-performing DPC (DPC)	This objective focuses on DPC’s internal performance rather than the intended impact for the community or other departments from the services it provides. As such, no outcome is expressed.
Promote productive and sustainably used natural resources (DJPR)	This objective states the service that DJPR provides—promotion—rather than the intended outcomes of that work. The objective indicators in BP3 that align to this objective focus on maximising the value of agriculture exports and mineral extraction. The departmental objective should therefore directly articulate this intended outcome regarding economic results.
Effective management of prisoners and offenders and provision of opportunities for rehabilitation and reparation (DJCS)	This objective states the responsibilities of the department in regard to correctional services. It does not state the outcome intended from provisioning these services, which would likely relate to reduced recidivism.

Source: VAGO, based on the 2020–21 BP3.

Objectives must represent the totality of the department's output budget

The Framework requires departmental objectives to represent the totality of the department's output budget. Departments largely comply with this requirement. However, we identified one major initiative with significant expenditure in the 2020–21 Budget without relevant output performance measures. This example is shown in Figure 2B.

FIGURE 2B: **Example of a departmental initiative without relevant output performance measures**

Departmental initiative	Funding over four years (\$ million)	Comment
Big housing build: Victorian homebuyer fund (DTF) This fund aims to help first homebuyers afford their homes sooner by contributing to the purchase price in exchange for equity interest in the property, which therefore reduces the size of the deposit required.	500	This initiative contributes to DTF's Economic and Policy Advice output under its objective 'Strengthen Victoria's economic performance'. However, there are no output performance measures to assess DTF's progress against this initiative in the 2020–21 BP3.

Source: VAGO, based on the 2020–21 BP3.

As part of its yearly inquiry into the Budget estimates, PAEC has repeatedly identified initiatives that lack performance measures, despite being of significant public interest and expenditure. For example, PAEC's *Report on the 2019–20 Budget Estimates* found:

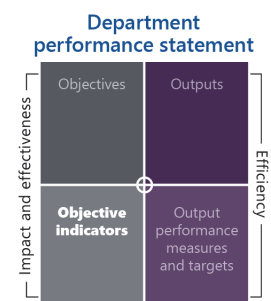
- DELWP had no performance measures or targets in the 2019–20 BP3 for diverting waste from landfill. This was despite the fact that the 2019–20 Budget provided an additional \$66 million for related initiatives, which brought the government's total investment to more than \$135 million. DELWP has addressed this in the 2020–21 BP3.
- DHHS had no performance measures or targets in the 2019–20 BP3 to assess the impact of the government's new \$322 million free dental care pilot for school students. DHHS did not introduce any new dental measures to address this in 2020–21.

2.2 How departments set objective indicators

Measuring outcomes

While an objective must be clear about what a department is aiming to achieve, an objective indicator must measure its success. The Framework requires departments to design objective indicators that assess the outcome of the outputs they deliver. There are many examples of departmental objective indicators that achieve this, including:

- 'Secondary students meeting the expected standard in national and international literacy and numeracy assessment' (DET)
- 'Reduce infant mortality' (DHHS)



- 'Rate of deaths from fire events' (DJCS)
- 'Change in Victoria's real gross state product' (DJPR)
- 'General government net debt as a percentage of Gross State Product to stabilise in the medium term' (DTF).

However, we also found that many departmental objective indicators measure outputs and not outcomes. This shows that some departments are not complying with the Framework and are failing to apply a service logic model when designing their objective indicators. As a result, there are significant gaps in departments' reporting of what government service delivery is achieving. This means that government decision-makers, Parliament and the community cannot properly examine departmental performance.

Figure 2C outlines examples of this issue.

FIGURE 2C: **Examples of objective indicators not measuring outcomes**

Departmental objective	Objective indicator(s)	Comment
Optimise Victoria's fiscal resources (DTF)	Agency compliance with the Standing Directions under the FMA	Agency compliance with the Standing Directions reflects the way agencies deliver their outputs and is therefore a process measure. An agency could comply, yet still not provide effective services. Also, DTF is not accountable for the compliance of other departments with the Standing Directions. Such a measure is therefore not attributable to DTF.
Productive and effective land management (DELWP)	Efficient provision of timely and authoritative land administration and property information services	As these services are outputs the department provides, this is an output measure rather than a measure of the outcome that these services achieve or contribute to.
	Number of visits to public land estate managed by the department's portfolio agency (Parks Victoria)	Visitor numbers is an output. This indicator does not describe the extent to which land is productive or effectively managed.
Raise standards of learning and development achieved by Victorians using education, training, and early childhood development services (Primary) (DET)	Percentage of positive responses to teacher collaboration within primary schools	This measures satisfaction with teacher collaboration activities. This is not an objective indicator, as it does not measure the standards of learning achieved by students. It is instead a proxy measure of the quality of a process used to improve teaching.
Engagement (DET)	Increase the number of Victorians actively participating in education, training, and early childhood development services	The objective is focused on enrolment numbers in various educational services, which is an output. The related outcomes would be the number of Victorians attaining a qualification, completing a level of schooling or academic standard, or gaining employment.
Victorians are protected with equal opportunities, secure identities,	Complaint files received and handled by the Victorian Equal Opportunity and Human Rights Commission (VEOHRC)	All six indicators measure outputs and therefore do not describe if the department is achieving its objective.

Departmental objective	Objective indicator(s)	Comment
information freedoms and privacy rights (DJCS)	People assisted through Public Advocate advice and education activities	
	Services provided to victims of crime against the person	
	Births, deaths and marriages registration transaction accuracy rate	
	Working with Children Checks processed (negative notices issued within three days of receiving decision)	
	Education and training activities delivered by the Office of the Victorian Information Commissioner	
Foster a competitive business environment (DJPR)	Engagement with businesses	The number of engagements with businesses is a count of the services provided by DJPR and is therefore an output measure. This indicator does not describe if these outputs result in a more competitive business environment in the state.
Build prosperous and liveable regions and precincts (DJPR)	Precincts developed and delivered	Delivering precincts is an output and does not describe whether these precincts are prosperous or liveable or not.
	Community satisfaction in public places	Community satisfaction with public places measures the quality of the output delivered rather than describing if the public space is prosperous or liveable.
Strong policy outcomes (DPC)	DPC's policy advice and its support for Cabinet, committee members and the Executive Council are valued and inform decision-making	The objective and both objective indicators are vague—it is unclear what is intended to be measured and how.
	The development and effective use of technology supports productivity and competitiveness	

Source: VAGO, based on the 2020–21 BP3.

Objective indicators must link to departmental objectives and outputs

As required by the Framework, almost all of the objective indicators that departments are using have a clear and direct link to their related departmental objective.

However, in some instances, objective indicators do not measure the intended objective, or they fail to cover key elements of the objective. This means that some departments are missing information about their performance against some of their objectives.

Figure 2D shows examples of objective indicators that measure something other than the departmental objective. Figure 2E shows examples of objective indicators that address only part of the objective or do not align to the outputs (services) linked to those indicators.

FIGURE 2D: **Examples of objective indicators that do not measure the intended objective**

Departmental objective	Objective indicator	Comment
Victorians have the capabilities to participate (DHHS)	Increase the satisfaction of those who care voluntarily for people with a disability, people with mental illness, and children in out-of-home care	There is no direct link between carer satisfaction and the departmental objective. It is also unclear what service is being measured. DHHS provides a wide range of carer supports, and carer satisfaction could also capture carers' views on the supports provided to the person they care for.
Net zero emission, climate-ready economy and community (DELWP)	Reduction in annual energy costs for Victorian schools participating in the ResourceSmart Schools program	This indicator does not measure the degree to which the departmental objective is met—for example, the level of emission reduction achieved. Cost reduction may be a secondary outcome, but it is not aligned to the departmental objective—it is a side benefit of reducing greenhouse gas emissions and an incentive for schools to participate in the program, not the primary outcome being sought.
Build prosperous and liveable regions and precincts (DJPR)	Community satisfaction with the performance of councils as measured through the Local Government Community Satisfaction survey	This is a measure of council performance, not DJPR's service delivery.
A fair marketplace for Victorian consumers and businesses with responsible and sustainable liquor and gambling (DJCS)	Responsive Gamblers Help services	The objective refers to a fair and responsible liquor and gambling sector. However, the indicator intended to measure achievement of the objective focuses on the responsiveness of a service that supports people with gambling problems. There is no relationship between the responsiveness of this public health service with how well DJCS regulates and oversees the liquor and gambling sector. Even if there was a relationship, the proposed measure is an output rather than an outcome measure.

Source: VAGO, based on the 2020–21 BP3.

FIGURE 2E: **Examples of objective indicators that address only part of the departmental objective or do not align to the corresponding outputs**

Departmental objective	Objective indicator	Comment
Victorians are connected to culture and community (DHHS)	Increase rates of community engagement, especially for Aboriginal children and young people	The objective indicators appear to have logical links to the departmental objective. However, the outputs described in BP3 that are linked to these indicators do not specifically relate to cultural connection services for Aboriginal children or young people, or those in out-of-home care services. Instead, the output group is described as funding community support programs, such as Men's Sheds, neighbourhood houses and the Office for Disability and, through that, disability advocacy services. This demonstrates a lack of service logic in the performance measurement design.
	Increase cultural connection for children in out-of-home care, especially Aboriginal children	
Reduce the impact of, and consequences from, natural disasters and other emergencies on people, infrastructure, the economy and the environment (DJCS)	Value of domestic fire insurance claims	The objective aims to deliver a coordinated, 'all-communities, all-emergencies' approach to emergency management that focuses on mitigating risks and actively partnering with the Victorian community. However, the two objective indicators only focus on fire emergencies.
	Rate of deaths from fire events	
Deliver investments that achieve social and economic benefits (DoT)	Improved transport infrastructure and planning	It is unclear how this objective indicator would be measured. DoT has no business rule for the indicator, and the related outputs in BP3 do not contribute to understanding the economic or social benefits related to transport infrastructure. Instead, they focus on, for example, roads meeting service standards and the timeliness of transport infrastructure project completion.

Source: VAGO, based on the 2020–21 BP3.

Objective indicators must be clear and measurable

It is a mandatory requirement of the Framework that departments 'demonstrate the contribution of departmental outputs to the achievement of the objective through performance data'. However, some objective indicators are too vague to understand the actual desired outcome, which makes it unclear how to measure performance against the indicator.

In some instances, this is likely because it is difficult to attribute an outcome to the service the department provides, such as advice or support to other entities. In such cases, departments should consider if they need to specify an objective and objective indicator for that service or, using a service logic to assist, consider if the outcome that can be measured is stakeholder satisfaction with the advice the department provides.

In other instances, departments have not articulated an indicator, but only described the subject matter of the indicator.

Another issue is that some objective indicators incorporate a number of different aims, which makes it impossible to develop a single metric to capture performance against all of the elements.

Figure 2F provides examples that illustrate these issues.

FIGURE 2F: **Examples of objective indicators that are not clear or measurable**

Departmental objective	Objective indicator	Comment
Strengthen Victoria's economic performance (DTF)	Advice contributes to the achievement of government policies and priorities relating to economic and social outcomes	The term 'contributes' is very subjective, which makes measuring it difficult.
Ensuring community safety through policing, law enforcement and prevention activities (DJCS)	Crime statistics	No further description of the indicator is provided in BP3. It is therefore unclear what is to be measured and what success looks like.
Reliable and people-focused transport services (DoT)	Reliable travel	The indicator essentially restates the objective and lacks sufficient detail to explain what is to be measured.
Professional public administration (DPC)	A values-driven, high-integrity public service characterised by employees who collaborate across government and in partnership with the community and other sectors, and who use evidence to support decisions that drive the progress of Victoria socially and economically	This is an aspiration rather than a measurable objective indicator. Given the number of different impacts sought, it is not possible to measure them collectively.

Source: VAGO, based on the 2020–21 BP3.

Underpinning business rules

According to the Framework, each objective indicator should be underpinned by a 'business rule' that explains in detail how results against the indicator should be calculated, including the data used.

However, of the 145 departmental objective indicators used in 2019–20, departments were unable to provide the rules for calculating results, which outline the data used, for 91 of the indicators.

Figure 2G shows examples that represent better practice, which clearly define what is included and excluded in the measure.

A **business rule** is the detailed definition of a performance measure. They are important to ensure accurate and consistent calculation of results. Departmental business rules are not publicly published.

FIGURE 2G: **Examples of objective indicators with well-explained business rules in place**

Objective indicator	Business rule in place
Escapes from corrective facilities (DJCS)	The indicator counts escapes by prisoners from prison facilities/precincts regardless of whether or not there was a breach of a physical barrier. It also includes escapes by prisoners during prison-to-prison, prison-to-hospital, or prison-to-court transport/escort, and escapes while under direct one-to-one supervision outside a prison facility (for example, to attend a funeral or medical appointment).

Objective indicator	Business rule in place
International students attracted to Victoria (DJPR)	International student enrolment data covers onshore international students studying on student visas only (visa subclasses from 570 to 575). It does not include students studying Australian courses offshore (such as on an offshore campus or online), overseas students on Australian-funded scholarships or sponsorships, or students undertaking study while holding a tourist or other temporary entry visa (for example, visitors studying an English-language course while on a holiday visa). Students from New Zealand are not included in this data because they do not require a student visa to study in Australia. Students will be counted as enrolled in Australia even if they have left Australia temporarily. For example, during end-of-year holidays.

Source: VAGO, based on DJCS and DJPR's business rules.

DPC, DET, DHHS and DoT could not provide business rules for any of their objective indicators. This is despite guidance in the Framework that departments should document their calculation methods and maintain records to allow independent auditing.

Where departments have documented business rules for indicators, some of the instructions are far too general. This allows different ways of calculating the result, which therefore risks inaccurate reporting and varying calculation methods from year to year. Figure 2H shows examples of this issue.

FIGURE 2H: **Examples of business rules that are too general to support accurate and consistent calculation of the objective indicator**

Objective indicator	Business rule	Comment
Benefits delivered as a percentage of expenditure by mandated agencies under DTF-managed state purchasing contracts, including reduced and avoided costs (DTF)	Benefits delivered (\$)/expenditure under management (\$)	The business rule does not provide sufficient detail of what benefits are included or calculated. There is no definition of 'benefit' or what is acceptable to include in regards to reduced or avoided costs. The data source is not documented either.
Percentage reduction in Victoria's greenhouse gas emissions relative to 2005 (DELWP)	The latest <i>State and Territories Greenhouse Gas Inventories</i> report was published in February 2018, and contains emissions data to 2016. According to this report, Victoria's emissions were 10.8 per cent below 2005 levels in 2015. Based on internal projections of Victoria's emissions, emissions are on track to meet the 2020 target.	This is not a business rule because there is no explanation of the calculation method or the data source for Victoria's results.

Source: VAGO, based on DTF and DELWP's business rules.

This lack of rigour is a serious issue. Without clear calculation methods and identified data sources, it is unclear how departments arrive at the performance results they publish.

Objective indicators must have baseline data

The Framework also requires departments to set a baseline for their objective indicators. However, none have done this. Without baseline data it is difficult to assess departments' progress towards achieving their objectives.

Many of the departmental objective indicators in the 2020–21 BP3 include words such as 'reduce', 'increase' or 'improve'. For example:

- 'Reduction in emissions from government operations' (DELWP)
- 'Improved transport infrastructure and planning' (DoT)
- 'Increase rates of community engagement, including through participation in sport and recreation' (DJPR).

However, without a baseline to compare against, departments cannot provide meaningful information about the extent of change or improvement.

The Framework does not provide guidance on what a baseline should be. However, it could be interpreted as requiring departments to establish a minimum performance level to measure their objective indicators against. This would be consistent with the guidance in DTF's Model Report, which suggests that departments should develop a baseline dataset for their objective indicators and publish the associated medium-term targets in their annual reports.

2.3 The Outcomes policy

In addition to the Framework, DPC has introduced a new Outcomes policy for departments to use to measure their outcomes. The policy states:

'The Victorian public sector is driven by a strong moral purpose to improve the lives of all Victorians. The best way to ensure that we deliver public value to the people of Victoria is to clearly define the outcomes we are trying to achieve, and measure our progress along the way'.

The Outcomes policy encourages and supports departments to determine their outcomes and measures for program and service delivery areas as required. However, it does not articulate what relationship or priority these outcomes should have to their departmental objectives and objective indicators. It does not reference the Framework either. As a result, there is risk that departments may:

- develop conflicting sets of outcomes and outcome measures
- focus on metrics within their outcomes frameworks to the detriment of their departmental objective indicators, which have formal requirements for public reporting
- create confusion among staff, government decision-makers, Parliament and the public about what their objectives are and which performance information to use.

The policy's focus on upskilling departments' staff in identifying outcomes and appropriate measures is warranted, as shown by our assessment of current departmental objective indicators. However, it is a significant missed opportunity that the policy does not outline how it aligns with the state's primary system of performance measurement and accountability through the Budget process and annual reporting.

3. Measuring output performance

Conclusion

Across all departments and service delivery areas, there are many output performance measures that provide little genuine insight into departmental performance. This is despite the Framework describing output performance measures as the 'building blocks of the accountability system' and the 'basis for the certification of departmental revenue'. This is a significant failure by departments in the application of the state's key performance and accountability framework. Contributing issues include:

- outputs that combine too many separate activities
- output measure selections that impair transparency
- output measures that do not measure output delivery
- output measures that are vague, outside the department's control, and/or only reflect meeting a minimum standard
- output measures that prevent comparison of performance over time or against other jurisdictions.

This chapter discusses:

- Setting outputs
 - Determining a balanced suite of output performance measures
 - Constructing output performance measures
-

3.1 Setting outputs

Outputs are services that departments provide either to the community or other departments. An output should capture all the specific activities that make up a service and should contribute to the achievement of a departmental objective.

Outputs that are too large or combine too many different activities

The 2020–21 BP3 includes examples of outputs that combine too many separate activities. This reduces departments' transparency and accountability by making it difficult to understand the cost and performance of the individual services that an output covers.

The Framework provides the following review criteria to help departments determine their output groupings:

- Are the services closely related or homogenous in nature?
- Are the services targeting a specific problem for the same customer?
- Is the purpose of the services the same?
- Is the output less than 10 per cent of the department's total output cost and less than 0.5 per cent of the state's total Budget?

The Framework states that if the answer is 'no' to any of these questions, then the output is too large.

Despite this guidance, there are many examples that breach it. For example, DJCS's output shown in Figure 3A, which has \$237 million of funding for 2020–21.

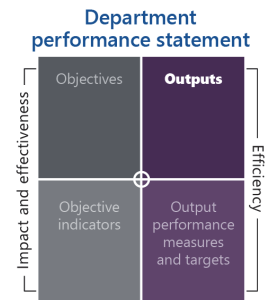


FIGURE 3A: **Example of an output that combines too many different activities**

Departmental output	Activities covered by the output	Comment
Justice Policy, Services and Law Reform (DJCS)	<ul style="list-style-type: none"> • Law reform and sentencing advisory information • Forensic medical services and advice from the Victorian Institute of Forensic Medicine • Legal solutions and strategic advice from the Victorian Government Solicitor's Office • Dispute resolution and mediation services from the Dispute Settlement Centre of Victoria • Activities of the Native Title Unit and the Koori Justice Unit 	This output group fails the test set out in the Framework because the services are not homogenous. Spanning from provisioning clinical forensic evidence to negotiating native title agreements, these activities serve a wide range of different consumers and purposes.

Source: VAGO, based on the 2020–21 BP3.

In other instances, output groups are very large in terms of the funding amount. Despite the Framework's requirements, if the activities within an output are truly homogenous, then it may be reasonable to group them together as one output. In this instance, the large amount of funding merely reflects the high cost and/or

volume of the activities. However, it becomes problematic when too many disparate services are grouped together. In that instance, it makes it hard to identify the performance of the various services within the output group.

This issue was also raised by PAEC in its *Report on the 2016–17 Financial and Performance Outcomes*. PAEC recommended that departments improve the usefulness of their performance reporting by splitting some of their larger outputs by speciality, size or location.

Examples of current output groups that are larger than what the Framework recommends include:

- DHHS's 'Acute Health Services' output, which has a budgeted cost of \$17.065 billion (55 per cent of DHHS's total funding and 21.4 per cent of the state Budget)
- DJCS's 'Policing and Community Safety' output, which has a budgeted cost of \$3.793 billion (42.4 per cent of DJCS's total funding and 4.8 per cent of the state Budget)
- DET's 'School Education—Primary' output, which has a budgeted cost of \$6.431 billion cost (37.8 per cent of DET's total funding and 8.1 per cent of the state Budget).

There is an opportunity for departments to split these output groups into smaller, more meaningful outputs. For example, 'Acute Health Services' incorporates elective and emergency services, acute and subacute (rehabilitation) services, and outpatient and inpatient services. This indicates that there is an opportunity to create more defined and homogenous output groups. Similarly, 'School Education—Primary' incorporates operational school funding and capital funding, which offers the potential for separate, smaller output groups aligned to specific purposes.

3.2 Determining a balanced suite of output performance measures

Departments need a suite of output performance measures to show accountability for their funding and demonstrate how their outputs have contributed to a departmental objective.

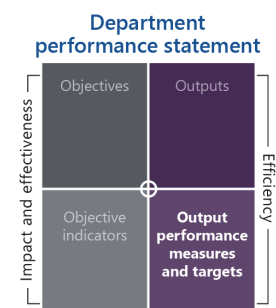
The Framework sets mandatory requirements for output performance measures. It specifies that departments need to have a meaningful mix of quality, quantity, timeliness and cost performance measures for each output that assesses:

- service efficiency and effectiveness
- all major activities of the output.

However, we found numerous examples of suites of output performance measures that do not meet these requirements.

How output measures contribute to a departmental objective

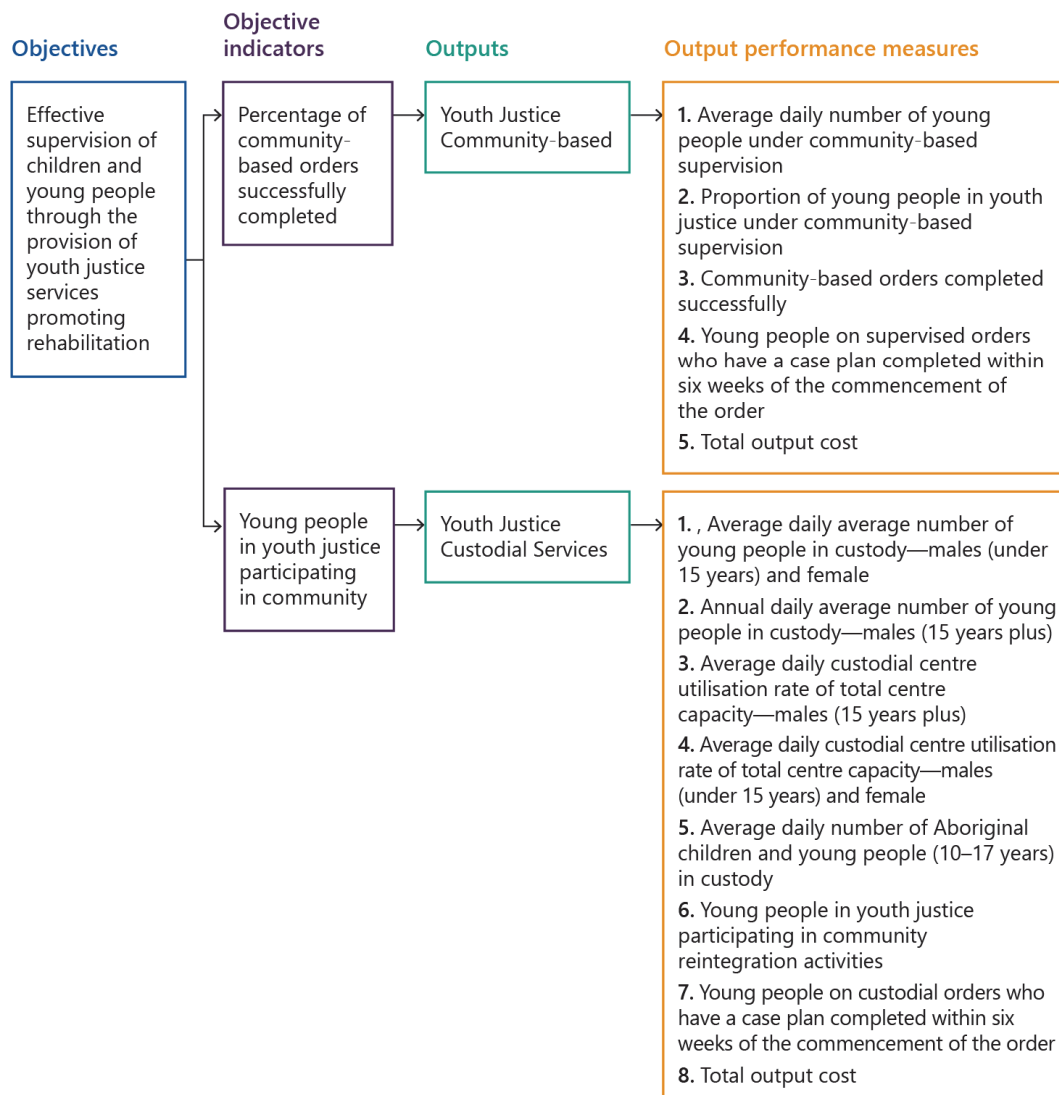
Not all departments' performance statements present a clear link between departmental objectives, objective indicators, outputs and output performance measures. This makes it difficult for readers to understand how well a department is



delivering its outputs, and whether its output delivery is making a meaningful contribution towards achieving an objective.

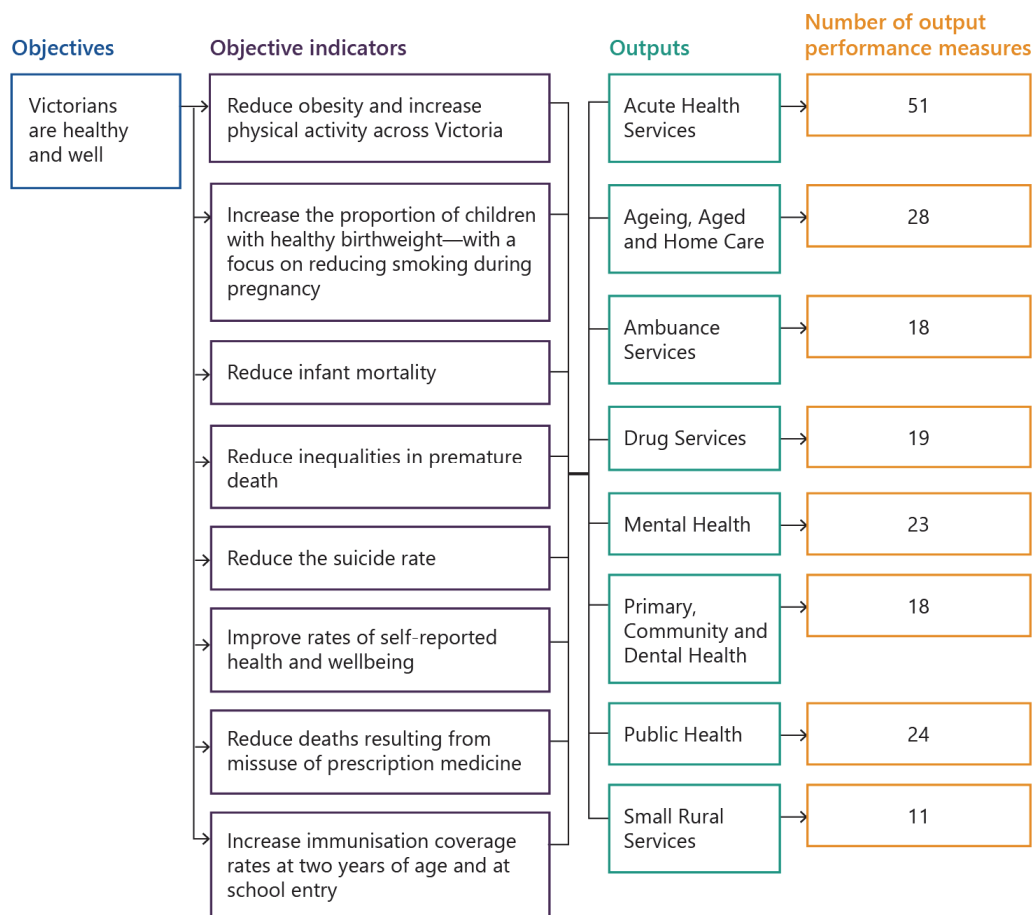
To demonstrate this, Figures 3B and 3C compare objectives from DJCS's and DHHS's performance statements. While DJCS's statement presents a clear relationship between all its parts, DHHS does not have clear links between its objective indicators, outputs and output performance measures.

FIGURE 3B: Extract from DJCS's performance statement for the objective 'Effective supervision of children and young people through the provision of youth justice services promoting rehabilitation'



Source: VAGO, based on the 2020–21 BP3.

FIGURE 3C: Extract from DHHS's performance statement for the objective 'Victorians are healthy and well'



Source: VAGO, based on the 2020–21 BP3.

Comparing these performance statement extracts highlights the importance of clear links between objectives, objective indicators and output performance measures:

For its departmental objective ...	The department has set ...	For the reader, this means ...
Effective supervision of children and young people through the provision of youth justice services promoting rehabilitation (DJCS)	Two objective indicators that each align to their own output group and set of output performance measures.	They can clearly follow the alignment from output performance measure to output group, and then from objective indicator to the overall objective.

For its departmental objective ...	The department has set ...	For the reader, this means ...
Victorians are healthy and well (DHHS)	<p>Eight objective indicators and eight separate outputs, with no links expressed between the outputs and the objective indicators.</p> <p>192 output performance measures spread across the outputs.</p>	<p>It is difficult to know which outputs and output performance measures relate to which objective indicators. This creates the impression that all of the outputs and output performance measures contribute to all of the objectives and objective indicators. For example, this is unlikely because:</p> <ul style="list-style-type: none"> • the 'Ageing, Aged and Home Care' output does not clearly relate to the objective indicator 'Increase the proportion of children with healthy birth weight—with a focus on reducing smoking during pregnancy' • the 'Drug Services' output does not clearly contribute to the objective indicator 'Reduce obesity and increase physical activity across Victoria'. <p>It would be more useful for the reader if the department clearly expressed which outputs and output measures relate to which departmental objectives and objective indicators.</p>

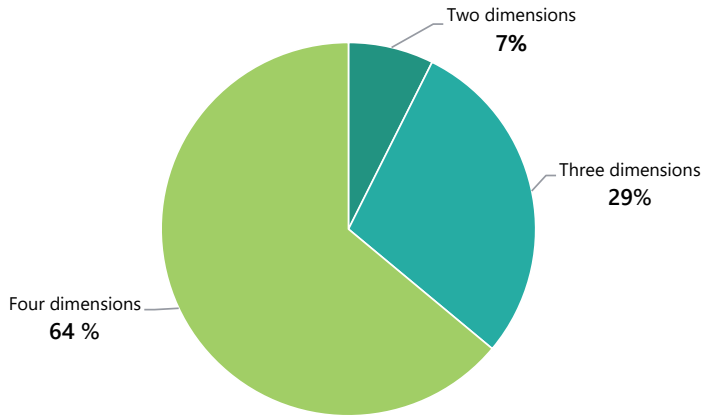
A mix of quality, quantity, timeliness and cost measures

If outputs do not have a good balance of measures, departments cannot provide a comprehensive and transparent view of their performance and make informed decisions about trade-offs in their service delivery. While this does not necessarily mean an equal number of measures across the four dimensions—quality, quantity, timeliness and cost—the Framework does require departments to have a meaningful mix. This is so users accessing the information can determine if the department may be:

- reducing quality standards to meet quantity, timeliness or cost targets
- reducing the quantity of outputs to meet quality or timeliness targets
- delaying project delivery to meet quality and quantity targets.

Figure 3D shows that despite the expectation set in the Framework that all outputs have a mix of output measures across all four dimensions, only 64 per cent of departments' outputs meet this mandatory requirement.

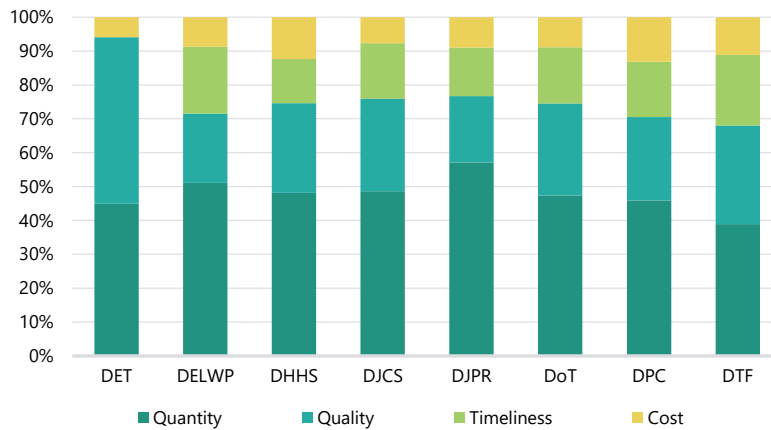
FIGURE 3D: Percentage of 2020–21 outputs that have output measures covering either two, three or all four required dimensions of quantity, timeliness, cost and quality



Source: VAGO, based on the 2020–21 BP3.

Figure 3E shows that while there is some variation in the mix of 2020–21 output performance measures between departments, 'quantity' is the most frequently used. The exception is DET, which uses more 'quality' measures and no measures of timeliness.

FIGURE 3E: Mix of quantity, quality, timeliness and cost measures by department



Source: VAGO, based on the 2020–21 BP3.

Figure 3F gives an example of an output without a balanced mix of output performance measures.

DHHS's output 'Small Rural Services' includes a range of health and aged-care services delivered in small rural towns and is divided into four sub-outputs: 'acute health', 'aged care', 'primary health' and 'home and community care services'. Only two of these sub-outputs have quality measures and none of them have a timeliness measure. Without these measures, DHHS cannot know whether it is providing timely, quality health services in rural communities. It is also not possible to see if DHHS is making performance trade-offs.

FIGURE 3F: **Balance of sub-output performance measures for DHHS's output group 'Small Rural Services'**

DHHS sub-output	Quantity	Quality	Timeliness	Cost
Acute health	2	1	0	1
Aged care	1	1	0	1
Home and community care services	1	0	0	1
Primary health	1	0	0	1

Source: VAGO, based on the 2020–21 BP3.

Appendix D provides a further example to illustrate gaps in current departmental performance statements by comparing the measures that DHHS uses to assess the performance of its mental health services with those used by RoGS.

Efficiency output measures

Despite requiring departments to set output efficiency measures, DTF includes no guidance in the Framework on how to construct efficiency output measures. In particular, it does not require departments to define the unit cost of their services. This makes it difficult to benchmark service efficiency across departments and other similar jurisdictions, and to understand if individual outputs provide value for money.

Across all departmental output performance measures, there are only two (both for DTF) that truly measure efficiency:

- 'Total accommodation cost (\$ per square metre per year)'
- 'Workspace ratio (square metre per FTE) [full-time equivalent]'.

DET also has four measures that measure service efficiency. However, it has incorrectly categorised these as departmental objective indicators rather than output performance measures.

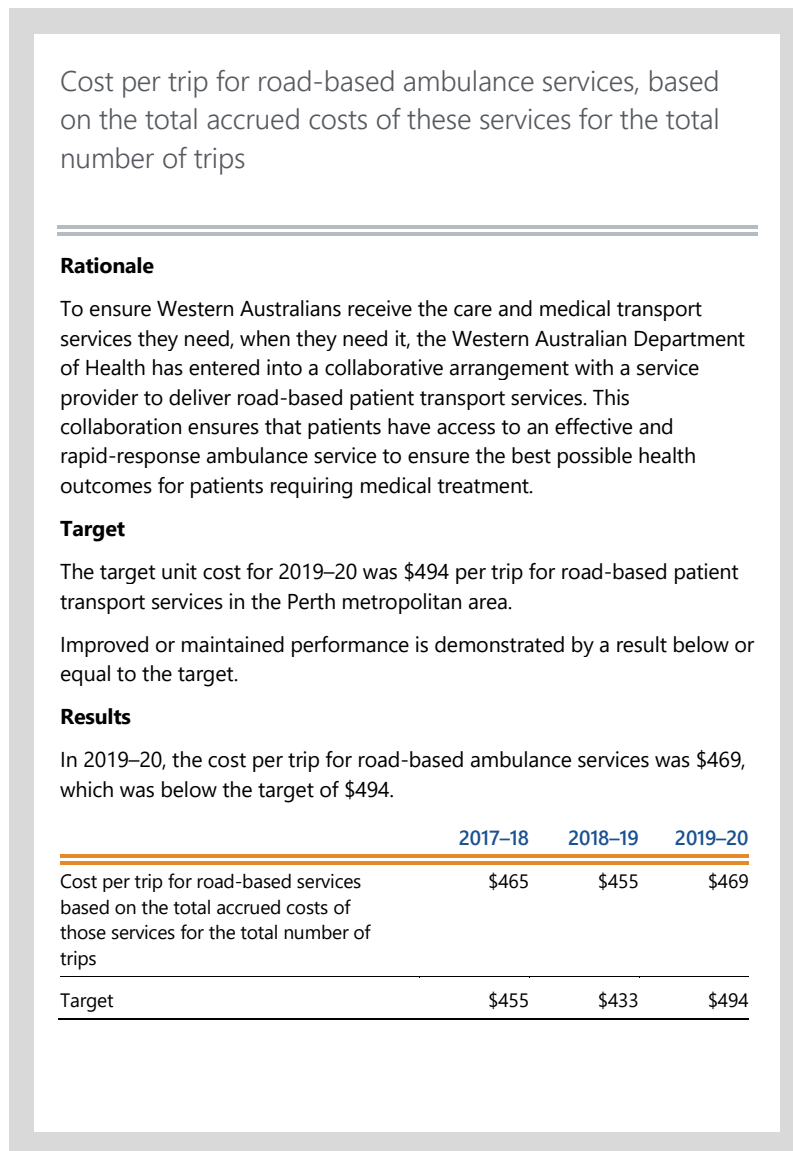
This absence of true efficiency measures across government departments reflects a lack of focus on an important aspect of government service delivery performance.

The most common output measures in the 2020–21 BP3 are those measuring 'quantity'. It is possible to convert quantity measures into efficiency measures by

combining them with cost to show the unit cost for a service. Figures 3G and 3H provides examples of this.

As shown in Figure 3G, instead of simply listing the number of emergency road transports, the Western Australian Department of Health uses the measure 'Cost per trip for road-based ambulance services' to measure the cost-efficiency of the service.

FIGURE 3G: Extract from the Western Australian Department of Health's 2019–20 Annual Report



Source: Western Australian Department of Health's 2019–20 Annual Report.

Figure 3H shows examples of how departments could convert their existing quantity measures into efficiency measures by calculating the unit cost of their services.

FIGURE 3H: **Examples of how to convert quantity measures into efficiency measures**

Existing output performance measure	Possible efficiency measure
Statewide emergency road transports (DHHS)	Cost per trip for road-based ambulance services based on the total costs of these services and the total number of trips
Passengers carried—metropolitan bus services (DoT)	Cost per bus trip in the metropolitan area based on the total costs of these services and the total number of trips
Annual daily average number of male prisoners (DJCS)	Cost per prisoner based on total cost of prisons and total number of prisoners

Source: VAGO, based on the 2020–21 BP3.

Departments can similarly convert existing timeliness measures into efficiency measures to provide more meaningful performance information. For example, DJPR's 'Resources' output has the output performance measure 'Regulatory audits completed within agreed timelines'. This output performance measure could be improved by measuring the 'average time to complete a regulatory audit'. This would allow DJPR to assess its timeliness in delivering this output and if its service delivery has improved over time.

Effectiveness output measures

Under the Framework, effectiveness is measured mostly through objective indicators because they show the outcome of an activity, and therefore whether it is effective or not. Output measures can contribute to understanding the reasons behind effectiveness.

Departments frequently measure the 'quantity' of their service delivery to do this. However, departmental quantity measures are usually only a simple count of services delivered. A more useful approach, for example, would be to measure the number of services as a proportion of the target population. This would reveal more information about the effectiveness of the reach or uptake of an intervention. This is demonstrated in Figure 3I.

FIGURE 3I: **More useful effectiveness output performance measures**

Existing output performance measure	Possible effectiveness measure
Hectares of pest predator control in priority locations (DELWP)	Area (hectares) of pest predator control as a proportion of total area (hectares) in priority locations
Number of alcohol screening tests conducted (DJCS)	Number of alcohol screening tests as a proportion of the target group, for example, daily road users or registered drivers
Total number of Maternal and Child Health Service clients (aged 0 to 1 year) (DHHS)	Number of Maternal and Child Health Service clients as a proportion of all children aged 0 to 1 year

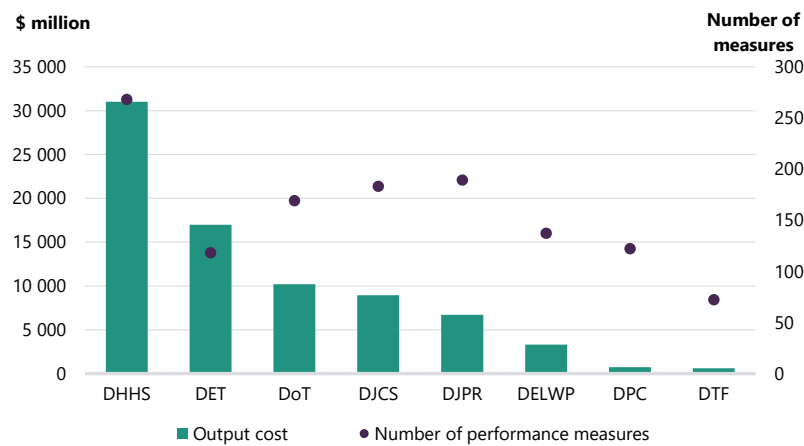
Source: VAGO, based on the 2020–21 BP3.

Capturing all 'major' activities in output measures

Departments do not always apply the principle of focusing on 'major' activities, and have inconsistent approaches to deciding how many output performance measures to set for each output. This issue is seen in examples where significant, costly services with large community impact have the same number of output performance measures as much lower cost services with far smaller impact. While it is important for departments to collect performance information about all of their services, if information does not reflect a major service, then it is better suited to department-level reporting because it dilutes BP3's focus on significant matters.

Figure 3J shows that DPC, which has a relatively small budget and provides little direct service outputs to the community, has a similar number of output measures to DET, which provides all government early childhood, school, and tertiary and higher education services.

FIGURE 3J: Comparison of the number of performance measures and output costs by department for 2020–21



Source: VAGO, based on the 2020–21 BP3.

To further illustrate the very different approaches to determining the number of output measures, DPC has eight output measures for its 'Chief Parliamentary Counsel services' output, which is worth \$6.6 million, and seven measures for its 'Support to veterans in Victoria' output, which is worth \$9.0 million. In contrast, DET has four measures for its 'Support for Students with Disabilities' output, which is worth \$1 242.6 million.

3.3 Constructing output performance measures

Departments need to construct output performance measures that measure the desired objective of their service delivery and relate to factors that are clearly within their control. Good output measures should provide useful information to help stakeholders understand how a department's services might be contributing to

objective indicator results. However, we found numerous examples of output performance measures that do not provide meaningful information about output performance. This is because departments have output performance measures that:






- do not measure their outputs
- do not clearly define what is being measured
- do not relate to factors within their control
- only relate to meeting legislative requirements or a basic minimum performance standard
- prevent them from comparing their performance over time.

Output performance measures that do not measure outputs

Given that departments are funded on the basis of their outputs, it is important that their performance measures clearly relate to these outputs. However, all departments' performance statements include output performance measures that measure an outcome, input or process, rather than an output. These measures do not meet the Framework's requirement to measure output performance, which is the key accountability mechanism of the state's funding model.

Figure 3K shows five examples of output performance measures and outlines if they meet the Framework's requirement to measure outputs. For reference, Section 1.1 defines the terms input, process, output and outcome.

FIGURE 3K: **Examples of 2020–21 output performance measures and whether they are input, process, output or outcome measures**

Output performance measure	Meets the Framework?	Measurement focus
Availability of rolling stock—VLocity fleet (DoT)		Measures the input or resources that DoT uses to meet its objective 'Reliable and user-focused transport services'.
Business processes maintained to retain ISO 9001 (Quality Management Systems) Certification (DTF)		Measures the process DTF uses to help assure it meet its objective 'Optimise Victoria's fiscal resources'. Results against the measure do not describe the delivery of funded outputs, which are analyses and advice to government on the management of Victoria's fiscal resource.
Major sporting and cultural events held (DJPR)		Measures the output or support service (facilitating events) that DJPR provides to meet its objective 'Grow vibrant, active and creative communities'.
Fires contained at first attack to suppress fires before they become established, minimising impact (DELWP)		Measures the output or activity (responding to and attacking fires) that DELWP undertakes to meet its objective 'Reduced impact of major bushfires and other emergencies on people, property and the environment'.
Proportion of drivers tested who return clear result for prohibited drugs (DJCS)		Measures the outcome of DJCS's objective 'Ensuring community safety through policing, law enforcement and prevention activities', rather than the delivery of activities that derive clear drug test results, such as preventative public health campaigns.

Source: VAGO, based on the 2020–21 BP3.

It is likely that departments include input and process measures in their performance statements because they provide departmental staff with useful management information. However, departments should capture and report this outside of BP3.

Departments wrongly including outcome measures in their performance statements as 'output' measures suggests the need for them to more carefully consider the service logic of the activity being provided and ensure outcome measures are properly expressed as objective indicators, as discussed in Chapter 2.

When departments wrongly include input, process and outcomes measures, this can exclude relevant output measures, which results in reporting gaps. This impairs the function of the state's funding model, which purchases outputs and therefore requires departments to report on their output delivery in return for that funding.

For example, DET has included a number of outcome measures within its output measures, for example, measures of student literacy and numeracy. This becomes problematic if the activities DET provides (the outputs) to support these outcomes are not included in the performance framework.

There are a range of funded DET activities outlined in the 2020–21 BP3 that would contribute to the achievement of literacy and numeracy levels, but these are not reflected in DET's output measures. Therefore, DET may not have performance information on the volume, timeliness, cost or quality of the outputs it was funded to deliver to support student achievement. This makes it difficult for decision-makers to scrutinise why the outcome results might have occurred or ensure DET has delivered its funded outputs as intended.

Another example that demonstrates this issue is DTF's output measures for Invest Victoria. It only has one true output measure, which counts the number of visits to the Invest Victoria website. Aside from this, one input measure is included ('total cost') and the rest are all outcome measures that outline the number of jobs created, businesses attracted to Victoria and funds generated. The results of these measures may also be strongly influenced by factors outside of DTF's control. This means there is no reporting on the actual services delivered by Invest Victoria in return for government funding, as shown in Figure 3L.

FIGURE 3L: Extract from DTF's departmental performance statement in the 2020–21 BP3

Invest Victoria (2020–21: \$137.4 million)

This output contributes to the Department's objective to strengthen Victoria's economic performance through facilitating private sector investment in Victoria. This is achieved through a focus on investments that strengthen innovation, productivity, job creation and export growth in Victoria's economy.

This output also provides support and advice to Government on Victoria's long-term economic development, including in relation to:

- ensuring Victoria is a leading destination for business, innovation and talent globally;
- continuous enhancement on Victoria's approach to investment attraction; and
- enhancing Victoria's business investment environment.

The performance measures below compare targets and expected or actual results from the delivery of programs and services as part of this output:

Performance measures	Unit of measure	2020–21 target	2019–20 actual	2019–20 target	2018–19 actual
<i>Quantity</i>					
Jobs resulting from government investment facilitation services and assistance	number	5 200	5 241	5 200	7 192
<i>These are whole-of-government targets with relevant activities across departments (including the Departments of Jobs, Precincts and Regions, Premier and Cabinet and Environment, Land, Water and Planning) contributing to these performance measures. The Victorian Jobs and Investment Fund contributes to these targets.</i>					
New investment resulting from government facilitation services and assistance	number	2 300	2 304	2 300	2 410
<i>These are whole-of-government targets with relevant activities across departments (including the Departments of Jobs, Precincts and Regions, Premier and Cabinet and Environment, Land, Water and Planning) contributing to these performance measures. The Victorian Jobs and Investment Fund contributes to these targets.</i>					
Wages generated from international investment secured through Government facilitation services and assistance	\$ million	85	nm	nm	nm
<i>New performance measure for 2020-21 reflects whole of government targets for foreign direct investment attraction.</i>					
Innovation expenditure generated from international investment secured through Government facilitation services and assistance	\$ million	60	nm	nm	nm
<i>New performance measure for 2020-21 reflects whole of government targets for foreign direct investment attraction.</i>					
<i>Cost</i>					
Total output cost	\$ million	137.4	70.3	137.8	45.4
<i>The 2019-20 outcome is lower than the 2019-20 target, primarily due to rephasing of grant programs managed by Invest Victoria to better match contractual commitments linked to milestone payments and to allow new opportunities in future years.</i>					
<i>The lower 2020-21 target is due to the carryover of 2019-20 appropriation for a delayed grant program and additional funding approved for the investment attraction package.</i>					

Source: Department of Treasury and Finance

Source: 2020-21 BP3.

Vague output measures

For performance measures to effectively communicate information about departments' performance, they must clearly state what they measure. The

Framework's guidance states that better-practice output performance measures are clear, concise, and use non-technical language so they can be easily understood by Parliament and the community.

In many cases, departments' output performance measures are clear enough for parliamentarians and the public to understand. However, we identified examples that may confuse readers with limited knowledge of a particular service area or how departments operate.

Many of these examples may be understood by departmental staff in the context of internal reporting. However, they are likely to be difficult for the public and parliamentarians to understand because they do not have access to internal departmental business rules that further explain the measure. This limits the transparency of public performance reporting.

For the output performance measure ...	It is not clear ...
Hand hygiene compliance (DHHS)	How DHHS assesses compliance and which staff are covered in the measure
Weighted Inlier Equivalent Separations—all hospitals except small rural health services (DHHS)	What this technical term means
Complete total allowable commercial catch setting processes for key quota managed fish species (DoT)	What DoT is measuring
Road vehicle and driver regulation: vehicle and driver information requests, including toll operator and council requests, processed (DoT)	What a vehicle and driver information request is
Prosecutable images (DJCS)	What a 'prosecutable image' is and what aspect of it is being measured
Proportion of crimes against the person resolved within 30 days (DJCS)	What counts as resolved
Stakeholder satisfaction with the quality of advice on significant public and private sector projects (DPC)	Who DPC counts as a stakeholder and how it measures stakeholder satisfaction
Timely delivery of state events and functions (DPC)	How 'timely' is defined
Activities that support business to comply with environmental obligations (DELWP)	What constitutes an activity
Briefings on key Australian Bureau of Statistics economic data on day of release (DTF)	Who DTF is briefing and what constitutes a briefing in this context
Delivery of advice to Government on portfolio performance within agreed timeframes (DTF)	What 'agreed timeframes' are
Engagements with businesses (DJPR)	What counts as an engagement
Significant interactions with Victorian agri-food companies and exporters, international customers and trading partners that facilitate export and investment outcomes for Victoria (DJPR)	What a 'significant interaction' is.

Output measures that the department cannot control

The Framework states that good measures should be 'directly attributable to programs and/or activities delivered by the organisation under the output'. Where services are driven by external demand, such as hospital, transport or court services, the level of demand is not within the department's control. For this reason, output measures that simply 'count' the demand are not useful to assess departmental performance.

There are a large number of measures in the 2020–21 BP3, particularly for DHHS, that reflect levels of external demand rather than departmental actions. In all cases, such measures can be converted to measures that do show departmental performance by expressing performance as a productivity rate, or by creating a cost-efficiency measure. For example:

The output performance measure ...	Only reflects the level of demand for ...	A more informative measure would reveal the ...
Statewide emergency road transports (DHHS)	Patients to be transported to hospital	Cost per trip
Number of patients admitted from the elective surgery waiting list (DHHS)	Elective surgery	Rate of patient removals from the waiting list
Number of Working with Children Checks processed (DJCS)	People to obtain a Working with Children Check	Cost per application processed or rate of applications processed
Road vehicle and driver regulation: driver licences renewed (DoT)	Driving licence renewals	Cost per driving licence renewal or rate of renewals
Number of briefs supporting Cabinet and Cabinet committee decision making (DPC)	Advice from Cabinet	Cost per brief

Valueless output measures and targets

Targets make performance information easier to understand because they provide context about what departments are trying to achieve.

The Framework states that targets 'stipulate the Government-agreed standard of service delivery for that year'. As such, it is important that a target appropriately reflects the desired standard for that output so the user of the performance information can understand whether departmental performance does or does not meet expectations.

However, we found examples where targets for output performance measures do not achieve this due to:

- the measure and target only requiring compliance with a minimum standard
- it being impossible to know whether achieving above or below the target is good or bad.

Output measures and targets that only show compliance with a minimum standard

The Framework states that output performance measures that measure compliance with legislated standards should be used sparingly because they usually reflect a basic minimum standard rather than the desired quality of the service.

The Framework also states that departments should not set targets of 0 or 100 per cent because they cannot demonstrate if their performance has improved from year to year.

However, in the 2020–21 BP3 there are 99 output performance measures across the eight departments that:

- have targets of 100 per cent
- only reflect minimum levels of performance.

This accounts for around 7.9 per cent of all output performance measures. While all departments have some targets of 100 per cent, they are particularly common in DPC and DoT, with 23 and 22 respectively.

This use exceeds 'sparingly'. Figure 3M includes some examples of output performance measures that reflect meeting minimum standards and have targets of 100 per cent.

FIGURE 3M: **Examples of output performance measures that reflect meeting minimum standards and have targets of 100 per cent**

Output performance measures	VAGO comment
Community Crime Prevention grant payments properly acquitted (DJCS)	Both these measures only reflect a minimum level of service expected in grants and contract management.
Funding payments for the Cultural Strengthening initiative made in accordance with milestones (DPC)	
Public hospitals are accredited (DHHS)	All public hospitals require accreditation to remain open and receive government funding. A better measure would be the percentage of health services achieving the highest accreditation rating, matched with an appropriately challenging target, which would be less than 100 per cent.
Key statutory obligations relevant to VicForests complied with (tabling annual reports, audits, corporate plan and board appointments) (DJPR)	These all reflect meeting legislated requirements. It is a breach of law not to achieve 100 per cent compliance and as such, these measures and targets do not inform the user of what 'good' performance is. The compliance of government agencies with the law is expected and performance measures should show achievement beyond this.
Transport safety regulation—rail safety audits/compliance inspections conducted in accordance with legislative requirements (DoT)	
Portfolio entity annual reports including financial statements produced in line with the <i>Financial Management Act 1994</i> and free from material errors (DELWP)	
Key statutory obligations relevant to the Game Management Authority complied with (tabling annual reports, audits, business plan and board appointments) (DJPR)	
Key statutory obligations relevant to the Victorian Fisheries Authority complied with (tabling annual report, audits, business plan and board appointments) (DoT)	
Budget Update, Financial Report for the State of Victoria, Mid-Year Financial Report, and Quarterly Financial Reports are transmitted by legislated timelines (DTF)	

Source: VAGO, based on the 2020–21 BP3.

Use of neutral measures

Neutral measures are ones where meeting or not meeting the target does not provide meaningful information about a department's performance. These targets commonly appear in DHHS and DJCS's output performance measures.

For example, DHHS's output performance measure 'Reports to Child Protection Services about the wellbeing and safety of children' is not clear about what the department is aiming to achieve. The target for 2020–21 is 136 677 reports. A result below the target may mean that preventative services to support child safety are working as intended. On the other hand, a result above the target may mean that there are higher levels of reporting on the wellbeing and safety of children, which could also be a positive result. A similar measure with the same issue exists for counting family violence crimes.

Measures that prevent comparison of performance over time

The Framework requires that output measures 'enable meaningful comparison and benchmarking over time'. This requirement allows departments and government to track performance and assess the impact of changing investment decisions.

To be comparable over time, an output measure must account for variations in factors, such as population size and the number of service users. Measures that have percentages and rates help account for these factors, but raw numbers do not. For example, DTF's output performance measure 'Compliance and enforcement activities—energy' and DET's output performance measure 'Number of Digital Assessment Library items developed' are both measured in raw numbers and do not account for variations in population, service users and funding amounts. This prevents users of the information from meaningfully comparing results over time to identify performance changes.

We assessed a selection of output performance measures to see if they support comparison of results over time. This selection covered the following output groups:

- 'Primary and Secondary Education' (DET)
- 'Mental Health Services' (DHHS)
- 'Budget and Financial Advice, Revenue Management and Administrative Services to Government, Economic and Policy Advice and Economic Regulatory Services' (DTF).

As shown in Figure 3N, 42 per cent of the reviewed output performance measures do not enable comparison of performance over time.







FIGURE 3N: **Number of output performance measures that enable comparison over time**

Department	Number of output measures comparable over time	Number of output measures not comparable over time	Total output measures
DET	50	22	72
DHHS	7	16	23
DTF	23	20	43
Total	80	58	138

Source: VAGO, based on information from DTF.

Figure 3O gives more detailed examples to illustrate this issue.

FIGURE 30: **Examples of output performance measures that enable and do not enable comparison over time**

Output performance measure	Comparable over time	Comment
Percentage of students above the bottom three bands for numeracy and reading in Years 3, 5, 7 and 9 (NAPLAN [National Assessment Program—Literacy and Numeracy] testing) (DET)		As this is measured as a percentage, it accounts for changes in student population levels over time.
Clients readmitted (unplanned) within 28 days—percentage (DHHS)		As this measures the percentage of clients readmitted, it is readily comparable over time.
Ratio of outstanding debt to total revenue (monthly average) (DTF)		As a ratio, this measure is comparable over time.
Number of students participating in the Victorian Young Leaders Program (DET)		As this measures the number of students participating in the program, it does not consider population changes and is therefore not readily comparable over time. The measure could be converted to a proportion. For example, the percentage of year 9 students participating in the Victorian Young Leaders program.
Total community service hours (DHHS)		As this measures the total number of community service hours, it does not consider changes in population, service users or staffing. It could be converted to an efficiency measure, such as cost per community service hour, or community service hours per capita, to demonstrate levels of service use.
Reviews, investigations or advisory projects (DTF)		As this only measures quantity, it does not reflect changes to funding or staffing numbers. It could be converted to an efficiency measure, such as cost per review, investigation or advisory project, which would allow comparison over time.

Source: VAGO, based on the 2020–21 BP3.

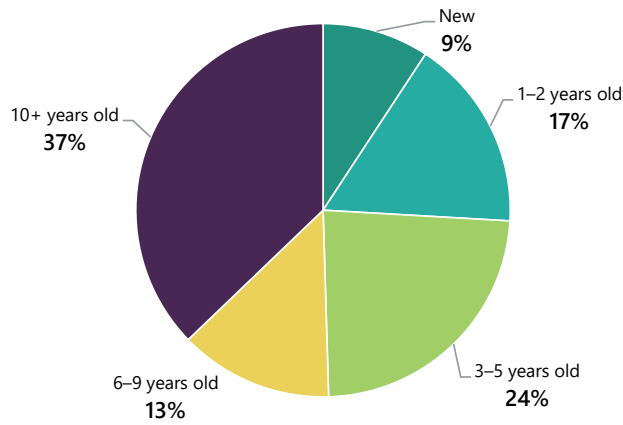
Where output measures prevent comparison over time, they also prevent comparison against other jurisdictions, which the Framework states is a preferable feature. Output measures that are expressed as percentages or rates, which therefore control for variables such as population levels, provide departments the opportunity to benchmark performance against other states and territories, which is useful for identifying performance gaps and issues.

Discontinuing output performance measures

Another factor that may prevent departments from assessing output measure performance over time is when measures are discontinued or significantly changed. For this reason, the Framework states that it is important to minimise the number of changed measures from one year to the next. However, the Framework also acknowledges that this needs to be balanced against the need for new output performance measures as government policies and programs evolve.

Each state Budget sees a number of measures discontinued and a number of new measures added. Figure 3P shows that of the 1 258 output performance measures in the 2020–21 BP3, 468 (37 per cent) have existed for 10 or more years.

FIGURE 3P: **Output performance measures in the 2020–21 BP3 by age**



Source: VAGO, based on information from DTF.

Since the 2011–12 state Budget, PAEC, at the invitation of the Assistant Treasurer, has had the opportunity to comment on the measures that have been proposed for discontinuation.

In the 2019–20 BP3, 102 measures were proposed for discontinuation. PAEC’s review of these measures found that:

- 39 per cent of them have been replaced by improved measures
- around 25 per cent relate to projects or programs that were completed or discontinued
- the department did not provide a clear reason for discontinuing the measure in 14 per cent of cases.

PAEC recommended that DTF, in consultation with all departments, ensures that future BP3s contain clear explanations for all proposed discontinued measures to enable meaningful review by PAEC.

In PAEC’s review of the 2020–21 BP3, it identified only two measures where departments did not provide a clear reason for discontinuing the measure.

4. Using performance information

Conclusion

It is difficult for the government, Parliament and the community to use the results departments publish in BP3 and their annual reports to understand performance. This is due to:

- frequent gaps in data sources and calculation method documentation
- a lack of performance reporting against objective indicators
- a failure to present trended performance results over time
- limited explanations of variances from targets.

Together, these issues reflect the lack of priority that departments give to transparently and accountably demonstrate their performance results. This is inconsistent with the purpose of the Framework as 'a governance and operational framework for public sector accountability for the investment of public sector resources'.

This chapter discusses:

- Reporting accurate results
 - Reporting on objective achievement
 - Reporting on output performance
 - Auditing departments' performance results
-

4.1 Reporting accurate results

Performance reporting in BP3 and departments' annual reports is key in demonstrating accountability for public sector service delivery. In both cases, it is vital that departments report accurate results against objective indicators and output measures.

As shown in Figure 4A, several of our past audits have identified issues with the accuracy of externally reported performance data. A common issue is weak or absent data controls, which can lead to inaccurate and/or incomplete reporting.

FIGURE 4A: **Issues with the accuracy of performance data found in past audits**

VAGO report	Issue
<i>Managing Major Projects, 2012</i>	Major Projects Victoria had reported to Parliament each year that it achieved 100 per cent performance in delivering its projects. However, it could not adequately demonstrate that it collected and collated the necessary data to support this result.
<i>Emergency Service Response Times, 2015</i>	Our testing found that reported emergency response time performance fairly represented actual performance in most instances. However, weaknesses in controls within justice portfolio agencies and Ambulance Victoria, and DHHS's use of a less reliable data system for rural responses created minor inaccuracies and the risk of greater errors.
<i>Efficiency and Effectiveness of Hospital Services: Emergency Care, 2016</i>	The performance data DHHS relied on had weaknesses because it inaccurately recorded patient re-presentations to emergency departments.
<i>Regulating Gambling and Liquor, 2017</i>	The Victorian Commission for Gambling and Liquor Regulation was unable to provide assurance on the number of inspections it reports as part of its BP3 data due to inaccurate recording of inspection data.
<i>V/Line Passenger Services, 2017</i>	Data used to measure performance varied in its reliability due to critical shortcomings in V/Line and Public Transport Victoria's verification of reported performance.
<i>Improving Victoria's Air Quality, 2018</i>	We identified weaknesses in the accuracy and reporting of the Environment Protection Authority's air quality data.
<i>Recovering and Reprocessing Resources from Waste, 2019</i>	We found that the government's ability to understand the nature and volume of the state's waste was limited by incomplete and unreliable data.

Source: VAGO.

To support accurate and consistent data capture and result calculation, the Framework requires departments to document their methodology for recording, calculating and reporting their performance results and make this available for DTF to review on request.

While the Framework only requires this for output performance measures, we also assessed if departments have data definitions and documented business rules for their objective indicators. This is because departments need to have clear internal rules and processes to ensure their performance statements contain meaningful, accurate information.

However, as shown in Figure 4B, we found numerous gaps in the information required to clearly document how objective indicator and output measure results are calculated. For example:

- DPC does not have a data dictionary, or any other documentation, that outlines how it calculates its departmental objective indicator and output performance results. As such, it is difficult to ensure DPC calculates its results accurately and consistently each year.
- DET only has high-level, general descriptions of its measures with no supporting technical information.

FIGURE 4B: The completeness of departments' calculation documentation to support their 2019–20 objective indicator and output performance measure results

Department	Data dictionary?		Key information included?						
	For objective indicators	For output performance measures	Measure description	Data collection	Business rules	Inclusions and exclusions	Method	Data validation	Target setting
DET	18%	93%	✓	✓	X	X	X	X	X
DELWP	29%	79%	✓	X	✓	X	✓	X	✓
DHHS	25%	82%	✓	X	✓	X	X	X	X
DJCS	77%	91%	✓	✓	✓	✓	✓	✓	✓
DJPR	100%	90%	✓	✓	✓	X	✓	X	✓
DoT	20%	92%	✓	✓	✓	X	✓	X	✓
DPC	Department does not have a data dictionary								
DTF	77%	90%	✓	✓	✓	X	X	X	✓

✓ Met. X Not met.

Note: Output performance measures include quantity, quality, timeliness and cost. Measure description details what activity is being measured, defines key terms and explains what is being reported. Data collection outlines what data is being collected, how the data is collected, the frequency of data collection and data security arrangements. Business rules defines what the measure counts and outlines any assumptions relevant to how the data is captured. Inclusions and exclusions identify any key quantitative or qualitative data, categories, groups or activities that are specifically included or excluded. Method defines how the result is calculated. Data validation outlines the process for validating/assuring the quality of the raw data and/or calculated result, for example, whether the result is verified internally by a business unit, endorsed by the deputy secretary, or by an internal or external audit. Target setting details how the target is set.

Source: VAGO, based on information provided by departments.

Despite departments with data dictionaries having relevant sections populated, we found examples where the information was not clear enough or did not provide sufficient detail on how a measure is calculated. For example:

For the output performance measure ...	The data dictionary states ...	But the data dictionary does not ...
Significant built park assets managed by Parks Victoria rated in average to excellent condition (DELWP)	How park asset conditions are rated on a scale of one to five (ranging from excellent to very poor) and that the percentages of assets rated from one to three are reported for this performance measure	Reference how each asset is rated, the requirements for each rating, or alternatively, the policy or procedure document that might outline this information
Proportion of major agencies accredited (DHHS)	The types of accreditation accepted	State which agencies are counted in this measure or how the data is captured and verified
Registration and accreditation decisions/approvals in relation to the Victorian Energy Efficiency Target Scheme (DTF)	Factors influencing how the target is set	State how the result is calculated
Compliance and enforcement activities—energy (DTF)	That a register of penalty notices is kept	Provide any information about how the data in the register is captured, or the policy or procedure document that might outline this information.

If data dictionaries do not include all of the key information, departments are highly reliant on the knowledge and experience of key staff to ensure their performance data is prepared consistently and accurately year on year. If these key staff leave the department, there is a risk that this knowledge will be lost and that future data reporting could be incorrectly captured or interpreted.

In addition, we found that DTF does not request information on departments' business rules and does not review departments' data dictionaries. While the Framework does not require DTF to conduct reviews, by not reviewing or 'spot checking' departments' data DTF is missing the opportunity to assure itself that departments' processes are supporting accurate performance statements.

Controls over performance reporting

Departments need systems and procedures to ensure the accuracy and completeness of their performance information. These can include:

- clearly defined and documented business rules
- training staff to follow data collection processes
- quality assurance checks on how data has been collected and how results have been calculated
- reviews by someone external to the business area that collected the data, such as an internal audit team.

We requested evidence from DET, DHHS and DTF about how they collect, store, calculate and report on a selection of performance measures. We used this data to recalculate some of their reported results. We found that despite there being gaps in their business rules for fully documenting the selected measures, the three

departments do utilise controls to support data accuracy and we were able to accurately recalculate their published results.

Controls in place

Figure 4C sets out the systems for collecting and storing data and the internal controls to ensure data accuracy used by the three departments for the selected measures.

FIGURE 4C: Performance information systems and internal controls at DET, DHHS and DTF

Department	Information systems in place	Key internal controls
DET	<p>DET uses a range of information systems and databases to store the data for its performance measures, including the:</p> <ul style="list-style-type: none"> • Victorian Curriculum and Assessment Authority database • CASES21 government school enrolment system • Enterprise reporting business intelligence system • Oracle financial system. <p>Some data is also drawn from external sources, such as the Australian Curriculum, Assessment and Reporting Authority.</p>	<ul style="list-style-type: none"> • The results are reviewed and approved by the executive director and deputy secretary prior to providing them to the performance and evaluation division, which is responsible for the production, governance and authorisation of all BP3 reporting. • The performance and evaluation division undertakes a cleaning and review process by comparing the results with the previous year's results to identify any major variances that might indicate an error. • The quality of data supplied by schools through CASES21 is reviewed annually as part of the publication of the government school annual reports. • Measures that are collected, calculated and reported via external national and international agencies (for example, NAPLAN) are generally subject to development, review and governance processes by participating states and countries. • DET uses standardised reporting scripts to generate reports from the databases. This means there is no need to manually calculate results, which leaves less room for error. If staff require access to the system to change the script, DET separates the duties between the team responsible for calculating results and its information technology staff.
DHHS	<p>The data for DHHS's mental health BP3 measures is stored in the:</p> <ul style="list-style-type: none"> • Client Management Interface/Operational Data Store • Victorian Emergency Minimum Dataset • Victorian Admitted Episodes Dataset. <p>The mental health program area also uses supplementary Microsoft Excel spreadsheets for reporting aggregate information.</p>	<ul style="list-style-type: none"> • DHHS has data input validation processes built into its mental health information systems to ensure mandatory data fields are completed. For example, when the system control identifies an incomplete record, it prompts the user to input additional information. • All performance measure results are checked by two data analysts. • There is segregation of duties between the analysts who extract/calculate the results and an officer who approves it. • Results are reviewed and approved by the executive director and deputy secretary prior to providing them to the strategic and budget planning branch. • The strategic and budget planning branch does a 'sense check' before the data is publicly reported.

DTF	DTF captures and stores performance data on its BP3 measures in individual Microsoft Excel spreadsheets on its internal network drive. From March 2021, DTF moved this information from its internal network drive to Content Manager, which is an electronic document and record management system designed to capture, manage, and secure business information.	<ul style="list-style-type: none"> • Results are reviewed and approved by the executive director and deputy secretary prior to providing them to corporate delivery services team, which is the central collection point. • DTF's corporate delivery services team 'sense checks' all of the performance data. The executive director and deputy secretary of corporate delivery services, as the executive owners of the process for collating and checking the quality of the data, approve the consolidated results. • DTF's secretary approves the end-of-year results included in the annual report. • Access to Content Manager is restricted to staff responsible for entering the information, the executive director and deputy secretary. Content Manager also provides an audit trail of who is editing and accessing reporting information.
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Source: VAGO, based on information provided by departments.

The three departments we examined have systems to ensure that their reported data results are reviewed and signed off by senior management prior to publication. All three departments also have central units that 'sense check' results by comparing them to previous years and considering any major events or incidents that may have impacted the results.

DHHS also has data input validation processes built into its mental health information systems to ensure mandatory data fields are completed.

DJCS employs a better-practice approach. Its central unit tests the accuracy and completeness of data submitted by its business units on a risk basis. DJCS's central unit does this by recalculating the performance result using the business rules and methodology set out in the data dictionary.

Across all departments, it is common practice for the business unit responsible for performance against a measure to set the measure and associated targets. They are also usually responsible for:

- collecting data to assess their progress against the measure
- determining how to calculate results
- preparing public reporting on the results.

This creates a risk that if departments do not have a separate business unit checking results, then they are not managing the conflict of interest that exists by having the same areas set, collect and report on their own measures.

Accuracy of output measure results

To test the accuracy of information reported in departments' 2019–20 annual reports, we recalculated the results for the following performance measures, as shown in Figure 4D.

FIGURE 4D: **Output measure results that we recalculated**

Department	Output performance measures
DET	<ul style="list-style-type: none"> • Average days lost due to absence at year 5, 6, 7–10, 11, 12 • Parent satisfaction with primary/secondary schooling on a 100-point scale • Percentage of students above the bottom three bands for numeracy in year 3, 5, 7, 9 (NAPLAN testing) • Percentage of students above the bottom three bands for reading in year 3, 5, 7, 9 (NAPLAN testing) • Years 5–6/7–9 students' opinion of their connectedness with the school
DHHS	<ul style="list-style-type: none"> • Registered community clients • Proportion of major agencies accredited • New client index
DTF	<ul style="list-style-type: none"> • VPS [Victorian Public Service] stakeholder feedback indicates delivery of advice and information sessions supported the financial reporting framework across the VPS and supported the VPS to understand the financial management framework • Delivery of major milestones within agreed timelines • Better Regulation Victoria's advice on Regulatory Impact Statements or Legislative Impact Assessments was timely, as assessed by departments • Timely handling of objections (within 90 days)

Source: VAGO, based on the 2020–21 BP3.

We did not identify any calculation errors. However, some of DTF's business rules did not provide clear enough guidance on how it calculates its results. For example, the output performance measure 'Delivery of major milestones within agreed timelines' does not provide any details of the rating system for determining if major milestones were delivered within agreed timelines. DTF uses a traffic light rating system, but does not specify the criteria for determining what sits within each category.

With DET's 'Average days lost due to absence at Year 5, 6, 7–10, 11, 12', measured schools and health services are permitted to retrospectively submit data. As a result, there is a risk that the reported result may change over time. However, we only found minor discrepancies when we redid the calculation.

We were not able to recalculate the results for DET's measures that rely on NAPLAN data, as this information is collected, calculated and reported by an external agency.

4.2 Reporting on objective achievement

Departments are required to publicly report on their performance in two places:

- The BP3 outlines the products and services that the government funds. As the state Budget is usually released before the end of the financial year, each department reports actual results for around 9 months and estimates performance for the remaining months.
- Each department's annual report provides information on actual performance for the full financial year, including whether the department has achieved its objectives.

However, the performance information that departments publish does not clearly demonstrate their progress towards achieving their stated objectives. As outlined already, in many cases this is because departments lack true measures of their objectives. In addition to this issue, no departments have established baseline data for their objective indicators to measure their performance against.

Reporting on progress over time

It is a mandatory requirement in the Framework for departments to report their performance against their departmental objective indicators in line with DTF's Model Report. The Model Report requires departments to report multiple years of results to show performance over time, which enables the reader to make basic comparisons between past and present performance.

In 2019–20, only five of the eight departments complied with this requirement. We identified a range of gaps in the ways that DHHS, DPC and DTF use their annual reports to report on their progress over time.

In DTF's 2019–20 annual report, it reported performance over four years for seven objective indicators. For the remaining six objective indicators, DTF only provided narrative descriptions of performance.

In 2019–20, DHHS and DPC reported four years of results, but for 'lower level' indicators rather than their objective indicators. Some departments use lower level indicators as a tool for tracking progress against an overarching objective indicator. However, this approach does not replace the Framework's requirement that departments report against their objective indicators.

Figure 4E shows the objective indicators DHHS set in the 2019–20 BP3 for the departmental objective 'Victorians have the capabilities to participate'.

FIGURE 4E: **Extract from DHHS's performance statement in the 2019–20 BP3**

Objective 3: Victorians have the capabilities to participate.

This objective aims for Victorians to participate in learning and education, participate and contribute to the economy, and to have financial security.

The departmental objective indicators are to:

- increase educational engagement and achievement by children and young people in contact with departmental services—especially those in out-of-home care
- increase participation in three and four-year-old kindergarten by children known to child protection
- increase the satisfaction of those who care voluntarily for people with a disability, people with mental illness, and children in out-of-home care

- increase labour market participation by people with disability, people with a mental illness, and people living in specified locations and communities.

Source: 2019–20 BP3.

However, as Figure 4F shows, the 'indicator results' DHHS reported in its annual report are entirely different to the objective indicators in BP3. They do not relate to the same service areas, which include vulnerable groups, such as children in child protection, carers and people with disability. While the lower level indicators do provide useful information about aspects of DHHS's performance against the objective, DHHS has not complied with the Framework because it has not provided a transparent record of the department's achievement against its departmental objective.

FIGURE 4F: Extract from DHHS's 2019–20 Annual Report

Objective 3: indicator results

	2016–17	2017–18	2018–19	2019–20
Victorians participate in learning and education				
Clinical placement student days (medicine)	New measure	393,807	395,349	402,008
Clinical placements student days (nursing and midwifery)	New measure	406,330	428,864	435,731
Clinical placement student days (allied health)	New measure	158,461	159,709	159,172
Number of people trained in emergency management	2,000	2,783	2,982	2,923
Source: Internal departmental data				
Victorians participate in and contribute to the economy and have financial security				
Funded postgraduate nursing and midwifery places at diploma and certificate level	832	832	865	1077 ^{E1}
Total funded FTE (early graduate) allied health positions in public system	670	700	745	691 ^E
Total funded FTE (early graduate) medical positions in public system	1,525	1,525	1,525	1,525 ^E
Total funded FTE (early graduate) nursing and midwifery positions in public system	1,591	1,591	1,618	1,956 ^E
Number of bonds issued to low income Victorians to assist access to the private rental market	11,584	9,321	8,754	9,256 ^E
Source: Internal departmental data				

^EMeasures have not been finalised and are estimated results.

Source: DHHS's 2019–20 Annual Report.

Reporting actions rather than results

In its 2019–20 reporting, DTF described actions it had completed rather than the results it had achieved for five of its 13 objective indicators. For example, DTF provided commentary on the work it carried out during the year instead of measuring if the objective indicator was achieved. This is shown in Figure 4G. For another objective indicator, 'High quality whole of government common services provided to Government agencies, as assessed by feedback from key clients', DTF only provided results for one year.

FIGURE 4G: **Extract from DTF's 2019–20 Annual Report**

Objective Indicator 2: Government business enterprises performing against agreed financial and non-financial indicators.

DTF provides governance oversight of government business enterprises (GBEs) and advice to government, departments and agencies relating to GBEs' strategic direction and performance, significant capital expenditure proposals, dividends and capital repatriations.

As part of the annual corporate planning cycle, financial and non-financial key performance indicators are agreed to and targets set in consultation with the GBE and the portfolio department. A GBE's performance against these targets is monitored on a quarterly basis and its noncompliance is addressed on an exceptions basis.

DTF has requested that all public non-financial corporations must submit cashflow forecasts on a monthly basis so DTF can proactively respond to issues as they emerge. A tracking register and summary analysis template has been set up to log and track financial assistance requests as they arise from public non-financial corporations. This critical information was sought as it:

- provides visibility of public non-financial corporations' liquidity and emerging cashflow risks
- allows DTF to consolidate the state's funding and liquidity needs from the financial market
- provides the Treasury Corporation of Victoria with information to determine how much money it needs to raise from the financial market to meet the funding needs of government businesses.

Source: DTF's 2019–20 Annual Report.

4.3 Reporting on output performance

Departments do not publicly report on their output performance in a way that allows the reader to compare results between departments or understand performance over time. This limits Parliament and the community's ability to hold departments accountable for their performance.

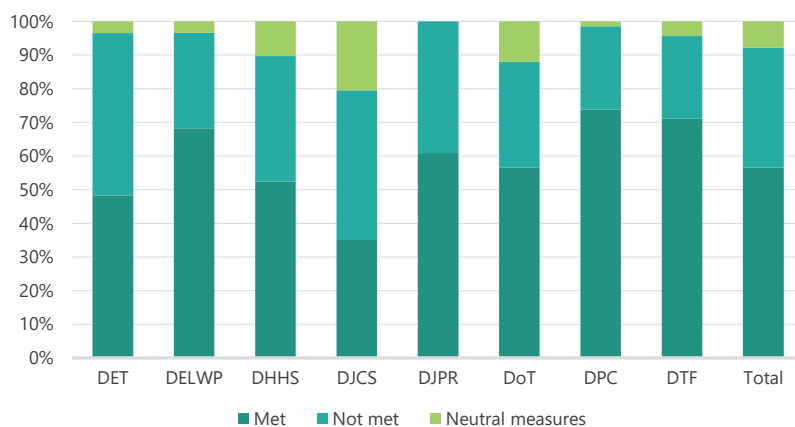
Departments' performance statements in BP3 are available online. However, BP3 does not provide parliamentarians or the public with trended data over multiple years, which is the most practical way to understand departments' performance over time.

Parliamentarians and the community can access all departments' current and prior year performance results through Microsoft Excel spreadsheets that DTF publishes on its website. However, it is difficult for readers to interpret this data without having detailed knowledge of departments' work, and users must create graphs to visualise the raw data themselves.

Given the limitations of departments' public reporting, we developed a dashboard using data from DTF's website and the departments' 2019–20 annual reports. We have also included data published in the 2021–22 state Budget papers to update our dashboard to include 2020–21 performance results. This dashboard, available at our website (www.audit.vic.gov.au), can be used to analyse departments' output performance measure results from 2008–09.

Figure 4H shows that for 2019–20, departments reported meeting a combined total of 57 per cent of their output performance measure targets, and not meeting 37 per cent. The remaining 6 per cent are neutral measures, where it is not possible to determine if a target has been met or not.

FIGURE 4H: Departments' output performance against their targets in 2019–20



Source: VAGO, based on information from DTF and departments' 2019–20 annual reports.

Explaining variance in performance

Departments do not always comply with the Framework’s requirement to explain significant performance variations against the targets in their performance statements. Departments’ explanations are critical to the usefulness of output performance measures as a way to monitor and assess their performance. They also support a culture of transparency by requiring departments to justify their spending during the yearly revenue certification claim process.

However, we found examples where departments with significant performance variances have not provided clear explanations. Some have simply stated that there is a variance, or that a variance is positive because it exceeded the target. These insufficient explanations make it difficult for Parliament and the public to understand whether variations in performance should or should not be of concern and whether the result is due to factors within or outside of a department’s control.

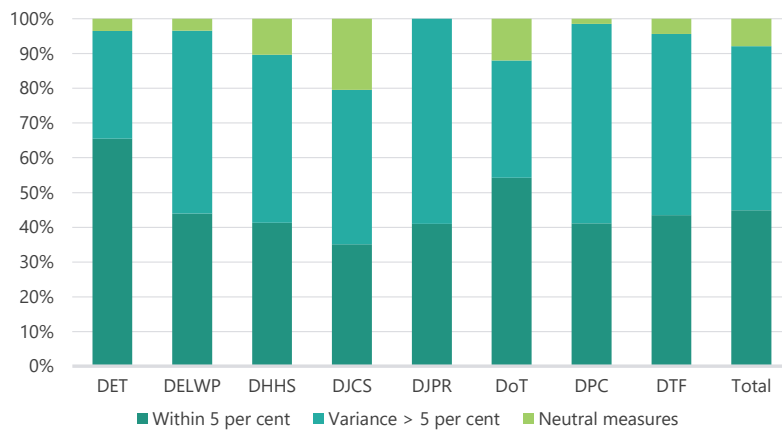
In its yearly reports on the Budget estimates, PAEC has repeatedly identified weaknesses in departments’ explanations of performance variations, including:

- unclear and incomplete explanations
- failure to identify the underlying cause of variances
- failure to provide more information than just a statement that there was a variance
- too many speculative explanations that are not based on clear evidence.

We used our dashboard to identify significant variations in departments’ performance. Figure 4I shows that almost half of all output performance measures varied from their target by more than 5 per cent in 2019–20 (592 output performance measures out of a total 1 252).

Significant variation is a 5 per cent variance (increase or decrease), or a change that may be of public interest.







FIGURE 4I: Variance of output performance measures within or by more than 5 per cent in 2019–20




Source: VAGO, based on information from DTF.

At 10 instances, DHHS had the most significant number of variances with no explanation given in BP3. DTF had three variances with missing explanations, and DoT and DJCS each had one. While the remaining departments' output performance measures included explanations for variances, these vary in quality as shown in Figure 4J.

FIGURE 4J: **Examples of how departments explain variances**

Output performance measure	Variance	Explanation	Meets the Framework?	Comment
Customer satisfaction rating—Births, Deaths, and Marriages service centre (DJCS)	+9.4%	DJCS's explanation is that the 2019–20 outcome is higher than the target due to the outcome of the two customer surveys held in that year.		This explanation does not explain the factors that contributed to this result and whether they were within the department's control or not.
Road projects completed within agreed scope and standards: regional (DoT)	-22.0%	DoT's explanation is that the 2019–20 outcome is lower than the target due to inclement weather and delays in obtaining approvals from local councils.		This explains the factors that contributed to this result, including that they were outside the department's control.
Number of Scout Hall Capital Projects Completed (DPC)	-100.0%	DPC's explanation is that the 2019–20 outcome is lower than the target because program commencement has been delayed, which affected the completion of works on the two sites.		DPC provides a clear explanation for why the variance occurred.
Proportion of adult patients suspected of having a stroke who were transported to a stroke unit with thrombolysis facilities within 60 minutes (DHHS)	+8.8%	DHHS's explanation is 'The 2019–20 outcome is higher than the 2019–20 target which is a positive result'.		DHHS's explanation does not identify the reasons why the department overachieved.
Information and advice provided to consumers, tenants and businesses—through other services including written correspondence, face to face and dispute assistance (DJCS)	+23.3%	DJCS explanation is 'The 2019–20 outcome is higher than the 2019–20 target primarily due to increased consumer enquires driven by the rental eviction moratorium and the restriction on telephone-based service put in place as part of the coronavirus (COVID-19) response'.		DJCS's explanation identifies the reasons why the department overachieved.
Percentage of students in the top two bands for reading in Year 5 (NAPLAN) (DET)	-10.4%	DET's explanation is 'NAPLAN results are subject to a small margin of error, common to any assessment program, reflected in a confidence interval of ± 1.05 percentage points which is specific to the 2019 assessment year'.		This measure had a 2019–20 target of 45.1 per cent, and its result was 40.4 per cent. This explanation does not explain why the target was missed by 10.4 per cent. Even after factoring in the confidence interval, the variance is 6.1 per cent. As this measure focuses on outcomes, it is more challenging to explain variances.

Output performance measure	Variance	Explanation	Meets the Framework?	Comment
Planning referrals relating to native vegetation processed within statutory timeframes (DELWP)	-12.5%	DELWP's explanation is 'The 2019-20 actual is lower than the 2019-20 target due to the volume of planning referral cases in growth areas, increased numbers of complex infrastructure projects and staff deployment to bushfire response and recovery'.		This explains the reasons why the target was missed.

Source: VAGO, based on the 2020-21 BP3.

4.4 Auditing departments' performance results

Unlike departments' financial statements, which we independently audit, there is no legislated requirement for state government departments' performance statements to be independently audited. In contrast, local government, water authorities and TAFE entities in Victoria are required to have their performance statements independently audited. We undertake this work as a part of our annual financial audit work program. It involves testing if the Local Government Performance Reporting Framework indicators included in councils' annual reports accurately report performance. Where necessary, we consider processes that councils use to ensure they report performance information accurately.

The present scenario in Victoria means that while Parliament and the public have independent assurance of the accuracy of government agencies' financial statements, this is not available for performance statements, which demonstrate the delivery of public services to the community.

To address this issue and increase public confidence about reported performance information, some jurisdictions require public entities to have their service delivery performance reporting independently audited. Figure 4K provides examples of this.

FIGURE 4K: Examples of jurisdictions that audit non-financial performance statements



Source: VAGO, based on information from the Queensland Audit Office's *Monitoring and reporting performance*, and the New Zealand Accounting Standards Board's *Public Benefit Entity Financial Reporting Standard 48 Service Performance Reporting*.

APPENDIX A

Submissions and comments

We have consulted DELWP, DET, DFFH, DH, DJCS, DJPR, DoT, DPC and DTF, and we considered their views when reaching our audit conclusions. As required by the *Audit Act 1994*, we gave a draft copy of this report, or relevant extracts, to those agencies and asked for their submissions and comments.

Responsibility for the accuracy, fairness and balance of those comments rests solely with the agency head.

Responses were received as follows:

DEWLP	70
DET	74
DFFH	77
DH	81
DJCS	84
DJPR	87
DoT	90
DPC	93
DTF	96



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Mr Andrew Greaves
Auditor-General
Victorian Auditor-General's Office
Level 31, 35 Collins Street
MELBOURNE VIC 3000

Ref. SEC015077



Dear Auditor-General

PROPOSED PERFORMANCE AUDIT REPORT MEASURING AND REPORTING ON SERVICE DELIVERY

Thank you for your letter of 5 May 2021 providing the Department of Environment, Land, Water and Planning (DELWP) with an opportunity to comment on the proposed Performance Audit Report *Measuring and reporting on service delivery*.

DELWP appreciates the work of your office in conducting this important audit.

As requested in your letter, I have attached DELWP's response to each of the recommendations directed to DELWP which includes the actions that will be undertaken to address the respective recommendations.

If you would like more information about this matter, please contact Dr Sharn Enzinger, Executive Director, Strategy and Performance, DELWP at sharn.enzinger@delwp.vic.gov.au or on 0438 293 134.

Yours sincerely

John Bradley
Secretary

18 May 2021

Encl.

Any personal information about you or a third party in your correspondence will be protected under the provisions of the *Privacy and Data Protection Act 2014*. It will only be used or disclosed to appropriate Ministerial, Statutory Authority, or departmental staff in regard to the purpose for which it was provided, unless required or authorized by law. Enquiries about access to information about you held by the Department should be directed to foi.unit@delwp.vic.gov.au or FOI Unit, Department of Environment, Land, Water and Planning, PO Box 500, East Melbourne, Victoria 8002.



Measuring and reporting on service delivery performance audit

DELWP's Management Action Plan

Recommendations	Agreed Action	Completion Date
<p>Recommendation 1</p> <p>All departments review their objectives, indicators and output performance measures using a service logic approach to clearly distinguish between their service objectives, inputs, processes and outputs, and use this information to re-validate and, as needed, redesign their performance statements (see sections 2.1, 2.2 and 3.3)</p>	<p>Accepted:</p> <p>Action 1: DELWP will undertake a review of all BP3 objectives, indicators and output performance measures using a service logic approach as part of developing its next Department Performance Statement, and make adjustments where appropriate to ensure each element is correctly aligned as service objectives, inputs, processes or outputs.</p>	<p>May 2022 (release of 2022-23 State Budget)</p>
	<p>Action 2: DELWP will ensure alignment to any changes made in the DTF Resource Management Framework (RMF) ahead of the 2023-24 Budget, and make adjustments where appropriate. DELWP will continue to ensure alignment to the RMF on an ongoing basis.</p>	<p>May 2023 (release of 2023-24 State Budget)</p>
<p>Recommendation 2</p> <p>All departments ensure their performance statements comply with the <i>Resource Management Framework</i> (and where possible, its guidance material) including:</p> <ul style="list-style-type: none"> developing baseline data for objective indicators (see Section 2.2) clearly linking outputs with departmental objectives/objective indicators (see Section 2.2) redefining outputs that are too large and/or heterogenous in terms of service delivery (see Section 3.1) ensuring outputs have a balanced and meaningful mix of output performance measures that assess quantity, quality, timeliness and cost (see Section 3.2) setting output performance measures that allow for comparison over time and, where possible, against other departments and jurisdictions (see Section 3.3) 	<p>Accepted:</p> <p>Action 1: DELWP will undertake a review of all BP3 objectives, indicators and output performance measures as part of developing its next Department Performance Statement, and make adjustments where appropriate to comply with the RMF (and where possible, its guidance material) including:</p> <ul style="list-style-type: none"> capturing baseline data for all objective indicators from annual reports linking outputs with departmental objectives/objective indicators redefining outputs that are too large and/or heterogenous in terms of service delivery ensuring outputs have a balanced and meaningful mix of output performance measures that assess quantity, quality, timeliness and cost setting output performance measures that allow for comparison over time and, where possible, against other departments and jurisdictions. 	<p>May 2022 (release of 2022-23 State Budget)</p>



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Measuring and reporting on service delivery performance audit

Recommendations	Agreed Action	Completion Date
	<p>Action 2: DELWP will ensure alignment to any changes made in the RMF ahead of the 2023-24 Budget, and make adjustments where appropriate. DELWP will continue to ensure alignment to the RMF on an ongoing basis.</p>	<p>May 2023 (release of 2023-24 State Budget)</p>
<p>Recommendation 3 All departments develop output performance measures that use unit costing to measure service efficiency (see Section 3.2)</p>	<p>Accepted in principle: Action 1: DELWP will investigate the application of unit cost performance measures for inclusion in future BP3 Department Performance Statements. Any unit cost measures that are found to be appropriate for DELWP's outputs and services will be added to subsequent Department Performance Statements. DELWP will continue to seek to create performance measures that provide meaningful insights on service efficiency on an ongoing basis.</p>	<p>May 2022 (release of 2022-23 State Budget)</p>
	<p>Action 2: DELWP will ensure alignment to any changes made in the RMF ahead of the 2023-24 Budget, and make adjustments where appropriate. DELWP will continue to ensure alignment to the RMF on an ongoing basis.</p>	<p>May 2023 (release of 2023-24 State Budget)</p>
<p>Recommendation 10 All departments ensure they provide specific reasons and analysis for all of their output performance results that vary by more or less than 5 per cent (see Section 4.3)</p>	<p>Accepted: Action 1: DELWP already provides variance comments for all output performance measure results that vary by more or less than five per cent in its Annual Reports. Explanatory comments are also provided for variances for expected outcomes in Department Performance Statements. DELWP will continue to ensure that specific reasons and analysis are provided for all variances of greater than five per cent.</p>	<p>November 2021 (release of next Annual Report)</p>
	<p>Action 2: DELWP will ensure alignment to any changes made in the RMF ahead of the 2023-24 Budget, and make adjustments where appropriate. DELWP will continue to ensure alignment to the RMF on an ongoing basis.</p>	<p>May 2023 (release of 2023-24 State Budget)</p>



Measuring and reporting on service delivery performance audit

Recommendations	Agreed Action	Completion Date
<p>Recommendation 11</p> <p>All departments ensure they have complete data dictionaries that include up-to-date information on:</p> <ul style="list-style-type: none"> detailed business rules for every output performance measure and objective indicator activities that are specifically included or excluded in reporting performance results the data source and how the actual result is calculated the process for validating or assuring the quality of the raw data and/or the calculated result how each measure's target is set (see Section 4.1). 	<p>Accepted:</p> <p>Action 1: DELWP will undertake a review of all BP3 objective indicators and performance measures to ensure that complete and up-to-date data dictionaries are available with information relating to existing requirements.</p> <hr/> <p>Action 2: DELWP will ensure alignment to any changes made in the RMF and make adjustments where appropriate. DELWP will continue to ensure alignment to the RMF on an ongoing basis.</p>	<p>May 2022 (release of 2022-23 State Budget)</p> <hr/> <p>December 2023</p>

Response provided by the Secretary, DET



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Education and Training

Office of the Secretary

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BRI2175360

Mr Andrew Greaves
Auditor-General
Victorian Auditor-General's Office
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Dear Mr Greaves

Re proposed report: Measuring and reporting on service delivery

Thank you for your letter of 5 May 2021 and the opportunity to comment on the proposed report for this audit.

The Department is committed to effectively measuring and reporting against its *Budget Paper No. 3* (BP3) targets and to the continuous improvement in delivering education services to Victoria. The audit will support the Department to improve our measurement and reporting processes for BP3.

Whilst the Department accepts all the recommendations in the report, the attached feedback details why recommendation three has been only accepted in principle (due to some performance measures not lending themselves to unit costing). A further item of feedback reaffirms the Department's position to categorise enrolments, participation and attendance as outcomes and indicators of engagement; not simply outputs to other outcomes such as achievement or attainment.

The Department's action plan that addresses the recommendations is also attached with timelines reflecting dependencies on the Department of Treasury and Finance.

Should your office wish to discuss the Department's response, please contact Bella Stagoll, Executive Director, Integrity, Assurance and Executive Services on (03) 7022 0120 or Bella.Stagoll@education.vic.gov.au.

Yours sincerely

Jenny Atta
Secretary
19 / 05 / 2021

Your details will be dealt with in accordance with the *Public Records Act 1973* and the *Privacy and Data Protection Act 2014*. Should you have any queries or wish to gain access to your personal information held by this department please contact our Privacy Officer at the above address.



Response provided by the Secretary, DET—continued

DET action plan: Measuring and reporting on service delivery

#	Recommendations for all departments	Response	#	The Department will:	End date
1	Review objectives, indicators and output performance measures using a service logic approach to clearly distinguish between the service objectives, inputs, processes and outputs, and use this information to re-validate and, as needed, redesign the performance statements.	Accept	1.1	Review objectives, indicators and output performance measures using a service logic approach to clearly distinguish between service objectives, inputs, processes and outputs. The review of objective indicators is subject to DTF guidance on the development of objective indicator baselines (see below, the related response to VAGO recommendation 2).	May 2023 (ahead of the 2023–24 Budget)
			1.2	Use the information derived from the review to revalidate and, as needed, redesign the performance statement.	May 2023 (ahead of the 2023–24 Budget)
2	Ensure their performance statements comply with the <i>Resource Management Framework</i> (and, where possible, its guidance material) including: <ul style="list-style-type: none"> developing baseline data for objective indicators clearly linking outputs with departmental objectives/objective indicators redefining outputs that are too large or heterogenous in terms of service delivery ensuring outputs have a balanced and meaningful mix of output performance measures that assess quantity, quality, timeliness and cost setting output performance measures that allow for comparison over time and, where possible, against other departments and jurisdictions. 	Accept	2.1	Develop baseline data for objective indicators, following DTF guidance on developing baseline data for objective indicators.	May 2023 (ahead of the 2023–24 Budget)
			2.2	Improve the links between outputs and departmental objectives/objective indicators.	May 2023 (ahead of the 2023–24 Budget)
			2.3	During the annual review process, identify outputs that could be made smaller and less heterogenous in terms of service delivery, including through facilitative changes to the Chart of Accounts.	May 2023 (ahead of the 2023–24 Budget)
			2.4	Improve the mix of output performance measures that assess quantity, quality, timeliness and cost.	May 2023 (ahead of the 2023–24 Budget)
			2.5	Set output performance measures that allow for comparison over time and, where possible, against other departments and jurisdictions.	May 2023 (ahead of the 2023–24 Budget)

Response provided by the Secretary, DET—continued

DET action plan: Measuring and reporting on service delivery

3	Develop output performance measures that use unit costing to measure service efficiency.	Accept in principle	3.1	Identify opportunities to develop and use output costing for DET activities that would support the measurement of service efficiency. This will be guided by relevant DTF requirements and implemented where the nature of the activity lends itself to efficiency measurements and where data is available to undertake unit costing.	May 2023 (ahead of the 2023–24 Budget)
			3.2	Develop output performance measures that use unit costing to measure service efficiency where appropriate. This will be guided by relevant DTF requirements and implemented where the nature of the activity lends itself to efficiency measurements and where data is available to undertake unit costing.	May 2024 (ahead of the 2024–25 Budget)
10	Ensure they provide specific reasons and analysis for all output performance results that vary by more or less than 5 per cent.	Accept	10.1	Provide specific reasons and analysis for all output performance results that vary by more or less than 5 per cent.	May 2023 (ahead of the 2023–24 Budget)
11	Ensure they have complete data dictionaries that include up-to-date information on: <ul style="list-style-type: none"> detailed business rules for every output performance measure and objective indicator activities that are specifically included or excluded in reporting performance results the data source and how the actual result is calculated the process for validation/quality assurance of the raw data and/or calculated result details of how each measure's target is set. 	Accept	11.1	Develop complete data dictionaries that include up-to-date information (at an annual point in time) on: <ul style="list-style-type: none"> detailed business rules for every output performance measure and objective indicator activities that are specifically included or excluded (including through changes in its Chart of Accounts made via the annual review process); the data source and how the actual result is calculated the process for validation/quality assurance of the raw data and/or calculated result how each measure's target is set. 	Dec 2024

Response provided by the Secretary, DFFH



Secretary

Department of Families, Fairness and Housing

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BAC-CO-14251

Andrew Greaves
Auditor-General
Victorian Auditor-General's Office
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MELBOURNE VIC 3000

Dear Mr Greaves

Proposed Performance Audit Report: Measuring and reporting on service delivery

Thank you for providing the department with the proposed *Measuring and reporting on service delivery* audit report.

The department has reviewed the proposed audit report and notes that there are five recommendations directed to all departments. Our plan to address these recommendations is included in the attached table. We advise that the department has no further comment in relation to the audit findings.

I would like to take this opportunity to thank your staff for their work and the professional manner in which they have engaged with the department's staff.

Yours sincerely

Sandy Pitcher
Secretary

17 / 05 / 2021



Response provided by the Secretary, DFFH—continued

DFFH's Action Table in Response to VAGO's Proposed Report on the Performance Audit
Measuring and Reporting on Service Delivery

Rec No.	Recommendation	DFFH Response <small>Accept / Do not accept / Accept in Principle</small>	Action(s)	Completion Date
1	Review their objectives, indicators and output performance measures using a service logic approach to clearly distinguish between their service objectives, inputs, processes and outputs, and use this information to re-validate and, as needed, to redesign their performance statements (see Sections 2.1, 2.2 and 3.3)	Accept in principle	Action(s): The Department of Families, Fairness and Housing will undertake a systematic review of its performance statements to ensure alignment with the Resource Management Framework.	October 2022

Response provided by the Secretary, DFFH—continued

**DFFH's Action Table in Response to VAGO's Proposed Report on the Performance Audit
Measuring and Reporting on Service Delivery**

Rec No.	Recommendation	DFFH Response <small>Accept / Do not accept / Accept in principle</small>	Action(s)	Completion Date
2	<p>Ensure their performance statements comply with the <i>Resource Management Framework</i> (and where possible, its guidance material) including:</p> <ul style="list-style-type: none"> • developing baseline data for objective indicators (see Section 2.2) • clearly linking outputs with departmental objectives/objective indicators (see Section 2.2) • redefining outputs that are too large/heterogenous in terms of service delivery (see Section 3.1) • ensuring outputs have a balanced mix of output performance measures that assess quantity, quality, timeliness and cost (see Section 3.2) • setting output performance measures that allow for comparison over time and, where possible, against other departments and jurisdictions (see Section 3.3) 	Accept	<p>Action(s):</p> <p>The Department of Families, Fairness and Housing will undertake a systematic review of its performance statements to ensure alignment with the Resource Management Framework.</p>	October 2022
3	<p>Develop output performance measures that use unit costing to measure service efficiency (see Section 3.2).</p>	Accept	<p>Action(s):</p> <p>The Department of Families, Fairness and Housing will review output performance measures to ensure service efficiency can be measured appropriately.</p>	December 2024

Response provided by the Secretary, DFFH—continued

**DFFH's Action Table in Response to VAGO's Proposed Report on the Performance Audit
Measuring and Reporting on Service Delivery**

Rec No.	Recommendation	DFFH Response <small>Accept / Do not accept / Accept in Principle</small>	Action(s)	Completion Date
10	Ensure they provide specific reasons and analysis for all of their output performance results that vary by more or less than 5 per cent. (see Section 4.3)	Accept	Action(s): The Department of Families, Fairness and Housing will analyse all output performance results that vary by more or less than 5 per cent.	June 2022
11	Ensure they have complete data dictionaries that include up-to-date information on: <ul style="list-style-type: none"> detailed business rules for every output performance measure and objective indicator activities that are specifically included or excluded in reporting performance results the data source and how the actual result is calculated the process for validation or assuring quality of the raw data and/or calculated result details of how each measure's target is set (see Section 4.1). 	Accept in principle	Action(s): The Department of Families, Fairness and Housing will ensure it has complete and up to date data dictionaries for performance measures.	December 2022

Response provided by the Secretary, DH



Secretary

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DH Ref: BAC-CO-14441
VAGO Ref: 34344 21

Mr. Andrew Greaves
Auditor-General
Victorian Auditor-General's Office

via email: andrew.greaves@audit.vic.gov.au

Dear Andrew

Proposed report – *Measuring and Reporting on Service Delivery*

Thank you for the opportunity to review and comment on the proposed report on the performance audit, *Measuring and Reporting on Service Delivery*.

Congratulations on the report. While challenging, it sets clear directions and recommendations for my department's future approach to measuring and reporting on our delivery. I am pleased to attach my department's action table.

Of the recommendations directed to my department, we accept recommendations 2, 3, and 10; and accept in principle recommendations 1 and 11. The conditional nature of my department's responses to two recommendations reflects for:

- recommendation 1: the dependencies of these recommendations on the implementation of a number of the other recommendations by the Departments of Treasury and Finance (DTF) and Premier and Cabinet (DPC), and,
- recommendation 11: due consideration of data governance and data stewardship.

My understanding is that our teams have worked very collaboratively on this report.

I look forward to strengthening our approach to measuring and reporting on service delivery as a result of VAGO's audit findings.

Yours sincerely

Professor Euan M Wallace AM
Secretary

18/05/2021



Response provided by the Secretary, DH—continued

**DH's Action Table in Response to VAGO's Proposed Report on the Performance Audit
Measuring and Reporting on Service Delivery**

Rec No.	Recommendation	DH Response <small>Accept / Do not accept / Accept in Principle</small>	Action(s)	Completion Date
1	Review their objectives, indicators and output performance measures using a service logic approach to clearly distinguish between their service objectives, inputs, processes and outputs, and use this information to re-validate and, as needed, to redesign their performance statements (see Sections 2.1, 2.2 and 3.3)	Accept in principle	Action(s): The Department of Health will undertake a systematic review of its performance statements to ensure alignment with the Resource Management Framework.	October 2022
2	Ensure their performance statements comply with the <i>Resource Management Framework</i> (and where possible, its guidance material) including: <ul style="list-style-type: none"> developing baseline data for objective indicators (see Section 2.2) clearly linking outputs with departmental objectives/objective indicators (see Section 2.2) redefining outputs that are too large/heterogenous in terms of service delivery (see Section 3.1) ensuring outputs have a balanced mix of output performance measures that assess quantity, quality, timeliness and cost (see Section 3.2) setting output performance measures that allow for comparison over time and, where possible, against other departments and jurisdictions (see Section 3.3) 	Accept	Action(s): The Department of Health will undertake a systematic review of its performance statements to ensure alignment with the Resource Management Framework.	October 2022
3	Develop output performance measures that use unit costing to measure service efficiency (see Section 3.2).	Accept	Action(s): The Department of Health will review output performance measures to ensure service efficiency can be measured appropriately.	December 2024
10	Ensure they provide specific reasons and analysis for all of their output performance results that vary by more or less than 5 per cent (see Section 4.3)	Accept	Action(s): The Department of Health will analyse all output performance results that vary by more or less than 5 per cent.	June 2022

Response provided by the Secretary, DH—continued

**DH's Action Table in Response to VAGO's Proposed Report on the Performance Audit
Measuring and Reporting on Service Delivery**

Rec No.	Recommendation	DH Response <i>Accept / Do not accept / Accept in principle</i>	Action(s)	Completion Date
11	<p>Ensure they have complete data dictionaries that include up-to-date information on:</p> <ul style="list-style-type: none"> detailed business rules for every output performance measure and objective indicator activities that are specifically included or excluded in reporting performance results the data source and how the actual result is calculated the process for validation or assuring quality of the raw data and/or calculated result details of how each measure's target is set (see Section 4.1). 	Accept in principle	<p>Action(s):</p> <p>The Department of Health will ensure it has complete and up-to-date data dictionaries for performance measures.</p>	December 2022



Department of Justice and Community Safety

Secretary

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Mr Andrew Greaves
Victorian Auditor-General
Level 31, 35 Collins Street
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Dear Auditor General

Thank you for your letter of 5 May 2021 providing me with the opportunity to respond to the Victorian Auditor-General's Office (VAGO) proposed performance audit report: *Measuring and reporting on service delivery*.

The Department of Justice and Community Safety (DJCS) accepts the five recommendations relevant to the department.

I welcome the opportunity to review and strengthen performance reporting across government to ensure all departments, including DJCS, are achieving policy goals in a way that is transparent and accountable.

I have also attached an action plan detailing how DJCS intends to implement the recommendations and the expected timeline.

If your office requires further information, please contact Lynda Rogers, Chief Finance Officer, on 0400 933 447 or lynda.rogers@justice.vic.gov.au.

Yours sincerely

Rebecca Falkingham
Secretary

19/05/2021




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DJCS Response and Action Plan

VAGO Audit – Measuring and reporting on service delivery

Ref	VAGO Recommendation	Proposed action	Proposed completion date
1	All departments review their objectives, indicators and output performance measures using a service logic approach to clearly distinguish between their service objectives, inputs, processes and outputs, and use this information to re-validate and, as needed, redesign their performance statements (see sections 2.1, 2.2 and 3.3)	<p>DJCS accepts this recommendation</p> <p>DJCS will review its performance statement in 2021 including its objectives, indicators, and output performance measures in the context of issues outlined by VAGO. Any changes resulting from this review and approved by Ministers will be published in the 2022-23 Budget.</p> <p>Further reviews will be completed upon receipt of updated guidance issued by central agencies with additional changes to be published in subsequent Budgets.</p>	<p>Preliminary review complete by May 2022 for potential inclusion of changes in the 2022-23 Budget.</p> <p>Further changes to be completed ahead of future budgets as updated guidance is issued.</p>
2	<p>All departments ensure their performance statements comply with the Resource Management Framework (and where possible, its guidance material) including:</p> <ul style="list-style-type: none"> developing baseline data for objective indicators (see Section 2.2) clearly linking outputs with departmental objectives/objective indicators (see Section 2.2) redefining outputs that are too large and/or heterogenous in terms of service delivery (see Section 3.1) ensuring outputs have a balanced and meaningful mix of output performance measures that assess quantity, quality, timeliness and cost (see Section 3.2) setting output performance measures that allow for comparison over time and, where possible, against other departments and jurisdictions (see Section 3.3) 	<p>DJCS accepts this recommendation</p> <p>DJCS will review its performance statement in 2021 to ensure compliance with DTF's Resource Management Framework. DJCS is willing to develop baseline data for reporting against objective indicators, subject to clarification from central agencies on how this should be presented in the Budget Paper and the Annual Report.</p>	<p>Preliminary review complete by May 2022 for potential inclusion of changes in the 2022-23 Budget.</p> <p>Further changes to be completed ahead of future budgets as updated guidance is issued.</p>
3	All departments develop output performance measures that use unit costing to measure service efficiency (see Section 3.2)	<p>DJCS accepts this recommendation</p> <p>DJCS will seek to develop output performance measures that use unit costing to measure service efficiency where possible and practical.</p>	<p>Preliminary review complete by May 2022. Development of new performance measures to be included in 2023-24 Budget subject to appropriate guidance being release by central agencies and data availability.</p>

Response provided by the Secretary, DJCS—continued



Ref	VAGO Recommendation	Proposed action	Proposed completion date
10	All departments ensure they provide specific reasons and analysis for all of their output performance results that vary by more or less than 5 per cent (see Section 4.3)	<p>DJCS accepts this recommendation</p> <p>DJCS will ensure appropriate variance commentary is provided in the Budget Paper and the Annual Report for output performance results that vary from the target by more than 5 per cent.</p>	Complete by October 2021 following publication of the department's 2020-21 Annual Report.
11	<p>All departments ensure they have complete data dictionaries that include up-to-date information on:</p> <ul style="list-style-type: none"> • detailed business rules for every output performance measure and objective indicator • activities that are specifically included or excluded in reporting performance results • the data source and how the actual result is calculated the process for validating or assuring the quality of the raw data and/or the calculated result • how each measure's target is set (see Section 4.1). 	<p>DJCS accepts this recommendation</p> <p>DJCS will review its existing data dictionary following the publication of the 2021-22 Budget to ensure information is up to date and accurate.</p>	Complete by January 2022 .



Department of Jobs, Precincts and Regions

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Ref: BSEC-2-21-12489

Mr Andrew Greaves
Auditor-General
Victorian Auditor-General's Office
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Dear Mr Greaves

RESPONSE TO PROPOSED PERFORMANCE AUDIT REPORT – MEASURING AND REPORTING ON SERVICE DELIVERY

Thank you for your letter dated 5 May 2021 inviting departmental feedback on the Victorian Auditor-Generals Office (VAGO) proposed report – *Measuring and reporting on service delivery*.

The Department of Jobs Precincts and Regions (DJPR) has accepted all of VAGO's recommendations and will address these recommendations following its final published report.

If you require further information, please contact Kim McGinnes, Executive Director Corporate Strategy, Corporate Services, DJPR on telephone (03) 8392 7043.

Yours sincerely

Penelope McKay
Associate Secretary

Date: 19/05/2021



Department of Jobs, Precincts and Regions action plan to address recommendations from *Measuring and reporting on service delivery*

No	VAGO recommendation	Action	Completion date
1	<p>Recommendation 1: All departments review their objectives, indicators and output performance measures using a service logic approach to clearly distinguish between their service objectives, inputs, processes and outputs, and use this information to revalidate and as needed to redesign their performance statements (see Sections 2.1, 2.2 and 3.3)</p>	<p>Accept—The department's practices reflect this recommendation and it will continue to review and adjust its practices in line with a continuous improvement approach. The department will also take any additional guidance from DTF regarding a service logic model into account.</p>	<p>Dependent on the availability of DTF's guidance, noting that much of this activity is already part of the annual DPS process.</p>
2	<p>Recommendation 2: All departments ensure their performance statements comply with the Framework including:</p> <ul style="list-style-type: none"> • developing baseline data for objective indicators (see Section 2.2) • clearly linking outputs with departmental objectives/objective indicators (see Section 2.2) • redefining outputs that are too large/heterogenous in terms of service delivery (see Section 3.1) • ensuring outputs have a balanced mix of output performance measures that assess quantity, quality, timeliness and cost (see Section 3.2) • setting output performance measures that allow for comparison over time and, where possible, against other departments and jurisdictions (see Section 3.3) 	<p>Accept—The department notes VAGO'S observation that the RMF does not provide guidance on what a baseline should be within the DPS. The department will further develop its approach to baseline data within the DPS when the guidance is available. The department also notes that it provides baseline data in its annual reports.</p>	<p>Ahead of the 2023-24 Budget for activities that are not already part of the annual DPS process.</p>
3	<p>Recommendation 3: All departments develop output performance measures that use unit costing to measure service efficiency to replace absolute quantity measures (see Section 3.2).</p>	<p>Accept—The department will look for opportunities to develop output performance measures in the future that use unit costing to measure service efficiency. The department will be guided by DTF once the guidance is issued.</p>	<p>Dependent on the availability of DTF's guidance.</p>
4	<p>Recommendation 10: All departments ensure they provide specific reasons and analysis for all output performance results that vary by more or less than 5 per cent (see Section 4.3)</p>	<p>Accept—The department's current practices align with this recommendation.</p>	<p>Not applicable</p>

5	<p>Recommendation 11: All departments ensure they have complete data dictionaries that include up-to-date information on:</p> <ul style="list-style-type: none"> • detailed business rules for every output performance measure and objective indicator • activities that are specifically included or excluded • the data source and how the actual result is calculated • the process for validation/quality assurance of the raw data and/or calculated result • details of how each measure's target is set (see Section 4.1) 	<p>Accept—Some minor additional data will be included to improve the robust dictionaries already in place. The department will progress this work across the 2022-23 and 2023-24 Budget cycles.</p>	<p>Ahead of the 2023-24 Budget.</p>
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Ref: BSEC-1-21-7210R

Mr Andrew Greaves
Auditor-General of Victoria
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MELBOURNE VIC 3000

Dear Mr Greaves

Victorian Auditor-General's Office – Proposed Report – Measuring and Reporting on Service Delivery

Thank you for your letter of 5 May 2021 relating to the 'Measuring and Reporting on Service Delivery' performance audit and for the opportunity to provide comments on the proposed report.


The Department appreciates the opportunity to participate in this audit and acknowledges the 11 recommendations outlined in the report of which, five are directed at all Departments.

The Department accepts four of the five relevant recommendations outlined in the proposed draft report, noting that we will await updated Resource Management Framework guidance from the Department of Treasury and Finance (DTF) to support implementation of a service logic approach to defining objectives, outputs and performance measures and development of baseline data for objective indicators.

The Department accepts-in-principle recommendation 3 (to develop output performance measures that use unit costing to measure service efficiency), noting that there are some complexities to work through in terms of implementing efficiency measures. We will be guided by DTF Resource Management Framework requirements, and will implement service efficiency measures to complement quantity, quality, timeliness and output cost measures where the nature of the activity lends itself to efficiency measures and where data is available.

The Department's action plan on the proposed report is attached for your consideration.

Yours sincerely


Paul Younis
Secretary
Department of Transport
20/5/2021



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Measuring and Reporting on Service Delivery

Proposed Action Plan

No.	VAGO recommendations	Action	Completion date
1.	<p>We recommend that all Department review their objectives, indicators and output performance measures using a service logic approach to clearly distinguish between their service objectives, inputs, processes and outputs, and use this information to re-validate and, as needed, redesign their performance statements (see sections 2.1, 2.2 and 3.3)</p>	<p>The Department will await updated Resource Management Framework guidance from the Department of Treasury on how to align output measures and objective indicators to a service logic model before undertaking this review in the context of finalising its Departmental Performance Statement for the 2023-24 Budget.</p> <p>The Department will seek approvals from Ministers for any proposed changes.</p>	Q3 2022-23
2.	<p>We recommend that all Departments ensure their performance statements comply with the Resource Management Framework (and where possible, its guidance material) including:</p> <ul style="list-style-type: none"> • developing baseline data for objective indicators (see Section 2.2) • clearly linking outputs with departmental objectives/objective indicators (see Section 2.2) • redefining outputs that are too large and/or heterogeneous in terms of service delivery (see Section 3.1) • ensuring outputs have a balanced and meaningful mix of output performance measures that assess quantity, quality, timeliness and cost (see Section 3.2) • setting output performance measures that allow for comparison over time and, where possible, against other departments and jurisdictions (see Section 3.3) 	<p>The Department will await guidance from Department of Treasury and Finance (DTF) on standards for objectives and objective indicators before developing baseline data for objective indicators in the context of finalising its Departmental Performance Statement for the 2023-24 budget.</p> <p>For the remaining points, the Department will review its outputs and output performance measures against the requirements of the Resource Management Framework, in the context of finalising the Departmental Performance Statement for the 2022-23 Budget.</p> <p>The Department will seek approval from Ministers for any proposed changes.</p>	Q3 2022-23 Q3 2021-22

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VAGO Proposed Report – Measuring and Reporting on Service Delivery - Action Plan



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No.	VAGO recommendations	Action	Completion date
3.	We recommend that all Departments develop output performance measures that use unit costing to measure service efficiency (see Section 3.2).	<p>The Department will introduce service efficiency measures, to complement quality, quantity, timeliness and cost measures, where the service or activity being delivered lends itself to efficiency measurement and relevant data is available.</p> <p>The Department will await guidance from DTF on the use of unit costing and efficiency measures before undertaking a review of potential efficiency measures in the context of finalising its Departmental Performance Statement for the 2023-34 budget.</p> <p>The Department will seek approvals from Ministers for any proposed changes.</p>	Q3 2022-23
10.	We recommend that all Departments ensure they provide specific reasons and analysis for all of their output performance results that vary by more or less than 5 per cent (see Section 4.3).	<p>The Department will continue ensure that footnotes are provided for all performance results that vary from their target by more than 5 per cent, including output costs, in context of finalising the Departmental Performance Statement for the 2022-23 Budget.</p>	Q3 2021-22
11	<p>We recommend all Departments ensure they have complete data dictionaries that include up-to-date information on:</p> <ul style="list-style-type: none"> • detailed business rules for every output performance measure and objective indicator • activities that are specifically included or excluded in reporting performance results • the data source and how the actual result is calculated • the process for validating or assuring the quality of the raw data and/or the calculated result • how each measure's target is set (see Section 4.1). 	<p>The Department already has a data dictionary for all DoT performance measures published in Budget Paper 3 and has established processes for updating information. The data dictionary and processes are reviewed on an annual basis.</p> <p>The Department will conduct its next annual review and update of the Departmental Performance statement data dictionary in the context of finalising the Departmental Performance Statement for the 2022-23 Budget.</p>	Q3 2021-22

Response provided by the Secretary, DPC



Department of
Premier and Cabinet

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D21/59179

Mr Andrew Greaves
Auditor-General
Victorian Auditor-General's Office
Level 31, 35 Collins Street
MELBOURNE VIC 3000

Dear Mr Greaves

I am writing in response to your letter dated 5 May 2021 enclosing the proposed report on *Measuring and reporting on service delivery (BP3)* performance audit. Thank you for the invitation to provide a submission and comments in relation to the recommendations as they apply to the Department of Premier and Cabinet (DPC).

My department shares your focus in ensuring reporting from departments on their performance supports accountability and good decision-making by government. The findings present a valuable opportunity for DPC to improve our public accountability through strengthened reporting processes.

DPC notes the proposed report and agrees or agrees in part with its recommendations as they apply to DPC. Enclosed with this letter is DPC's response to each of the recommendations directed to my department, outlining the actions DPC will take and expected implementation completion dates. DPC will work with your staff to provide periodic updates as requested.

Thank you again for the opportunity to consider the proposed report and provide our response. Should your staff have any questions, please contact Evelyn Loh, Director, Corporate Governance on 0403 065 963.

Yours sincerely

Jeremi Moule
Secretary

19.../05.../2021

Your details will be dealt with in accordance with the *Public Records Act 1973* and the *Privacy and Data Protection Act 2014*. Should you have any queries or wish to gain access to your personal information held by this department please contact our Privacy Officer at the above address.



Response provided by the Secretary, DPC—continued

Department of Premier and Cabinet action plan to address recommendations from VAGO's *Measuring and reporting on service delivery performance audit*

No	VAGO recommendation	Response	Action	Timing
1	Departments review their objectives, indicators and output performance measures using a service logic approach to clearly distinguish between their service objectives, inputs, processes and outputs, and use this information to re-validate and, as needed, redesign their performance statements (see sections 2.1, 2.2 and 3.3)	Accept	DPC will review its objectives, objective indicators, outputs and output performance measures to improve performance reporting in line with the service logic model developed by DTF. DPC will include this information in its BP3 Departmental performance statement.	To be completed by June 2023. Note: achievement of this completion date is dependent on development of a service logic model and provision of guidance by DTF, prior to the 2022–23 Budget.
2	Departments ensure their performance statements comply with the <i>Resource Management Framework</i> (and where possible, its guidance material) including: <ul style="list-style-type: none"> • developing baseline data for objective indicators (see Section 2.2) • clearly linking outputs with departmental objectives/objective indicators (see Section 2.2) • redefining outputs that are too large and/or heterogenous in terms of service delivery (see Section 3.1) • ensuring outputs have a balanced and meaningful mix of output performance measures that assess quantity, quality, timeliness and cost (see Section 3.2) • setting output performance measures that allow for comparison over time and, where possible, against other departments and jurisdictions (see Section 3.3) 	Accept	DPC, with support from DTF, will review and update its performance statements to improve the mix of output performance measures that assess quantity, quality, timeliness and costs.	To be completed by June 2023.
3	Departments develop output performance measures that use unit costing to measure service efficiency (see Section 3.2)	Accept	DPC supports increased use of efficiency measures, including the use of unit costs. DPC will review its output performance measures and introduce efficiency measures in accordance with DTF guidance to improve performance reporting.	To be completed by June 2024 Note: achievement of this completion date is dependent on development of guidance by DTF.

Response provided by the Secretary, DPC—continued

No	VAGO recommendation	Response	Action	Timing
6	Joint with DTF - DPC integrate and harmonise the <i>Outcomes Reform in Victoria policy with the Resource Management Framework</i> to ensure coherence and cohesiveness in departmental performance reporting, and use the approach to performance reporting adopted in New Zealand as a good practice reference point (see Section 2.3).	Accept in part	DPC supports the development of departmental objectives and objective indicators to facilitate consistent reporting against outcomes. DPC will work with DTF to identify the most appropriate option to support the development of consistent outcomes measures, and its implications for the current Outcomes Framework.	To be completed by June 2023
10	Departments ensure they provide specific reasons and analysis for all of their output performance results that vary by more or less than 5 per cent (see Section 4.3)	Accept	DPC will continue to provide clear explanations of why variances, between targets and actual results of performance measures, of more or less than 5 per cent have occurred.	To be completed by October 2021 VAGO found that DPC provided adequate explanations for variances.
11	Departments ensure they have complete data dictionaries that include up-to-date information on: <ul style="list-style-type: none"> • detailed business rules for every output performance measure and objective indicator • activities that are specifically included or excluded in reporting performance results • the data source and how the actual result is calculated • the process for validating or assuring the quality of the raw data and/or the calculated result • how each measure's target is set (see Section 4.1). 	Accept	DPC will document its business rules and data sources for its performance measures and objective indicators, following a review of its performance statements in accordance with Recommendation 1.	To be completed by June 2023



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D21/96731

Mr Andrew Greaves
Auditor-General
Level
35 Collins St
MELBOURNE VIC 3000

Dear Mr Greaves

PROPOSED REPORT INTO MEASURING AND REPORTING SERVICE DELIVERY

Thank you for the opportunity to respond to your proposed report into this important subject. I welcome this report which makes an important contribution to strengthening Victoria's performance management framework.

My response to your recommendations is attached, along with an action plan outlining how my Department will implement the responses. I accept, in full or in part, all of the recommendations with the exception of Recommendation 9. In my view, resources would be better directed to strengthening the current framework, rather than annually auditing departmental performance statements. I note that you are authorised under Section 10(3) of the Audit Act 1994 to audit the performance indicators published within the report of operations of any public body.

Thank you again for this important report. I look forward to implementing the recommendations over the coming years. I wish to acknowledge the hard work involved and the professional manner in which your staff engaged with my Department during all stages of the audit.

Yours sincerely

David Martine
Secretary

17/5 / 2021



**Department of Treasury and Finance action plan to address recommendations from
Measuring and Reporting Service Delivery**

No.	VAGO recommendation	Action	Completion date
1	That all departments review their objectives, indicators and output performance measures using a service logic approach to clearly distinguish between their service objectives, inputs, processes and outputs, and use this information to revalidate and as needed to redesign their performance statements.	<p>Accept</p> <p>DTF will develop a service logic model appropriate for use in the Victorian context and include in the Resource Management Framework, noting that the service logic approach might not be appropriate for small, low risk outputs.</p> <p>Structural improvements to departments’ financial operations are being implemented from 2021-22, to systematically improve expenditure oversight and performance monitoring at the program level and DTF will align implementation of this recommendation with that work as much as possible.</p> <p>DTF will apply any applicable changes to its own output performance statement in line with RMF requirements.</p>	June 2023
2	That all departments ensure their performance statements comply with the Framework including: <ul style="list-style-type: none"> • developing baseline data for objective indicators • clearly linking outputs with departmental objectives/objective indicators • redefining outputs that are too large/heterogenous in terms of service delivery • ensuring outputs have a balanced mix of output performance measures that assess quantity, quality, timeliness and cost • setting output performance measures that allow for comparison over time and, where possible, against other departments and jurisdictions. 	<p>Accept</p> <p>DTF will review the RMF and consider whether any guidance material needs to be moved into the mandatory requirements, noting that mandating output size is challenging and there may be some outputs that remain large due to their homogenous nature.</p> <p>DTF will work with departments to review and improve their performance statements.</p> <p>In DTF’s view, raw number measures will continue to be appropriate for a limited number of measures, but agree that a better balance is possible, and that the mix of quality, quantity, timeliness and cost measures for each output should give a balanced and complete performance picture of what the output is trying to achieve and how the delivery of the output will be measured.</p> <p>DTF will apply any applicable changes to its own output performance statement in line with RMF requirements.</p>	June 2023

Response provided by the Secretary, DTF—continued

3	That all departments develop output performance measures that use unit costing to measure service efficiency.	<p>Accept DTF supports the introduction of efficiency measures and improving the balance of QOTC measures to enhance the ability to assess efficiency. DTF will include advice on unit costings and efficiency measures in the RMF.</p> <p>DTF will review and, where applicable, revise its own output performance statement taking into account the introduction of the unit costing method used to improve efficiency.</p>	June 2023
4	<p>That DTF improve the Framework's guidance materials to:</p> <ul style="list-style-type: none"> • show departments how to align output measures and objective indicators to a service logic model • include practical examples of how to design objective indicators and output performance measures to assess effectiveness and efficiency. 	<p>Accept DTF agrees that improvements can be made to objectives, indicators, outputs and output performance measures, and will consider what service logic model is most appropriate in the Victorian context. DTF will review the RMF guidance and mandatory requirements in this context, to ensure the need for links between objectives and outputs or programs remain in place.</p> <p>DTF will work with departments in relation to performance measures to develop efficiency and effectiveness examples for inclusion in the RMF as part of the review into performance measures referred to in Recommendation 1.</p> <p>DTF will apply any applicable changes to its own output performance statement in line with RMF requirements and guidance.</p>	June 2023
5	That DTF, in its annual review of departmental performance statements as part of the budget process, advise the Assistant Treasurer on the extent to which each departments' performance statements comply with all mandatory requirements of the Framework.	<p>Accept in principle Victoria operates with a devolved accountability model, in which compliance with mandatory requirements is overseen by departmental audit and risk committees, the CFO and Accountable Officer. This recommendation potentially undermines this model.</p> <p>However, DTF agrees that overall improvements are possible to both departmental performance statements and to the guidance and mandatory requirements of the RMF. DTF will review departmental annual compliance reports against what is included in departmental performance statements and provide this analysis back to departments. DTF will use a risk-based approach to determine how to advise the Assistant Treasurer.</p>	June 2023
6	That DTF and DPC integrate and harmonise the Outcomes framework with the Resource Management Framework to ensure coherence and cohesiveness in departmental performance reporting and use the approach to performance	<p>Accept in principle DTF agrees that the current departmental objectives could be more effective in communicating whole of government priorities to better support joined up service delivery and better allow Government set and communicate its priorities to Victorians.</p> <p>DTF will work with DPC to review how best to achieve this, including the implications for the Outcomes framework. DTF will also review the New Zealand</p>	June 2024

Response provided by the Secretary, DTF—continued

	reporting adopted in New Zealand as a good practice reference point.	approach and use this as a good practice reference point.	
7	That DTF regularly reviews departments' data dictionaries to ensure they include all required information and cover all objective indicators and output performance measures.	Accept in principle DTF accepts the value of good quality documentation such as data dictionaries. DTF will review the RMF guidance and mandatory requirements to clarify the requirements for documenting methodologies and data dictionaries in relation to performance measures, but not for the current departmental objectives at this time, noting the plan to develop whole of government objectives referred to in Recommendation 6 above. However, in DTF's view the recommendation for DTF to review these is not consistent with Victoria's devolved accountability model, in which the compliance and audit function rests with the departmental audit and risk committee, CFO and Accountable Officer, supported by public attestation statements. DTF will update data dictionaries for its objective indicators and output performance measures as required following clarification of requirements in RMF guidance.	June 2024
8	That DTF develops a public online dashboard that reports departments' output performance measures results and enables comparison over time.	Accept in principle DTF will work with government on options to better communicate departments' output performance measure results and enable comparison over time, including consideration of a public online dashboard. DTF will work with Departments to ensure that any dashboards developed accurately represent departmental performance. DTF and departments will establish a clear process for dealing with updates to actual performance post budget where these are included in departments' annual reports. DTF will engage proactively regarding its own dashboard data in line with the established process.	June 2022
9	That DTF requires independent auditing of departments' performance statements.	Not accept DTF notes that the Auditor-General currently has ongoing discretionary authority under Section 10(3) of the Audit Act 1994 to audit the performance indicators published within the report of operations of any public body. As DTF works with departments to improve the overall performance framework and reporting of performance, we will continue to assess the appropriateness of the related annual reporting and audit requirements, and to advise the relevant Ministers accordingly.	No action

Response provided by the Secretary, DTF—continued

10	<p>That all departments ensure they provide specific reasons and analysis for all output performance results that vary by more or less than 5 per cent.</p>	<p>Accept</p> <p>DTF notes that this is a requirement for BP3, Departmental Annual Reports and internal performance reporting (bi-annual). DTF works with Departments during the budget process to progressively improve the variance commentaries.</p> <p>Footnoting, especially for the bi-annual revenue certification process, is a highly iterative process between DTF and departments, which results in each instance of significant variance being well-understood. DTF makes recommendations around disclosures, but it is ultimately up to the Portfolio Minister to make the necessary disclosures. DTF notes that the more recent Report on the 2020-21 Budget Estimates only identified two measures proposed to be discontinued which PAEC considered to have insufficient explanation. This would indicate that DTF's actions in response to the 2019-20 report have been successful.</p> <p>DTF will continue to monitor its own performance measures to ensure sufficient reasonings are provided for variances exceeding the threshold.</p>	June 2022
11	<p>That all departments ensure they have complete data dictionaries that include up-to-date information on:</p> <ul style="list-style-type: none"> • detailed business rules for every output performance measure and objective indicator • activities that are specifically included or excluded • the data source and how the actual result is calculated • the process for validation/quality assurance of the raw data and/or calculated result details of how each measure's target is set. 	<p>Accept</p> <p>DTF accepts the value of good quality documentation such as data dictionaries. DTF will review current data dictionaries, including its own, for examples of good practice and areas for improvement, and provide clearer guidance on appropriate standards of data governance, including data dictionaries.</p>	June 2023

APPENDIX B

Acronyms and abbreviations

Acronyms

BP3	<i>Budget Paper No. 3: Service Delivery</i>
DELWP	Department of Environment, Land, Water and Planning
DET	Department of Education and Training
DFFH	Department of Families, Fairness and Housing
DH	Department of Health
DHHS	Department of Health and Human Services
DJCS	Department of Justice and Community Safety
DJPR	Department of Jobs, Precincts and Regions
DoT	Department of Transport
DPC	Department of Premier and Cabinet
DTF	Department of Treasury and Finance
GBE	government business enterprise
FMA	<i>Financial Management Act 1994</i>
FTE	full-time equivalent
NAPLAN	National Assessment Program—Literacy and Numeracy
PAEC	Public Accounts and Estimates Committee
RoGS	Report on Government Services
TAFE	Technical and Further Education
VAGO	Victorian Auditor-General's Office
VPS	Victorian Public Service
VPSC	Victorian Public Sector Commission

Abbreviations

the Bill	Appropriation Bill
the Framework	<i>Resource Management Framework</i>
the Model Report	<i>Model Report for Victorian Government Departments</i>
the Outcomes policy	<i>Outcomes Reform in Victoria policy</i>
the Standing Directions	<i>Standing Directions 2018 Under the Financial Management Act 1994</i>

APPENDIX C

Scope of this audit

Who we audited	What we assessed	What the audit cost
All eight Victorian Government departments	<p>We assessed:</p> <ul style="list-style-type: none">• if all departments are meeting their responsibilities to measure and report on their performance using the Framework• departments' controls over the accuracy of their performance information with a particular focus on three selected departments (DTF, DET and DHHS).	The cost of this audit, including its accompanying dashboard, was \$1 015 000.

Note: In February 2021, DHHS was separated into two new departments: DH and DFFH. Given the period of focus for this audit, this report refers to DHHS. Any audit findings in this report that relate to DHHS will apply to the two new departments.

Our methods

Methods for this audit included:

- desktop research identifying better practice in performance measurement and reporting
- assessing departments' compliance with legislation and guidance including the FMA, the Standing Directions, the Framework and the Model Report
- identifying, collecting and reviewing relevant documents
- interviewing relevant staff
- examining departments' performance statements in BP3s and annual reports.

We conducted our audit in accordance with the *Audit Act 1994* and *ASAE 3500 Performance Engagements*. We complied with the independence and other relevant ethical requirements related to assurance engagements.

APPENDIX D

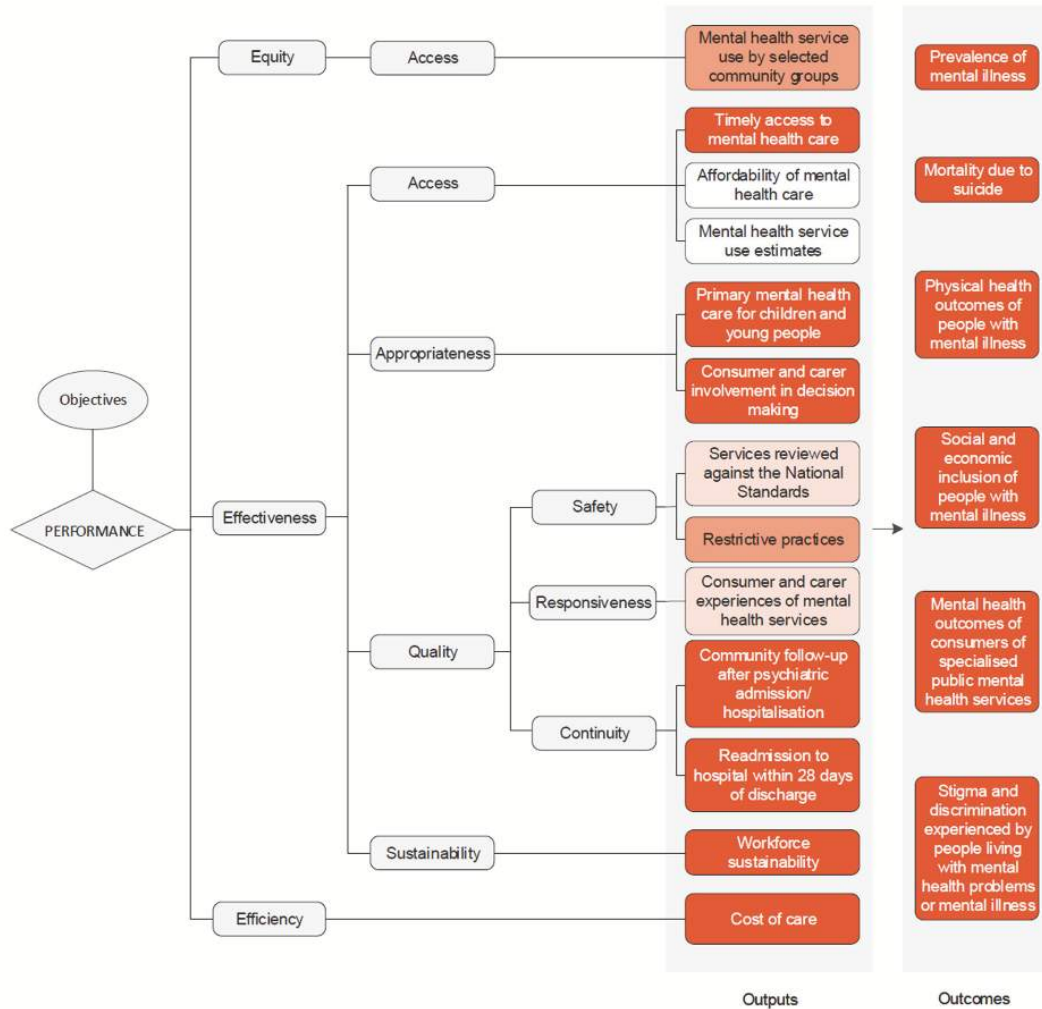
Using RoGS to understand service performance

As discussed in Section 3.2, most departments' performance statements do not clearly measure their service efficiency and effectiveness. This makes it difficult for them to identify opportunities to improve their operations and demonstrate value for money. We used the Productivity Commission's RoGS to show how departments could restructure their performance information to better monitor their performance over time.

RoGS uses a service logic model, which we outline in Section 1.1, to compare the efficiency, effectiveness and equity of government services across jurisdictions. RoGS clearly defines the inputs (funding and resources) that departments use to deliver outputs (services) and achieve an outcome.

Figure D1 shows the RoGS performance reporting framework for mental health services. It distinguishes outputs from outcomes and defines performance measures for equity, effectiveness and efficiency.

FIGURE D1: RoGS performance measurement framework for mental health services



Key to indicators*

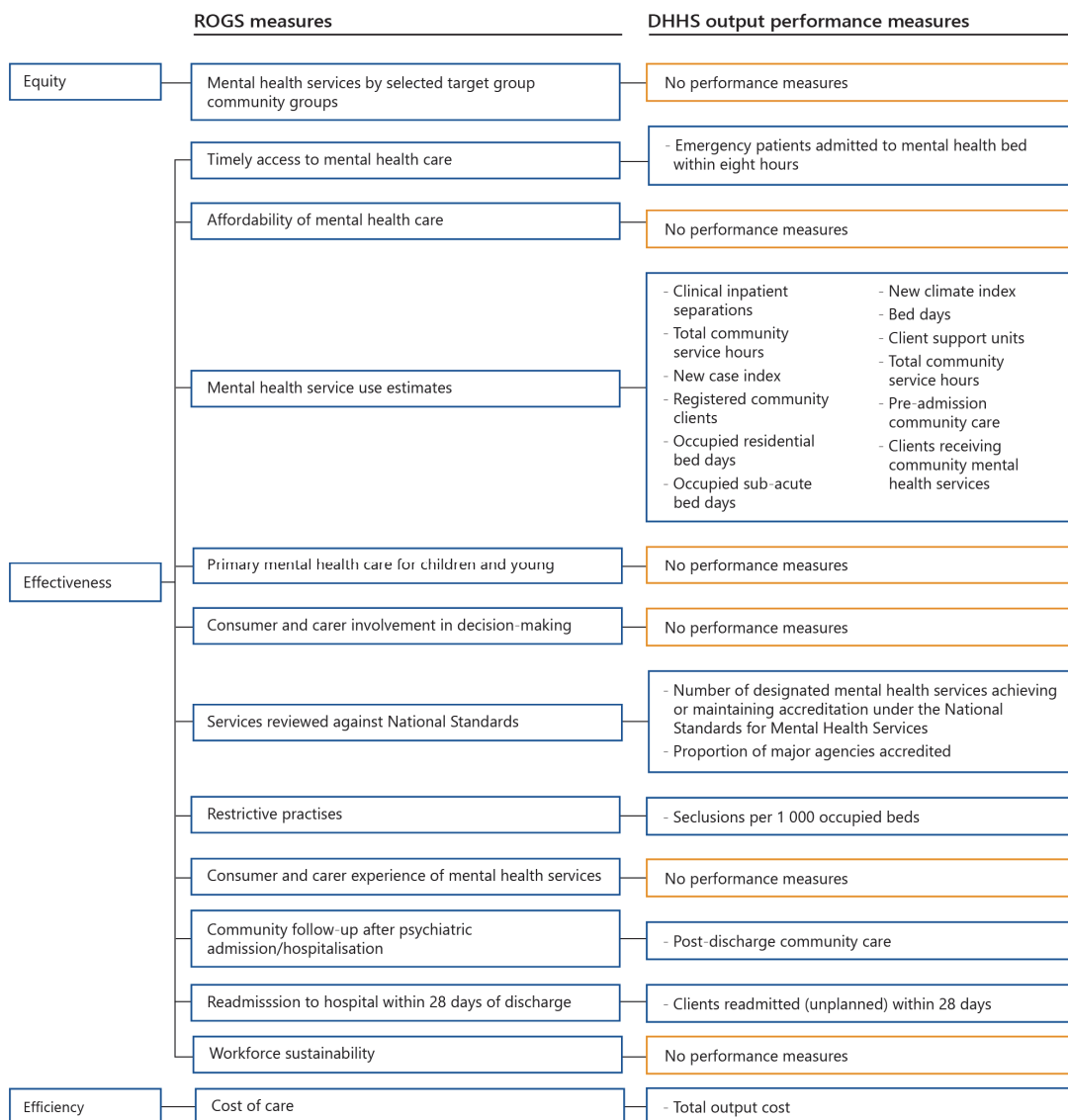
- Text Most recent data for all measures are comparable and complete
- Text Most recent data for at least one measure are comparable and complete
- Text Most recent data for all measures are either not comparable and/or not complete
- Text No data reported and/or no measures yet developed

* A description of the comparability and completeness of each measure is provided in indicator interpretation boxes within the section

Source: RoGS, 2020.

Figure D2 compares this framework to DHHS's BP3 output performance measures for its mental health output group. It shows that DHHS does not provide all of the necessary information to assess the equity, effectiveness and efficiency of its services.

FIGURE D2: Comparison of RoGS and DHHS's measures



Source: VAGO, based on RoGS, 2020 and the 2019–20 BP3.

The grey boxes in Figure D2 identify the gaps in DHHS's performance statement, which include:

- a lack of measures to monitor the effectiveness of services for children and young people and the inclusion of consumers and carers in decision-making
- a lack of equity measures to show whether services are accessible for a range of community groups.

While DHHS does list the total output cost for its mental health services, which was \$1.7 billion in 2019–20, it does not provide unit costing for different types of mental health services, such as hospital and community-based services. These gaps make it difficult for the department to show if it is improving mental health services over time and in comparison, to other jurisdictions.

Auditor-General's reports tabled during 2020–21

Report title

Report title	Month
Rehabilitating Mines (2020–21: 1)	August 2020
Management of the Student Resource Package (2020–21: 2)	August 2020
Victoria's Homelessness Response (2020–21: 3)	September 2020
Reducing Bushfire Risks (2020–21: 4)	October 2020
Follow up of Managing the Level Crossing Removal Project (2020–21: 5)	October 2020
Early Years Management in Victorian Sessional Kindergartens (2020–21: 6)	October 2020
Accessibility of Tram Services (2020–21: 7)	October 2020
Accessing emergency funding to meet urgent claims (2020–21: 8)	November 2020
Auditor-General's Report on the Annual Financial Report of the State of Victoria: 2019–20 (2020–21: 9)	November 2020
Sexual Harassment in Local Government (2020–21: 10)	December 2020
Systems and Support for Principal Performance (2020–21: 11)	December 2020
Grants to the Migrant Workers Centre (2020–21: 12)	February 2021
Results of 2019–20 Audits: State-controlled Entities (2020–21: 13)	March 2021
Results of 2019–20 Audits: Local Government (2020–21: 14)	March 2021
Maintaining Local Roads (2020–21: 15)	March 2021
Service Victoria—Digital Delivery of Government Services (2020–21: 16)	March 2021
Reducing the Harm Caused by Gambling (2020–21: 17)	March 2021
Implementing a New Infringements Management System (2020–21: 18)	May 2021
Measuring and Reporting on Service Delivery (2020–21: 19)	May 2021

All reports are available for download in PDF and HTML format on our website www.audit.vic.gov.au

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8 Internal Audits

Nil

9 Compliance

9.1 Ombudsman Report Financial Hardship

Mr Malcolm Lewis and Ms Julie Baxendale to discuss the investigation into how local councils respond to ratepayers in financial hardship – May 2021.

Outcome

Ms Julie Baxendale presented a summary of the Ombudsman's investigation including:

- The findings from the Ombudsman's report into how Council's respond to ratepayers in financial hardship; and
- Northern Grampians approach to working with ratepayers who are experiencing financial hardship.

Resolution:

That the Ombudsman's report be received and noted.

Moved: Mr Lynn Jensz

Seconded: Cr Kevin Erwin

Carried

Attachments

1. Ombudsman report - Investigation-into-how-local-councils-respond-to-ratepayers [9.1.1 - 182 pages]



Investigation into how local councils respond to ratepayers
in financial hardship

May 2021

**Ordered to be published
Victorian government printer
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Accessibility

If you would like to receive this publication in an alternative format, please call 9613 6222, using the National Relay Service on 133 677 if required, or email vocomms@ombudsman.vic.gov.au.

The Victorian Ombudsman pays respect to First Nations custodians of Country throughout Victoria. This respect is extended to their Elders past, present and emerging. We acknowledge their sovereignty was never ceded.

Letter to the Legislative Council and the Legislative Assembly

To

The Honourable the President of the Legislative Council

and

The Honourable the Speaker of the Legislative Assembly

Pursuant to sections 25 and 25AA of the *Ombudsman Act 1973* (Vic), I present to Parliament my *Investigation into how local councils respond to ratepayers in financial hardship*.



Deborah Glass OBE
Ombudsman

17 May 2021

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Foreword

Teresa found out after separating from her husband that he had not been paying council rates for years. She is working two jobs to pay off the debt, on which the Council charges interest. She said the debt 'keeps escalating ... I will never be able to pay this off'. Before the pandemic, the Council was charging Teresa more in interest each year than it was charging her for rates.

The problem of how people in financial hardship pay what may be an ever-increasing rates bill is not new. While not all councils do so, they have the power to charge penalty interest, take people to court, or even sell the property to recover a rates debt. Concerns about heavy-handed debt collection for unpaid rates have been around for years, but the likely increase in financial hardship brought on for many by the pandemic has thrown it into sharp relief.

“ We would be rightly concerned if our bank was doing more to meet its social obligations than our council. ”

I wanted to examine how struggling homeowners would be treated if they fell into debt, and whether council practices were fair and reasonable. I also wanted to identify the good practice across the sector, that all councils should aim for.

We found, as is so often in local government, widely varying practices. Almost all 79 councils had a hardship policy but not all made them public; the policies themselves varied widely; and in some cases, published policies did not reflect actual practices.

Some councils offered more generous hardship relief during the pandemic and are doing more to engage with ratepayers who fall into debt. Good practice includes publishing information in community languages, offering easier ways to pay rates, and working with local financial counsellors. We heard some councils were 'exemplary' at dealing with ratepayers in hardship.

But others were described as 'paternalistic' and 'punitive'; 'too quick to sue' without adequately exploring alternatives. We heard concerns from community advocates that some councils were judgmental, taking the view that if ratepayers cannot pay their rates, it must be their fault, without trying to understand that people in hardship may have other problems, or how vulnerability affects people and their behaviour.

We also heard from councils about their concerns, including that the burden of unpaid rates falls heavily on other ratepayers. Smaller rural councils also depend heavily on rates revenue, which limits their ability to offer relief.

We were not investigating the whole rates system – which has been subject to a recent State Government review – but the context is important. Rates are not set according to ratepayers' income or capacity to pay but largely by the value of the property and the council's budget. This can create problems for particular groups, including pensioners and farmers. We were told of an elderly widow not looking after herself properly, as so much of her pension went on trying to pay her rates.

“ ... So instead of recognising that I’ve got financial hardship now, all they’ve done is just taken that level of debt and moved it [to] next year ... I’m going to have more problems next year even if I do find work ... ”

Statement from ratepayer during investigation

While some councils manage these issues very well – including recognising family violence as a sign of hardship – we also saw practices that were simply unfair and wrong, and some common practices that could not be justified.

Too many people are told their only option is a payment plan, when the legal framework includes waivers and deferrals – which some councils have a blanket policy of refusing. This is fundamentally inconsistent with good administrative practice. While councils should only be expected to waive rates rarely, discretion, not sledgehammer refusals, should be the order of the day.

Charging penalty interest to people in hardship is also wrong – as well as punitive and counterproductive. How can it possibly be fair to have your rates deferred for hardship reasons, only to be forced to accumulate far greater debt? And while councils are expected to be model litigants, we saw troubling cases of litigation against people in crisis including histories of mental health problems and family violence. Some councils rely heavily on debt collectors, an experience that can be stressful and frightening for anyone, let alone someone in hardship.

The public sector is expected to act in the public interest more than the private sector – but in dealing with hardship, local councils lag behind utility and other companies, including banks. We would be rightly concerned if our bank was doing more to meet its social obligations than our council.

Nobody wins from heavy-handed approaches, least of all the public interest. While we often heard about the need to be fair to other ratepayers, councils have obligations to their whole community, not just those who can afford to pay. Good hardship relief schemes get the balance right. And driving people in hardship further into debt or out of their homes is short-sighted. It creates costs for other parts of government, costs that are also borne by taxpayers.

The good practice we have seen, both in councils and elsewhere, shows it is possible to do it better. This report includes recommendations to strengthen laws and standards, and to promote a consistent approach. I commend it to all councils to see whether they are ahead or behind and act accordingly. We may all have been in it together, but when it comes to hardship, too often we’re on our own.

Deborah Glass

Ombudsman



Rates account for
34% to 79%
of council revenue

Before the
pandemic 
1 in 10 Victorians
were in some form
of financial difficulty

6 August 2020
Ombudsman
launches an
investigation



Average council rates
in **2019-20**
ranged between
\$1,227 &
\$2,000+

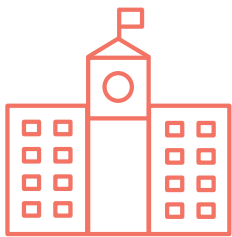
96%
of councils have a hardship
policy in some form



77% of councils
published their
standard hardship
policy on their website

48% of councils do not include rate waivers as part of standard hardship policies

26 councils limit use of deferrals as part of standard hardship policies



In 2018-19 councils sold or transferred land for unpaid rates **28 times**

Many councils charge **10%** penalty interest even in hardship circumstances

97% of councils use debt collectors



Councils sued ratepayers for unpaid rates more than **7,000** times in 2018-19



7 councils mention family violence in their hardship policies

Report summary

Why we investigated

1. In recent years, the Ombudsman has heard concerns from ratepayers, financial counsellors and community lawyers about the way local councils treat people who cannot afford their council rates. With the COVID-19 pandemic threatening to increase financial hardship in the community, the Ombudsman decided it was timely to investigate the issue. The investigation focused on council hardship relief for homeowners (ratepayers who cannot pay rates on their primary residence).

What we found

2. Victoria's 79 councils all have their own approaches to ratepayers in financial hardship. For ratepayers, this can lead to a 'postcode lottery' – different ratepayers get different help, depending on the council area they live in.
3. Councils all offered extra relief to ratepayers during the COVID-19 pandemic. Some council pandemic schemes have already ended and others are currently due to end in 2021.
4. Outside of the pandemic schemes, some councils manage these issues well. But there are common problems:
 - Public information about councils' hardship relief can be hard to find. It is not always clear or up to date.
 - Most councils encourage ratepayers in financial hardship to go on payment plans, where they pay off rates over time in instalments. This is a solution for many people, but not everyone. The current laws (in the *Local Government Act 1989* (Vic)) also give councils the power to defer or waive rates. Some councils do not tell people about these options. Some refuse to offer them or limit their availability.

- Outside of pandemic schemes, many councils charge high penalty interest (currently 10 per cent) on unpaid rates. The Local Government Act allows this, but it can add hundreds or thousands of dollars to debts for ratepayers who are already struggling.
 - Councils can also take ratepayers to court over unpaid rates and add the legal costs to the debt. Councils generally try to contact ratepayers before taking this step, but they rely heavily on debt collectors to communicate with ratepayers. More discretion is needed where ratepayers are struggling with other issues, such as mental illness or the effects of family violence.
5. As a whole, council hardship practices compare poorly with sectors such as energy and water. Councils have fallen behind best practice.

What we recommended

6. In 2020, the State Government committed to regulation to ensure more consistency in this area and a 'collaborative change management program'.
7. This investigation looked at how this could be achieved. It recommended changes including:
 - minimum standards for rates hardship relief across all councils
 - legal requirements for councils to publish hardship information, so ratepayers can find out about their rights and options
 - caps on councils' ability to charge high penalty interest
 - better links between councils and other sectors, including financial counsellors and the private sector, to keep councils up to date with good practice.

The investigation

Why we investigated

8. This investigation looked at how Victorian local councils can better respond to homeowners in financial hardship with their council rates.
9. The investigation began in August 2020 at a time of rising anxiety for many about their finances. In March 2020, the start of the COVID-19 pandemic saw businesses closed, jobs lost and people queuing for unemployment benefits. In April 2020, the Victorian Government forecast that unemployment could rise to 11 per cent and property prices could fall by up to nine per cent. At the start of August 2020, Melbourne went into a stricter lockdown. Non-essential businesses closed and state borders shut.
10. Local councils, like the Commonwealth and State Governments, were quick to announce economic support packages for their communities. Most councils offered rates relief to local residents and businesses, often in the form of interest-free deferrals or instalment plans. Some offered ratepayers rebates or discounts on their rates bill.
11. However, these relief measures had expiry dates. Some council schemes ended after a few months. Other council schemes were due to end later in 2020 or in 2021. It seemed the pandemic's economic impact would last longer, and councils would be seeing more ratepayers in financial hardship for some time to come.

Figure 1: People outside Centrelink during COVID-19 lockdowns



Source: ABC News website, 23 March 2020, <www.abc.net.au/news>

12. Victoria's 79 councils all have their own systems for hardship relief. The Ombudsman was aware of concerns about the way they had dealt with ratepayers in financial hardship in the past. A 2012 community legal centre report argued they did not respond to hardship consistently and were 'far too quick to sue residents without adequately exploring alternatives to litigation'.¹ Since then, the Ombudsman has received regular complaints from ratepayers, often after they have been contacted by council debt collectors or taken to court.
13. On 6 August 2020, the Ombudsman advised the Minister for Local Government and the mayors and chief executive officers of all 79 councils that she intended to conduct an investigation into council responses to ratepayers in financial hardship. She said she intended to focus on help for homeowners struggling with rates for their primary residence. This included farmers, whose place of business is often also their home. She said she would consider issues including:
 - whether information about councils' financial hardship assistance is easily accessible for ratepayers
 - whether assistance is fair and reasonable, and whether councils provide that assistance appropriately
 - how council assistance schemes compare with best practice, including in the energy and water and telecommunications sectors
 - what councils can learn from COVID-19 relief schemes to improve responses to financial hardship in future.
14. The aim of the investigation was to learn from the lessons of the past, and the pandemic, to identify good practice for the future.

¹ Footscray Community Legal Centre and Federation of Community Legal Centres, *Council debt collection: Alternatives to suing ratepayers in hardship* (2012) 1.

Authority to investigate

15. The *Ombudsman Act 1973* (Vic) gives the Victorian Ombudsman the power to investigate 'administrative actions' taken by or in an 'authority'. The definition of 'authority' includes local councils and members of council staff (see definitions in section 2 and Schedule 1, item 15).
16. The Ombudsman conducted this investigation under section 16A of the Act. Section 16A allows the Ombudsman to conduct an 'own motion' investigation into any administrative action by or in an authority. The Ombudsman often uses this power to investigate systemic issues in the public sector.

How we investigated

17. The investigation involved the following steps:
 - **Research into financial hardship in Victoria**
The investigation reviewed research on the extent of financial hardship in Victoria and the impact of the COVID-19 pandemic.
 - **Information about council policies and practices**
The investigation:
 - o asked councils for their hardship policies and other data
 - o reviewed public material such as council websites
 - o obtained data from the Magistrates' Court about councils' use of court action to recover rates debts
 - o obtained data from the State's land registry, Land Use Victoria, about use of land sales to recover debts.

- **Speaking with local government**

The investigation met with three peak council bodies:

- o the Municipal Association of Victoria
- o FinPro, the association for council finance professionals
- o the Revenue Management Association, the association for council rates officers.

- **Speaking with community advocates**

The investigation met with the following people to discuss their experiences with councils:

- o Financial Counselling Victoria, the peak body for financial counsellors in the State. Financial Counselling Victoria ran two focus groups with financial counsellors from around the State.
- o Westjustice, a community legal centre in Melbourne's west
- o the former head of Westjustice, who has been active in this area for many years
- o an officer from the Women's Legal Service
- o Victoria Legal Aid, which also made a written submission
- o Ratepayers Victoria, the peak body representing ratepayers in Victoria. Ratepayers Victoria and the Maribyrnong Residents and Ratepayers Group also made written submissions.

- **Speaking with State Government**

The investigation met several times with the State Government agency responsible for local government issues, Local Government Victoria.

- **Review of selected cases**

The investigation reviewed complaints to the Ombudsman from ratepayers in financial hardship. We made further enquiries into some of these cases, as well as cases raised by community advocates.

- **Review of practice in other sectors**

The investigation also looked at how other private and public bodies respond to people in hardship. This included energy and water companies, banks, telecommunications companies, the Australian Taxation Office and the State Government's tax collection agency, the State Revenue Office.

The investigation met with the State Revenue Office and the Essential Services Commission, which regulates hardship schemes in the energy and water sectors in Victoria.

18. Some steps in the investigation were changed because of the pressures facing councils in 2020. When the Ombudsman first wrote to councils about the investigation, many asked her to defer it. They noted they were dealing with the pandemic as well as council elections and a new Local Government Act. The Ombudsman decided to go ahead because of the public interest in the issues. However, she reduced the information she was seeking from councils and gave them longer to respond.

Privacy and procedural fairness

19. This report includes case studies describing how some councils responded to ratepayers in financial hardship. The investigation has changed the names of the ratepayers and other details to protect their privacy.
20. Some of the case studies, and other parts of this report, contain adverse comments about some councils. In accordance with section 25A(2) of the Ombudsman Act, the investigation provided those councils with a reasonable opportunity to respond to the material in the report. This report fairly sets out the responses that were received.
21. In accordance with section 25A(3) of the Ombudsman Act, any other persons who are or may be identifiable from the information in this report are not the subject of any adverse comment or opinion. They are named or identified in the report as the Ombudsman is satisfied that:
 - it is necessary or desirable to do so in the public interest, and
 - identifying those persons will not cause unreasonable damage to those persons' reputation, safety or well-being.

Financial hardship in Victoria

The extent of financial hardship

22. Before the pandemic, studies suggested that around one in 10 Victorians experienced some form of financial difficulty.
23. Studies define and measure financial difficulty in different ways, so their exact findings vary. For example:
 - A 2017 report from the National Centre for Social and Economic Modelling calculated that 13.2 per cent of Victorians were living in poverty. It defined poverty as having less than \$353.45 a week after paying for housing.
 - A 2018 Centre for Social Impact report said 11.3 per cent of adult Victorians were experiencing severe or high financial stress. It said 4.2 per cent of respondents to a national survey indicated they had more debts than they could pay back, while 15.8 per cent were 'just managing to keep up'.
 - A December 2019 survey by Roy Morgan and the ANZ Bank classed 9.5 per cent of Victorians as 'struggling'. It said most people in this group described their financial situation as 'bad', reported little or no savings, and found it a 'constant struggle' to meet bills and credit payments.²

Who is affected

24. According to research, some parts of the community are more vulnerable to financial problems. Financial difficulty is more common amongst people who are unemployed or under-employed (working but looking for more hours). Research also shows higher levels of financial difficulty amongst single parent families, people with a disability, Aboriginal and Torres Strait Islander people and people in public housing or the private rental market.³
25. However, having a job or owning a home does not protect people from financial worries. NATSEM's 2017 report on poverty in Victoria reported that nine per cent of Victorians who owned their home were living in poverty, along with 10 per cent of Victorians who were paying off a mortgage.⁴ In 2015, Melbourne Law School's Financial Hardship Project ('Project') surveyed 1,100 people who had been unable to pay a debt when it fell due. It said a 'sizeable minority' were people who would traditionally be considered 'middle-class' – people with university degrees, people who owned or were paying off homes, and people with higher incomes.⁵

2 Robert Tanton, Dominic Peel and Yogi Vidyattama, NATSEM and VCOSS, *Poverty in Victoria* (2018) 8, 10; Centre for Social Impact and National Australia Bank, *Financial resilience in Australia 2018* (2018) 21, 60; Roy Morgan and ANZ Bank, *The ANZ Roy Morgan Financial Wellbeing Indicator: Quarterly Update March 2020* (2020) 3, 5.

3 NATSEM and VCOSS, above 2, 11; Centre for Social Impact and National Australia Bank, above n 2, 17.

4 NATSEM and VCOSS, above n 2, 11.

5 Evgenia Bourova, Ian Ramsay and Paul Ali, 'The Experience of Financial Hardship in Australia: Causes, Impacts and Coping Strategies' (2019) 42(2) *Journal of Consumer Policy* 189, 215.

26. The Project pointed to three economic changes in recent decades – increased job insecurity, rising living costs and rising household debt. According to the Australian Bureau of Statistics, household debt grew by 79 per cent between 2003-04 and 2015-16, largely because of home mortgages. The Bureau reported that by 2015-16, around one in three households were ‘over-indebted’.⁶

27. The Project’s team wrote:

The overall increase in economic insecurity since the 1980s – together with increases in housing and utility costs and rapid growth in household debt – have created a situation in which financial hardship can happen to almost anyone.⁷

Causes and impacts of hardship

28. The Melbourne Law School Project’s research showed financial hardship can be triggered by unexpected costs or life events.

29. When the Project asked people what caused their debt problems, around three in 10 named ‘spending too much’. Smaller numbers mentioned ‘borrowing too much’ or ‘not knowing how to budget or manage my money’. However, almost half said none of these factors contributed to their problems.

30. The Project asked people about their experiences in the year leading up to their debt problems. People commonly mentioned:

- unforeseen expenses, such as car or medical costs
- relying on Centrelink for income
- unexpectedly high electricity, gas or water bills
- physical health problems
- mental health problems
- employment problems such as losing a job, not having enough work or working variable hours.

31. Others mentioned taking on caring responsibilities for children or other people, divorce or separation, business failure or addiction.

32. When the Project asked people about the impact on their lives, around half said it became more difficult to pay for basics like food and utilities. Just over a third reported mental health problems and just over a quarter reported physical health problems. More than a fifth reported trouble maintaining relationships with their family or friends.⁸

33. Some financial counsellors made similar observations when they spoke with the investigation. They said they had clients who were choosing between paying debts and buying food.

34. The Project reported that for some people, financial hardship was a temporary setback. For others, it was a long term problem that lasted for years.⁹

6 Australian Bureau of Statistics, ‘Household debt and over-indebtedness in Australia’ 6523.0 - *Household Income and Wealth, Australia*, 2015-16 (2017).

7 Bourova, Ramsay and Ali, above n 5, 223.

8 Bourova, Ramsay and Ali, above n 5, 205-10.

9 Bourova, Ramsay and Ali, above n 5, 202-3.

Financial hardship around the State

35. It will be no surprise to people living in Victoria that some parts of the State have higher levels of financial problems than others.
36. Figure 2 on page 16, shows council areas according to their level of socio-economic disadvantage. It is based on data from the State Government's Know Your Council website, which ranks each council from 1 to 10 (where 1 represents the most disadvantaged areas and 10 represents the least disadvantaged areas). The ranking is based on the Australian Bureau of Statistics' Index of Relative Socio-Economic Disadvantage, which considers factors such as income levels, unemployment, education levels, job types and access to a car or the internet.
37. The data shows higher levels of disadvantage in regional parts of the State. This is consistent with other studies of financial difficulty.¹⁰
38. However, some studies stress that hardship exists in all council areas. NATSEM's 2017 report on poverty in Victoria said poverty rates tend to be highest in the outer suburbs of Melbourne. But it found poverty existed even in the wealthiest council areas.¹¹

¹⁰ See, for example, NATSEM and VCOSS, above n 2, 11; Bourova, Ramsay and Ali, above n 5, 197-199

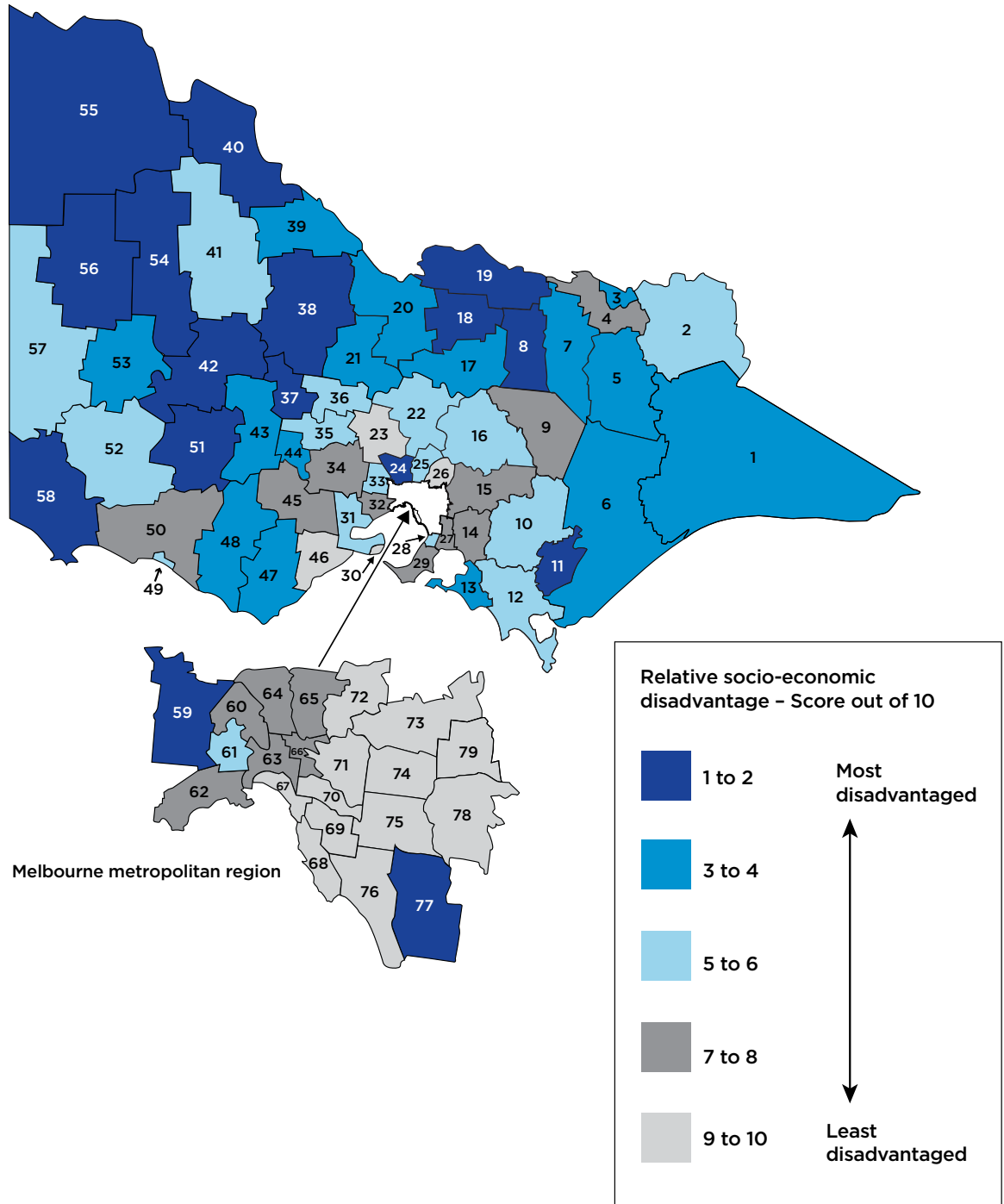
¹¹ NATSEM and VCOSS, above n 2, 13, 44-46.

The impact of the pandemic

39. The COVID-19 pandemic raised fears about growing financial hardship in the community.
40. By July 2020, the Commonwealth Government had processed JobKeeper wage subsidy applications from almost 267,000 businesses in Victoria. By August 2020, 249,300 Victorians were unemployed - 61,700 more than at the start of the pandemic in March. A national survey the same month found that almost a quarter of Australians were 'financially stressed'.¹²
41. By late 2020 and early 2021, economic forecasts and data were more optimistic. In November 2020, the State Budget forecast that unemployment would peak at 8.25 per cent, down from the 11 per cent forecast in April. Property prices started to rise. In February 2021, the Governor of the Reserve Bank of Australia said that nationally, 'the economic recovery is well under way and has been stronger than was earlier expected'.
42. However, the Reserve Bank statement noted that globally, the path ahead was likely to 'remain bumpy and uneven'. It said recovery remained 'dependent on the health situation and on significant fiscal and monetary support'. When this report was finalised, the Commonwealth Government had revised Australia's COVID-19 vaccine schedule and the program was expected to take some months. Governments had started rolling back some of their economic support, including the Commonwealth's JobKeeper program and extra JobSeeker unemployment payments.
43. These events and the long term impact of the pandemic are still unfolding.

¹² The Treasury, Australian Government, 'JobKeeper postcode data', www.treasury.gov.au/coronavirus/jobkeeper/data (accessed February 2021); Australian Bureau of Statistics, *Labour Force, Australia* (February 2021) Table 5; Melbourne Institute, University of Melbourne, *Taking the Pulse of the Nation: Survey of the Impact of COVID-19 in Australia, 17-21 August 2020* (August 2020).

Figure 2: Relative socio-economic disadvantage of council areas, score out of 10, 2019-20



Source: Local Government Victoria, 'Performance Reporting Framework - Full Data Set', *Know Your Council*, <<https://knowyourcouncil.vic.gov.au/publications>>

Victorian council locations on map			
Council	Map No.	Council	Map No.
Alpine Shire Council	41	Manningham City Council	73
Ararat Rural City Council	51	Mansfield Shire Council	9
Ballarat City Council	44	Maribyrnong City Council	61
Banyule City Council	72	Maroondah City Council	79
Bass Coast Shire Council	13	Melbourne City Council	63
Baw Baw Shire Council	10	Melton City Council	33
Bayside City Council	68	Mildura Rural City Council	55
Benalla Rural City Council	8	Mitchell Shire Council	22
Boroondara City Council	71	Moira Shire Council	19
Borough of Queenscliffe	30	Monash City Council	75
Brimbank City Council	59	Moonee Valley City Council	60
Buloke Shire Council	5	Moorabool Shire Council	34
Campaspe Shire Council	20	Moreland City Council	64
Cardinia Shire Council	14	Mornington Peninsula Shire Council	29
Casey City Council	27	Mount Alexander Shire Council	36
Central Goldfields Shire Council	37	Moyne Shire Council	50
Colac-Otway Shire Council	47	Murrindindi Shire Council	16
Corangamite Shire Council	48	Nillumbik Shire Council	26
Darebin City Council	65	Northern Grampians Shire Council	42
East Gippsland Shire Council	1	Port Phillip City Council	67
Frankston City Council	28	Pyrenees Shire Council	43
Gannawarra Shire Council	39	South Gippsland Shire Council	12
Glen Eira City Council	69	Southern Grampians Shire Council	52
Glenelg Shire Council	58	Stonnington City Council	70
Golden Plains Shire Council	45	Strathbogie Shire Council	17
Greater Bendigo City Council	21	Surf Coast Shire Council	46
Greater Dandenong City Council	77	Swan Hill Rural Council	40
Greater Geelong City Council	31	Towong Shire Council	2
Greater Shepparton City Council	18	Wangaratta Rural City Council	7
Hepburn Shire Council	35	Warrnambool City Council	49
Hindmarsh Shire Council	56	Wellington Shire Council	6
Hobsons Bay City Council	62	West Wimmera Shire Council	57
Horsham Rural City Council	53	Whitehorse City Council	74
Hume City Council	24	Whittlesea City Council	25
Indigo Shire Council	4	Wodonga City Council	3
Kingston City Council	76	Wyndham City Council	32
Knox City Council	78	Yarra City Council	66
Latrobe City Council	11	Yarra Ranges Shire Council	15
Loddon Shire Council	38	Yarriambiack Shire Council	54
Macedon Ranges Shire Council	23		

Rates and hardship

44. Council rates are a significant household bill for many homeowners, and Victoria's local government laws recognise they can be a source of financial hardship. This chapter looks at how the rates system works, the evidence about the number of ratepayers struggling to pay their rates, and councils' legal options for responding to the problem.

The rates system

45. Council rates are a type of property tax charged by councils.
46. Councils rely heavily on revenue from rates to help fund services such as local roads and care for the elderly and people with a disability. They have other sources of revenue, such as fees, charges, fines and grants. But much of their income comes from rates. In 2019-20, councils around the State relied on rates for between 34 and 79 per cent of their revenue (see Figure 4 on page 20).
47. Councils' powers to charge and collect rates were set out in Part 8 of the *Local Government Act 1989* (Vic) when this report was drafted. The State Parliament had passed a new *Local Government Act 2020* (Vic) which operates alongside the 1989 Act. The new Act set out broad principles for local government and important governance matters. The rates provisions remained in the 1989 Act.
48. The process for deciding each ratepayer's bill is complex (see Figure 3). In short, rates bills are determined by two factors:
- a 'rate in the dollar' figure set by the council when it prepares its yearly budget
 - the value of the ratepayer's property. Professional valuers revalue properties each year.
49. Councils can also add other charges under the Act, such as a specific charge for waste management services.
50. Council rates vary across the State, since each council sets its own budget and rates. Since 2016, State 'rate-capping' laws have limited councils' ability to increase their rates. The laws allow the Minister for Local Government to set a 'cap' on rates increases each year. According to the State Government's Know Your Council website, in 2019-20, Loddon Shire Council had the lowest average rates in the State at \$1,227. Average rates at some other councils were well over \$2,000.
51. There is no reliable data on how many ratepayers experience financial hardship regarding their council rates. The Rating System Review (an independent panel established by the Minister for Local Government in 2019 to review the rating system) noted electricity and gas companies provide hardship assistance to 5.5 per cent of their customers, while water companies assist 6 per cent of customers. It said '[s]imilar figures are likely in local government'.
52. The investigation heard that the rates system, as a type of tax system, has some features that can lead to hardship problems.
53. First, rates are not set according to ratepayers' income or capacity to pay. They are determined by the council's budget needs for the year, State 'rate-capping' laws and the value of the ratepayer's property.

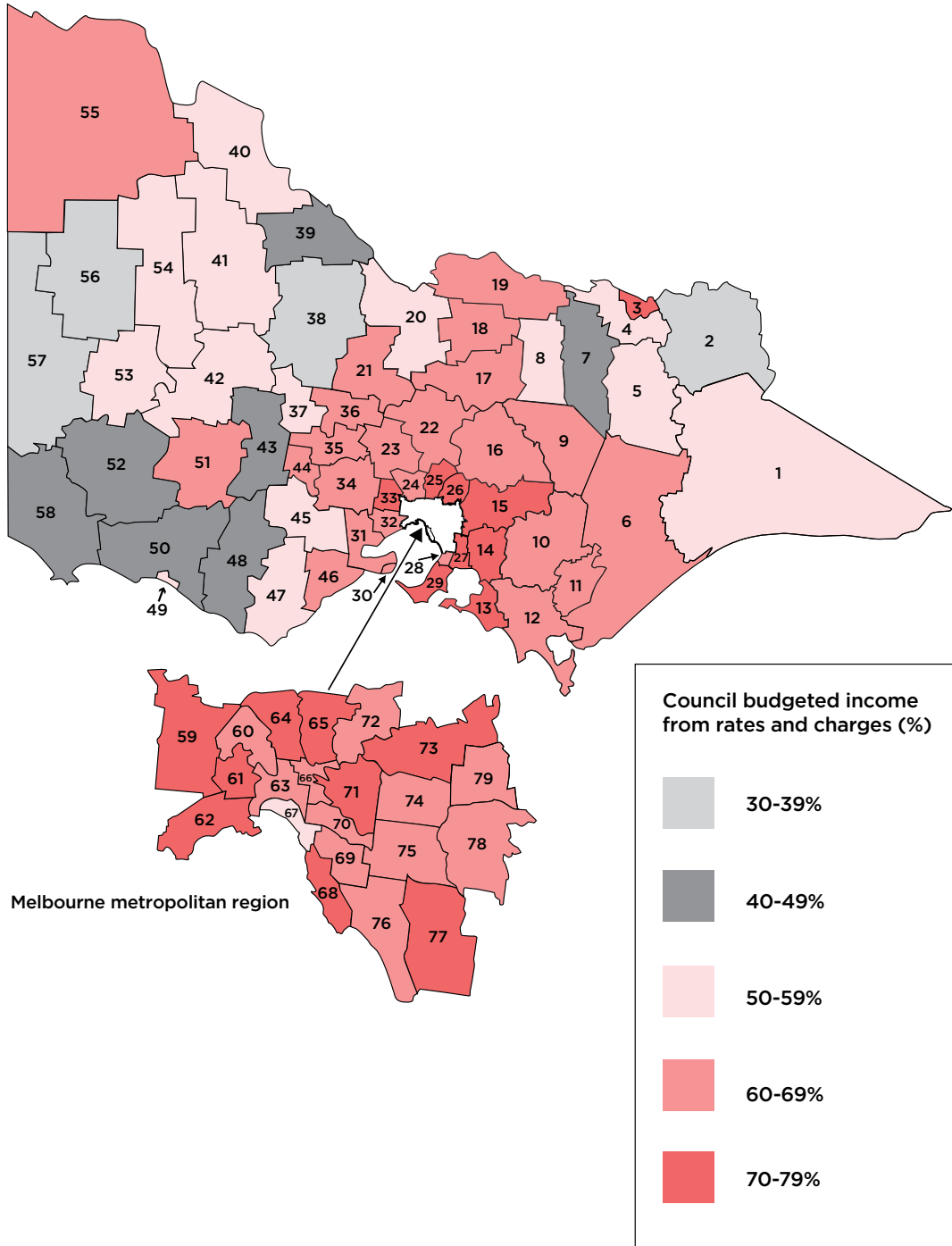
Figure 3: The process for setting council rates



Source: Local Government Victoria, 'Calculating Rates' (16 July 2019) <<https://www.localgovernment.vic.gov.au/council-innovation-and-performance/council-rates-and-charges/calculating-rates>>

54. The Ombudsman sometimes receives complaints from 'asset-rich income-poor' ratepayers who struggle to pay their rates. One woman said her parents bought their home in 1970 for \$27,000 but the property's value had risen and so had the rates. The daughter said her now-widowed mother was:
- not looking after herself properly because ... from every pension she is putting aside a massive chunk just to try and pay the rates, which are \$4,000 a year ... I just don't really think it is fair to force [pensioners] to sell because they can't afford to pay the rates.
55. In another case, a farmer said he owed his council around \$300,000 in unpaid rates after it rezoned his land. The land value and rates went up, but his income and capacity to pay did not.
56. Second, organisations like the Victorian Farmers Federation have raised concerns about inequities across the State. Regional councils sometimes charge higher rates because they have to fund the same services as metropolitan councils, but they have fewer residents to bear the cost.
57. This sometimes means ratepayers in disadvantaged areas pay as much or more as ratepayers in wealthier areas. Mildura Rural City Council, for example, is the State's fifth most disadvantaged council area. Its average rates in 2019-20 were \$2,092.95. This was higher than average rates in Bayside (\$1,796.28) and Stonnington (\$1,443.55), home to wealthy suburbs such as Brighton and Toorak.

Figure 4: Proportion of council revenue from rates, 2019-20



Source: Local Government Victoria, Know Your Council, <<https://knowyourcouncil.vic.gov.au>>

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Macedon Ranges Shire Council	23		

Table 1: Average rates in Victoria's most and least disadvantaged council areas, 2019-20

Most disadvantaged		Least disadvantaged	
Central Goldfields	\$1,419.04	Nillumbik	\$2,381.17
Greater Dandenong	\$1,838.75	Bayside	\$1,796.28
Brimbank	\$1,679.09	Boroondara	\$2,006.25
Latrobe	\$1,541.57	Stonnington	\$1,443.55
Mildura	\$2,092.95	Surf Coast	\$2,032.57
Northern Grampians	\$1,607.79	Queenscliffe	\$2,100.51
Yarriambiack	\$1,634.34	Glen Eira	\$1,403.85
Ararat	\$2,076.66	Port Phillip	\$1,754.55
Loddon	\$1,226.81	Manningham	\$1,787.81
Hindmarsh	\$1,508.25	Macedon Ranges	\$1,843.16

Source: Australian Bureau of Statistics, 'Local Government Area, Indexes, SEIFA 2016' data set, 2033.0.55.001 - *Census of Population and Housing: Socio-Economic Indexes for Areas (SEIFA)*, Australia, 2016 (2016); Local Government Victoria, Know Your Council, <<https://knowyourcouncil.vic.gov.au>>

58. Table 1 above shows average rates in 2019-20 in Victoria's 10 most and least disadvantaged council areas. The difference was sometimes slight.
59. The impact of the COVID-19 pandemic on rates hardship is still unclear. The investigation heard that the impact so far varies from council to council. Some councils reported an increased demand for help. Others said the impact had been limited, although some were waiting to see what happened when lump sum rates payments fell due in February 2021.

Hardship relief in the Local Government Act

60. The Local Government Act 1989 recognises that some ratepayers experience financial hardship in paying for their rates. The Act creates two systems for relief:
- a statewide, State Government-funded concession scheme
 - powers for individual councils to provide hardship relief.

Statewide concession scheme

61. The statewide rates concession scheme is funded and regulated by the State Government under the *State Concessions Act 2004* (Vic), and administered by local councils under the Local Government Act 1989 (section 171).
62. The scheme gives eligible ratepayers a 50 per cent discount on their rates, subject to an annual cap. In 2020-21, the cap was set at \$241. A handful of councils top up the discount at their own expense.
63. Eligibility for the rates concession is narrower than for State energy, water and transport concessions. It is only available to people who have a Pensioner Concession Card or a DVA Gold Card, such as people with an age or a disability support pension. People who are unemployed and receiving JobSeeker do not qualify in many cases.

Council hardship powers

64. The Local Government Act 1989 also gives councils the power to provide relief to people in financial hardship in two ways:
- **Waiver**
Councils can waive all or part of a ratepayer's rates and interest bill. Councils can waive rates for a class of ratepayers (section 171). They can also waive rates for individual ratepayers who apply for relief if they are 'satisfied that the applicant is a person who is suffering financial hardship if that person paid the full amount of the rate or charge for which he or she is liable' (section 171A).
 - **Deferral**
Councils can also defer a ratepayer's rates if they consider 'an application by that person shows that the payment would cause hardship to the person' (section 170). In effect, the deferral extends the date for payment. The ratepayer does not have to pay until the council gives them a notice with a new due date.
65. Councils decide if and when to offer this relief. The Act does not define 'hardship'. This means councils can set their own rules about who qualifies.
66. The powers are also discretionary. The Act says councils 'may' provide this relief to ratepayers in financial hardship. It does not say they have to.

Debt recovery under the Local Government Act

67. If a ratepayer fails to pay their rates on time or obtain hardship relief, the *Local Government Act 1989* gives councils powers to collect the unpaid rates debt. These include:
- **Penalty interest**
Councils can charge penalty interest on the debt (section 172). The State Attorney-General sets the penalty interest rate under the *Penalty Interest Rates Act 1983* (Vic). When this report was drafted, the rate was 10 per cent.
 - **Rent diversion**
If a property is rented, the council can require the tenant to pay rent to the council instead of the owner (section 177).
 - **Court action**
Councils can sue ratepayers to recover the debt (section 180). If ratepayers fail to comply with court orders, councils can enforce orders in various ways. They include seeking a warrant to seize the ratepayer's personal property, seeking an order to require the ratepayer's employer to pay their wages to the council (known as 'attachment of earnings') or bankrupting the ratepayer.
 - **Forced land sale**
If rates remain unpaid for more than three years, councils can sell land or transfer land to themselves (section 181).
68. Rates are also a 'first charge' on land (section 156). This means that if the land is sold, the council can collect the unpaid rates debt from the proceeds of the sale. If the rates are not paid at this point, responsibility for the debt (plus any interest and court-ordered legal costs) passes to the new owner of the land and they become liable to pay (section 175).

Past problems and future directions

69. Community lawyers and financial counsellors have been raising concerns about the way councils use the Act's hardship and debt recovery powers for many years. At the time this report was drafted, the State Government had announced broad plans to reform the area.

The 2012 community legal centre report

70. In 2012, the Footscray Community Legal Centre and the Federation of Community Legal Centres released a 63-page report criticising councils' approach to these issues. It said:
- Councils were not responding to people in hardship consistently.
 - There was 'significant lack of transparency' about their practices.
 - Councils were suing residents at 'alarming and increasing rates' and were 'far too quick to sue' without exploring alternatives to litigation.
 - Councils were 'falling far behind best practice financial hardship regulation, processes and practices' in other sectors.
71. The report included a nine-page draft code of practice for councils. It required councils to have and publish a hardship policy; negotiate hardship plans that reflect ratepayers' capacity to pay; and make 'reasonable attempts' to contact ratepayers before taking legal action.

The 2013 Municipal Association of Victoria guidelines

72. In response, the Municipal Association of Victoria ('MAV', the peak body for local councils) published Hardship Policy Guidelines for councils in 2013.
73. The objectives of the Guidelines included helping councils manage financial hardship 'effectively and consistently', and ensuring that debt collection practices were 'sensitive and responsive'.
74. The Guidelines were more limited than the community legal centres' proposed code of practice. The Guidelines advised councils to limit the use of the waiver and deferral options in the Act. They said 'Councils will not generally waive rates or interest'. They said deferral would 'generally apply to long term cases of extreme financial hardship, or where council extends hardship assistance to self-funded pensioner and retiree rate payers'.

The 2020 Rating System Review report

75. In 2019, the Minister for Local Government appointed an independent panel to review the council rating system in Victoria - the Rating System Review. The panel considered the hardship powers in the Local Government Act 1989. It consulted widely and reported to the Minister in 2020.
76. The report described councils' adoption of the 2013 MAV Guidelines as 'voluntary and variable'. It said there were ongoing concerns about:
 - an inconsistent approach to ratepayer payment difficulty, financial hardship and complaints when the process for discounts and rebates is not clear, transparent or easily accessed and navigated by vulnerable people who fear losing their homes.

77. The report made three high-level recommendations that the State Government:
 - publish guidelines and a community communication strategy on deferral schemes (recommendation 30)
 - ensure regulations require that ratepayers have access to consistent billing, debt recovery and payment difficulty assistance and that the councils' coercive powers are only ever used as measures of last resort (recommendation 31)
 - establish a 'collaborative change management program' to support the implementation of the regulations (recommendation 32).
78. The State Government accepted these recommendations in late 2020. However, the practical details - what regulations should say and how change should be achieved - remained undecided.
79. This investigation focused on what these changes could look like from a fairness perspective.

Ratepayer experiences

80. The investigation looked at what a homeowner in financial hardship would be likely to experience with their council, both in ordinary times and during the pandemic, namely:

- how easy it would be to find information and ask for help
- whether the help offered by their council would be fair and reasonable
- how a ratepayer could expect to be treated if they fell into debt
- how problems and disputes would be resolved.

81. It looked for examples of good practice, both amongst councils and other private and public sector organisations.

Finding information

82. Previous reports suggest ratepayers have trouble finding information about hardship relief at councils. The 2012 community legal centre report found some councils did not have a hardship policy and did not mention hardship on websites or rates notices. In 2020, the Rating System Review noted reports of a 'general lack of awareness' of council hardship policies.

83. The new Local Government Act 2020 requires councils to comply with 'public transparency principles' (section 58), which state:

- 'Council information must be publicly available' unless it is confidential or publication would be contrary to the public interest.
- 'Council information must be understandable and accessible to members of the municipal community'.

84. The investigation applied these principles to four sources of information about rates – council policies, websites, rates notices and council officers.

Council policies

85. The investigation found almost all 79 councils had a hardship policy in 2020. Only three councils could not provide a written policy in some form.

86. Not all councils make their policies public. When the investigation reviewed council websites, it found council hardship policies on 61 out of 79 websites. Two other councils published their pandemic assistance policy, but not their usual hardship policy.

87. Some policies were clearly labelled 'Hardship Guidelines' or 'Financial Hardship Policy' and could be accessed from the websites' rates pages. This made them easy to find. Other councils set out hardship policy guidelines in their rating strategy or debt management policy. Finding these policies took some effort.

88. The quality of the policies varied. Some were clear and detailed. Others were brief. Glen Eira City Council's hardship policy guidelines, for example, consisted of one paragraph in its Payment of Rates Policy. Some policies were unclear, such as whether councils continue to charge penalty interest on unpaid rates when people are in hardship, or whether farms are eligible for the hardship relief.

89. In some cases, policies did not appear to accurately reflect council practices. There were a number of occasions where councils gave information to this investigation that differed from information in their policies (or other public information).

Rates notices

90. Council policies are not always the most user-friendly source of information. The investigation also looked at other communication, including the rates bills or notices that councils send ratepayers.
91. Councils must include certain information on rates notices under the Local Government Act 1989 (section 158(4)) and the *Local Government (General) Regulations 2015* (regulation 10). Hardship is not on the list.
92. Nevertheless, most councils put some information about hardship relief on their notices. The investigation reviewed council rates notices since 2018-19. Even before the pandemic, at least 72 out of 79 councils mentioned hardship on their notice. Mansfield Shire Council also offered its ratepayers a free financial counselling service. Its notices said:

PAYMENT ASSISTANCE
People from all walks of life can find themselves with money problems. Financial counsellors are non-judgmental, qualified professionals who provide information, support and advocacy to people in financial difficulty. Mansfield Shire Council offers this service which is free, independent and confidential. Appointments required PH: (03) 5775 8569 or alternatively contact Money Help on 1800 007 007.
93. Hardship information was not always easy to find, however. In 2018-19, 66 councils put information in fine print on the back of the notice or in their flyers or brochures. One council officer explained 'there's only so much you can put on the front of a rates notice'. But the Rating System Review report noted '[m]any ratepayers stated that they do not read the rear of their rate notice, and that the information should be provided in a clearer and more understandable format'.
94. Some councils made hardship information clearer during the pandemic. In 2020-21, 16 councils put hardship information on the front page of their rates notice. Port Phillip City Council made its hardship information more prominent (see Figure 5 on page 28). It also put information about hardship relief on the envelopes for rates notices, which helps reach people who may be stressed and have stopped opening their bills.
95. Ratepayers were unlikely to find detailed information about their options on their notice, however. The investigation observed that most councils suggest ratepayers contact the council for more information.

Figure 5: Examples of two council rates notice back pages, 2020-21

How your general rates are calculated

Council rate income
(two per cent cap)

\$131 M

÷

Combined value of all rateable properties

\$3,528 B

=

The rate in the dollar

\$0.037282

×

Net Annual value of your property

See overview for your property's value as at 1 January 2020.

=

Your general rates

What else may I need to pay for?

Victorian Government
Fire services levy

www.firelevy.vic.gov.au

Waste charges

Your waste charge will depend on the size of your bin.

For more Information visit:

portphillip.vic.gov.au/
rates-valuations

DAH CITY COUNCIL

RATES, CHARGES & FIRE SERVICES PROPERTY LEVY

Council uses the Capital Improved Value of your property as the basis for calculation of the rate Rates, Charges and Fire Services Property Levy are a charge on the property and can be paid either in full by four instalments or Council Initiated Direct Debit. Request for a duplicate copy of any rate notice will incur a \$20.00 fee.

PAYMENT OPTIONS AND DUE DATES

The date and amount of the first payment will determine the payment option.

- **QUARTERLY INSTALMENTS** the first quarterly instalment amount details on the front of the notice must be paid by 30 September 2020. If the amount paid is less than indicated on the date paid is past this due date the payment option will revert to IN FULL with the amount paid treated as a part payment towards the balance due on 15 February 2021.
- **IN FULL** the current rates are due and must be paid by 15 February 2021 and no remainder will be sent.

PAYMENTS RECEIVED BY COUNCIL AFTER THE DUE DATES LISTED ON THE FRONT OF THIS NOTICE WILL NOT BE TREATED AS BEING PAID ON THE APPLICABLE DUE DATE. INTEREST WILL BE INCURRED, AND DEBT RECOVERY ACTION WILL PROCEED WITHOUT FURTHER NOTICE.

- **COUNCIL INITIATED DIRECT DEBIT** offers a nine monthly instalment option debited from your nominated bank account. Credit Cards not accepted. A Direct Debit request form must be completed and returned to Council. The form can be obtained by contacting Council on 1300 882 233 or from our website www.maroondah.vic.gov.au. Debit dates and amounts are listed on the front of this notice. Where this day falls on a weekend or public holiday the debit will take place on the next business day. A direct debit arrangement is ongoing until cancelled in writing. Any dishonour will be subject to a \$25.00 fee.

PENALTY INTEREST FOR LATE PAYMENT

In accordance with Section 172(2)(b)(i)(c) of the Local Government Act "The interest becomes payable if the payment was payable either in instalments or in a lump sum and neither the first instalment nor the lump sum were paid by the date the first instalment or the lump sum were due, on and from the date on which such missed instalment was due, and continues to be payable until payment or the recovery of the rates or charges." Interest is charged at the penalty interest rate appearing on the front of this notice which was the rate in effect as at 1 July and as fixed under Section 2 of the Penalty Interest Rates Act 1983.

ARREARS, DEBT RECOVERY AND LEGAL ACTION

Any arrears displayed on this notice are due and payable by 30 September 2020. Interest will continue to accrue on any arrears and will be subject to debt recovery action and/or legal action will proceed without further notice.

If any rate or charge remains unpaid after it is due and payable Council will commence debt recovery action and an administration fee for this action will be passed on to the owner/ratepayer. If after commencing debt recovery action payment is not made or an arrangement not forthcoming Council will without further notice proceed with legal action through the Magistrates' Court to recover the debt and any costs associated with this action.

ARRANGEMENTS

If you have an arrangement with Council or Council's Solicitors to pay off an existing debt this agreement continues until the debt is paid in full. If the arrangement is not maintained debt recovery action and/or legal action will proceed without further notice.

FINANCIAL HARDSHIP

It is not the usual practice for Council to waive or defer rates or charges. If you think you may have difficulty paying your rates please contact Council on 1300 882 233 to discuss a more suitable payment arrangement.

NOTICE TO PENSIONERS

If this notice is for your principal place of residence and you are in receipt of a pensioner concession card and government rebates are not shown on your rate notice you could be entitled to a rate reduction as set out in Section 171 (4) of the Local Government Act 1989. Application must be made at any one of Council's Service Centres by 30 June each year. The pensioner concession card showing eligibility must be produced at the time of making the application.

Have you got a question or having difficulty paying your rates?

Please contact us immediately to discuss payment options and/or application under hardship provisions.

Contact us

- ☎ ASSIST 03 9209 6777
- 🌐 portphillip.vic.gov.au

Visit us

For up-to-date information on Port Phillip town hall opening times and locations, please visit:

🌐 portphillip.vic.gov.au

National Relay Service

If your hearing or speech is impaired use the National Relay Service.

TTY users 133 677, Speak & Listen users 1300 555 727 then ask for 03 9209 6777.

Change of address

The property owner must notify Council in writing of any change of postal and residential address.

- 📧 eservices.portphillip.vic.gov.au
- 🌐 rates@portphillip.vic.gov.au

Special rates and charges

Properties subject to special rates have the levy details printed on the front of this notice. Currently the following special rates are in place:

- Port Melbourne Business Precinct Special Rate and Charge Combined Scheme 1 July 2016 to 30 June 2021
- Fitzroy Street and Environs Special Rate and Charge Combined Scheme 1 July 2019 to 30 June 2024
- Acland Street Village Precinct Special Rate and Charge Combined Scheme 1 July 2019 to 30 June 2024.

For more details contact the Placemaking Team on **03 9209 6777**.

All payments will be allocated as follows:

1. Legal Costs Owing (if any)
2. Arrears Interest Owing (if any)
3. Arrears Owing (if any)
4. Current Owing.

Are you a pensioner?

Council offers rates assistance for pensioners of \$175 (maximum) in addition to a \$241 (maximum) State Government rebate and \$50 fixed rebate for the Fire Services Property Levy. Eligible cards: Centrelink Pensioner Concession Cards and Department of Veterans' Affairs Gold Card (War Widow or TPI). **Health Care and Seniors Cards are not eligible.**

Rate cap

Council has complied with the Victorian Government's rate cap of two per cent. The cap applies to the average annual increase of rates and charges. The rates and charges for your property may have increased or decreased by a different percentage amount for the following reasons:

- (i) the valuation of your property relative to the valuation of other properties in the municipal district;
- (ii) the application of any differential rate by Council;
- (iii) the inclusion of other rates and charges not covered by the Victorian Government's rates cap.

Appeal against valuation

Section 18 of the Valuation of Land Act 1960 provides that the owner/ratepayer may object to the valuation within two months of the date of issue of this notice. Objections must be lodged using the prescribed form. For any valuation enquiries contact the Rates Department on 03 9209 6777.

If you have transferred obligation of payment for this account you MUST forward a copy of this notice to the transferee or contact Council.

Privacy The City of Port Phillip collects the personal information contained in this form for the purposes of carrying out its functions under the Local Government Act 1989. The personal information is used by Council to facilitate the delivery of Council services including Rates, Valuations, Planning and the production of a Voters Roll for Council Elections. This information will not be disclosed except as required by law.

property's unique Reference Number are located on the front of this notice.

from your cheque or savings account. ©Registered to BPAY Pty Ltd ABN 69 079 137 518

	Pay over the internet from your credit card at www.maroondah.vic.gov.au Maroondah City Council accepts MasterCard & Visa
	Pay by phone from your credit card Call 1300 900 765 to make payments Maroondah City Council accepts MasterCard & Visa The phone payment line is a 24 hour service. Calls are charged at the cost of a local call (mob-lex extra)
	Pay in store at Australia Post by cash cheque or Epos. Credit card payments not accepted. Or at Council offices: Realm , Maroondah Highway Ringwood Croydon Library Civic Square Croydon Epos/Credit Card payments accepted at Council offices
	Detach payment slip with payment to: Maroondah City Council GPO Box 1860 Melbourne VIC 3001 Please make cheques payable to "Maroondah City Council" Receipts will not be issued for mailed payments and postal delays will not be accepted as an excuse for late payment

General correspondence to be mailed to Maroondah City Council, PO Box 156, Ringwood Vic 3134

Source: Port Phillip City Council and Maroondah City Council rates notices.

28 www.ombudsman.vic.gov.au

Council websites

96. The investigation also reviewed council websites in June and July 2020 to see what information ratepayers might find there.
97. Fifty-five of the 79 councils had text on their websites about hardship relief (separate from council policies). Another 12 had information about pandemic assistance schemes, but not their usual assistance options.
98. Better examples included Greater Bendigo City Council. Its rates webpage said the Council is committed to helping people in hardship. It had a link to the Council's policy and contact information for local financial counsellors. Hobsons Bay City Council's rates webpage also had information about assistance options, its assessment process and an online application form.
99. Ratepayers Victoria's submission to the investigation criticised other council websites. It said in its experience, 'most are not helpful, nor easy to navigate and understand'. The Rating System Review report noted 'Council guidance is largely limited to advising customers to call council to discuss their position'.

Council officers

100. The investigation heard anecdotal accounts of what happens when ratepayers contact their council.
101. One small shire council told the investigation that it talks through the person's situation and their options. It said many people in financial hardship feel their situation is 'not bad enough' to warrant help:

hardship is a situation best communicated by a conversation to ensure that the ratepayer is comfortable and understands what can be offered, and what alternatives exist.
102. However, the Ombudsman sometimes hears from ratepayers who do not know they can apply for hardship relief, even after talking to their council. The case study on page 30 is one example. Other ratepayers say councils do not tell people about the options in the Local Government Act 1989.

Extracts from complaints and evidence to the investigation

Is this considered OK - to not inform consumers of the full range of options available to them, instead expecting them to research and identify this information themselves? ... I only encountered this information by my own means, very late in proceedings.

When I realised the huge disparity between what the Local Government Act said and what my local council was doing, I was gobsmacked, absolutely gobsmacked.

103. Ratepayers Victoria's submission said during the pandemic, it 'dealt with record levels of enquiry and requests for information from ratepayers who have struggled with their council to get clear and consistent information when asking for help'.
104. Ratepayers Victoria was particularly concerned that councils were not telling ratepayers they could apply to have rates waived under the Local Government Act 1989. (This report discusses councils' reluctance to offer rates waivers from paragraph 161.) Ratepayers Victoria said it ran a social media campaign in April and May 2020 and received over 700 enquiries from ratepayers. It said 95 per cent of ratepayers who had spoken with their council had not been told about the waiver option in the Act.



No information about hardship relief options

Ana is a pensioner living in a unit in the Darebin City Council area. She migrated to Australia and speaks English, but has difficulty writing in English.

She contacted the Ombudsman after her yearly rates bill jumped by 40 per cent. She said she paid the first instalment, but the next instalment was due and she could not afford to pay. She said 'this is my place. I'm an older person. Where am I going to go?'

Ana had already called the Council. A Council officer told her the rates had gone up because her property had been revalued and its value had risen. She said they told her to follow the objection process set out on the back of her rates notice. She said they would not help her fill out the form.

The Ombudsman asked Ana if the Council told her about its hardship policy. She said no.

The Ombudsman contacted the Council and it agreed to help Ana complete a form so she could object to the revaluation of her property. It also agreed to help her apply for hardship relief.

Other council initiatives

105. Some councils told the investigation they also promoted hardship relief in other ways. This included social media and local newspapers or radio. Ararat Rural City Council said it did a letter drop to householders during the pandemic. Moonee Valley City Council said it advertised its COVID support website on posters at local bus stops.
106. One council officer told the investigation there had been 'very much a big push' to tell ratepayers about hardship relief during the pandemic.

Accessible information

107. The investigation observed that ratepayers who struggle to read or write in English are likely to have particular trouble finding information.
108. Census data from 2016 says 28 per cent of Victorians speak a language other than English at home. Of Victoria's 79 councils, the investigation found 17 mentioned languages other than English on rates notices, usually in the form of details for interpreter services. Twenty-one councils provided information on websites in languages other than English. This usually involved a web function that translated webpages into other languages.
109. Brimbank City Council, in Melbourne's western suburbs, is an example of better practice. It publishes some information on its financial hardship webpage in five community languages.

110. People with disabilities that affect their communication may also struggle accessing information. Sixty-three councils had some accessibility features on their websites. These included adjustable font size (which lets people increase the size of the print on the screen) or ReadSpeaker (a function that reads aloud text on the screen). Hume City Council published a short video explaining its COVID rates relief.
111. However, rates notices offered little help for people with disabilities. The investigation did not identify any councils that offered hardship relief information in Easy English or Easy Read English for people with cognitive impairments or low literacy.
112. Financial counsellors and community lawyers spoke with the investigation about clients with intellectual disability or mental health issues or limited English. They questioned how well councils communicated with these homeowners.



Finding information – how do councils compare?

Energy, urban water and telecommunications companies

Regulatory codes require these companies to have a financial hardship policy.¹³ They also require the companies to tell customers about hardship relief:

- Energy companies have to publish their policy on their website and provide ‘clear and unambiguous’ information about their relief options to customers who contact them.
- Urban water companies must include information on water bills about help for customers experiencing payment difficulties.
- Telecommunications companies have to publish their policy on their website and provide other information to customers on request.

The companies also have obligations to customers who speak languages other than English or have disabilities. Energy and urban water companies must include information about interpreter services on their bills. Urban water companies must publish their customer charter in languages other than English. Telecommunications companies must communicate with customers ‘in a way that is appropriate to the customers’ communications needs, including customers with a disability’.

The Essential Services Commission recently published a guide for water companies on customers with cognitive disabilities.¹⁴ It recommended options such as Easy English explainers for bills; making information available in multiple formats including short, captioned videos; and having a dedicated person or team to help customers with cognitive disabilities.

Government tax agencies

The Australian Taxation Office and the State Revenue Office both publish detailed information about hardship relief on their websites.

The State Revenue Office’s website explains who is eligible for relief, how to apply, what information to provide and how it decides applications. The State Revenue Office does not include hardship relief information on its tax assessment notices but told the investigations it planned to review those notices in future.

¹³ *Energy Retail Code; Urban Water Business Customer Service Code; Telecommunications Consumer Protections Code.*

¹⁴ *Essential Services Commission and University of Melbourne, Enhancing Access and Support for Water Customers with Cognitive Disabilities: A Guide for Water Businesses (2020).*

Applying for help

113. The Local Government Act 1989 provides for councils to waive or defer rates on application (sections 170A and 171A).¹⁵
114. The Ombudsman's experience is that sometimes ratepayers have good evidence of financial hardship, but never apply.
115. Some councils made similar observations. A rates officer at one council told the investigation that getting people to apply can be hard. They said they spoke with people in hardship and sent out forms but did not get them back. Northern Grampians Shire Council also said 'the biggest obstacle for our rates officers is to convince [people] to seek help; it is a real challenge'.
116. These observations are consistent with research in the area. Melbourne Law School's Financial Hardship Project found only a minority of people in financial hardship actually apply to relief schemes. The people who took part in its survey were more likely to deal with their financial problems by cutting down on food, recreation, utilities and other essentials.¹⁶
117. The investigation heard different views about why this might be the case:
- People can be too embarrassed or frightened to ask for help.
 - People might not recognise the extent of their problems or identify with the label 'financial hardship'.
 - Some council application processes are difficult for people in hardship.

118. The investigation looked at current council application processes, and how some organisations make it easier to seek help.

Written applications and evidence

119. The Local Government Act 1989 does not require applications for hardship relief to be in any particular form. But most councils ask ratepayers to fill out a form, either in hard copy or online. Some ask for supporting documents. This helps councils work out if the hardship is genuine.
120. However, the investigation heard these application processes also create barriers in some cases. Examples were:
- **People who do not read or write in English**
The case study on page 30 shows the problems faced by people who need help with written English.
 - **Women escaping family violence**
An advocate who works in the area of family violence said women leaving violent relationships may not know what their assets and liabilities are and they need time to work out those issues.
 - **People who have survived a natural disaster**
Victoria Legal Aid operated a Disaster Legal Help service following the 2019-20 bushfires. Its submission said its lawyers observed that many people lose key documents in a disaster and this can delay access to help.

¹⁵ Councils have a limited discretion to waive rates or interest without an application from the ratepayer - see *Local Government Act 1989* (Vic) section 171(1)(b).

¹⁶ Bourova, Ramsay and Ali, above n 5, 211-2.

121. Some councils have more flexible processes. Moonee Valley City Council, for example, does not require people receiving the State Government rates concession to complete a hardship form. Its policy states it is generally recognised that hardship has already been established for this group. Colac Otway Shire Council's policy notes some ratepayers may not be able to provide information and gives the example of records destroyed in a natural disaster. Other councils, such as Indigo Shire Council, accept verbal applications for short-term help.
122. Other councils make it easier to complete their application forms. Maribyrnong City Council, for example, publishes its hardship application form in 14 community languages. Hobsons Bay City Council advertises help with filling out its form.

Time limits

123. The investigation noted some councils ask ratepayers to reapply for hardship relief every one or two years.
124. This ensures ratepayers only get hardship relief while they need it. But for ratepayers in long-term hardship, it can create uncertainty. Some financial counsellors questioned this practice. One noted the situation of people on age and disability support pensions is unlikely to change and said these ratepayers should have permanent arrangements.

Financial counselling requirements

125. The investigation found that almost half of councils (38 councils or 48 per cent) require ratepayers to see a financial counsellor or other service before they will accept a hardship application, at least in some circumstances. Some require a certified assessment from the financial counsellor.
126. The investigation heard these requirements, where they exist, have some benefits:
- Council officers noted that if a ratepayer is struggling to pay their rates, they are probably struggling with other bills as well. A financial counsellor can help the ratepayer with their whole situation.
 - A financial counsellor adds independence and privacy to the process. This can be important in small communities where ratepayers might know council officers and feel uncomfortable revealing financial details.
 - Some councils do not have resources or expertise to assess applications themselves.
127. However, the investigation also heard the requirement creates problems. Some ratepayers tell the Ombudsman their council's nominated service was never available or did not call them back. Ratepayers can also resent being forced to attend a service. One told the Ombudsman '[w]hat's Council expecting charities to do this work for them? ... I've provided a huge amount of information about my hardship circumstances [to the Council]'.
128. In other cases, the addition of an extra party to the process leads to confusion. The following case is one example.



Confusion about application leads to debt collector contacting ratepayer

Rafael came to the Ombudsman in 2019 after a Melton City Council debt collector started contacting him and his wife.

He said he and his wife were living on one income while his wife was studying for a job. They were paying off their rates in small fortnightly instalments and had been to a financial counsellor named by the Council, whom they thought had submitted a hardship application for them. Rafael said his wife spoke with the Council after the debt collector started calling them. They told her she needed to make another application.

When the Ombudsman contacted the Council, it explained it never received the application from the financial counsellor. It became concerned that Rafael and his wife were not paying enough to keep up with their rates, so it asked its debt collector to contact them.

The Council said its debt collector spoke with the couple about seeing a financial counsellor again. It said the financial counsellor was waiting for more information from Rafael and his wife before submitting an application.

When the Ombudsman gave the Council a chance to comment on a draft of this report, it said it had since received the hardship application. Rafael and his wife are now paying back their debt in instalments.

The Council said its process of referring ratepayers to independent financial counsellors 'has worked for Council over many years'. In this case, it said it was aware of the couple's proposed hardship application and tried to contact them at least four times. It said it had not charged any collection fees or taken legal action to recover the amount.

The Council questioned whether the case should be described as one of confusion leading to debt collection. It said it engaged the debt collection agent to contact Rafael about the hardship application, not to collect the debt.

It was clear from Rafael's complaint to the Ombudsman that this was not clear to him. He said the Council's debt collector was harassing him and his wife and they were confused about what had happened to his application.

Language and attitudes

129. The investigation also heard that people's willingness to apply for hardship relief can also depend on councils' language and attitudes.
130. The Local Government Act 1989 uses the term 'financial hardship' but one council officer said in their experience, people do not respond to that term. The 2013 MAV Guidelines noted research showing that terms such as 'difficulty' and 'hardship' have negative connotations and can scare some people off. They suggested 'nuanced phrasing' such as 'are you having trouble paying this bill?'.
131. Some people who spoke with the investigation also suggested that councils' attitudes can be off-putting at times (this report discusses council attitudes more from paragraph 289). The investigation heard some councils ask judgmental or intrusive questions, such as what sort of car the ratepayer drives or the financial situation of other people in their household. A financial counsellor said one council argues with financial counsellors about their assessments for clients, going through ratepayer budgets line by line and questioning why clients need expenses like Foxtel.
132. Ratepayers Victoria said these sorts of attitudes deter ratepayers from seeking help:

if I come to you and say I am in hardship, I'm humiliated and usually embarrassed to have to come and ask for help ... To some degree, I would say some councils [are] actually ... very polite and lovely, but what we have heard from the overwhelming majority of people that have come back to us is they're caught in a washing machine, and they just get banged around the system until eventually they give up out of despair and walk away from trying to get any sort of help.

Other ways to identify hardship

133. Community advocates compared the approach of councils with utility and other companies. The investigation heard utility companies have a more proactive approach to identifying customers in hardship. They take steps to identify customers themselves. Government agencies, however, tend to rely on people to ask for help.
134. Colac Otway Shire Council is one council taking a more innovative approach. It has an agreement with Colac Area Health and Barwon Water that allows those organisations to identify shared clients who may be experiencing hardship. The organisations can accept applications and refer them to the Council. This at least saves people in hardship from having to contact multiple bodies to ask for help.



Applying for help – how do councils compare?

Energy, telecommunications companies and banks

Regulatory codes and guidelines for these companies encourage early identification of customers in hardship and early intervention.

Telecommunications companies can contact customers about hardship relief if they believe the customer may be eligible, without waiting for the customer to seek help. The Telecommunications Industry Ombudsman, the Communications Alliance and Financial Counselling Australia have issued a guide listing possible signs of hardship such as regular late payments or requests for more time to pay.¹⁷

Energy companies and banks can also identify and contact customers in hardship early.¹⁸ Energy companies can contact residential customers with information about hardship relief within 21 days if the customer has not paid a bill by its due date and they owe more than \$55. The Australian Banking Association's Code of Practice for banks says 'If we identify that you may be experiencing difficulty paying what you owe under a loan (or are experiencing financial difficulty), then we may contact you to discuss your situation and the options available to help you'.

Telecommunications companies also have rules about what they can ask of customers who apply for help. They can only request relevant information that is not 'unduly onerous'. They can only request supporting documents in some cases, for example where the customer needs long term help, owes a large amount of money or there is evidence of fraud. The industry guide for companies warns them against insisting customers seek representation from third parties like financial counsellors.

Government tax agencies

The Australian Taxation Office and State Revenue Office require taxpayers to apply for hardship relief and provide evidence to support their claims.

The Australian Taxation Office outlines its requirements on its website and in practice statements.

The State Revenue Office said its officers may agree to short-term payment plans of up to six months over the telephone, but evidence and manager approval is needed for longer payment plans.

Applications for relief in the form of waivers or deferrals over \$1,000 are considered by a statutory board, the Land Tax Relief Board. It requires taxpayers to fill out an application form and provide evidence including bank statements and tax returns.

¹⁷ Telecommunications Industry Ombudsman, Communications Alliance and Financial Counselling Australia, *Assisting and responding to customers in financial hardship* (2017). See also *Telecommunications Consumer Protections Code*.

¹⁸ Energy Retail Code; *Australian Banking Association Banking Code of Practice*.

Getting fair and reasonable help

135. The Local Government Act 1989 confers a broad discretion on councils to offer various options to ratepayers who are in financial hardship.
136. Victoria Legal Aid's submission said best practice hardship programs use options that best suit people's individual circumstances. It said flexibility is 'necessary to accommodate the many different circumstances that people experience which can cause hardship including unemployment or reduced employment, illness or injury and family separation'.
137. Previous reports have highlighted the lack of guidance as to how council discretion is applied and the lack of consistency between councils in their decision making. The 2020 Rating System Review report noted councils told the review that the current systems work well and require few changes, but ratepayers who have experienced hardship have a very different view.
138. The following sections look at the help currently offered by councils and whether it is fair, reasonable and consistent with the Local Government Act.

Payment plans

139. Payment plans or arrangements allow ratepayers to pay rates debts over time in regular instalments. They are different to the instalment payment options offered by councils – those options allow people to pay their bill in at least four instalments by set dates (this is discussed in more detail from paragraph 198). Payment plans help people who cannot pay by the due dates and end up with a rates debt.
140. There is no mention in the Act regarding the use of payment plans or arrangements for ratepayers in hardship. Yet all 79 councils offer payment plans.
141. Some councils list payment plans or arrangements as an option in their hardship policy. Other councils offer them, but specifically state that they do not consider them to be a form of hardship relief.
142. Councils have different rules around how long they give ratepayers to pay off their rates debt, and what they expect in regular instalments.
143. Most councils are flexible and open to payment arrangements that suit the ratepayer's financial circumstances. Pyrenees Shire Council, for example, said it agrees to whatever payment arrangement works for the person and this can be weekly, fortnightly or monthly payments. They prefer people to pay off their rates by 31 May, but said the plan needs to be achievable and some have lasted 10 years. Other councils said they prefer ratepayers to repay their debt in 12 or 24 months, but they are open to extending that time period if needed.
144. This is consistent with the 2012 community legal centre's draft code of practice, which emphasised that councils should negotiate plans that reflect a ratepayer's 'actual capacity to pay'.
145. Other councils ask ratepayers to repay the debt within a particular time period or require a minimum repayment amount. The Ombudsman sometimes hears complaints from ratepayers who say they cannot afford these repayments.

Extracts from complaints

I was advised the council would not accept anything less than \$500 per fortnight and [they] threatened they would sell my house if I didn't pay.

I understand it needs to be paid, that's not my dispute ... now they're wanting \$535 a fortnight. I only get \$300 a fortnight.

We are so far behind on everything and have everyone on payment plans just trying to keep on top of it all. I asked to be able to pay it off and they want \$200 per week. I just can't afford it at this time ... I am only asking for a little leeway from now till mid-October when I will be more able to service the debt. I am not asking to have it wiped I am just asking for a few weeks grace to get [my] finances under control.

146. Some councils said their rules are meant to stop debts growing over time. Frankston City Council, told the investigation:

In all cases, as rates is an ongoing annual commitment, then at a minimum the ratepayer is encouraged to make a payment equal in amount to the annual rates. Any less then Council is simply assisting or being complacent in allowing the ratepayer to fall further into debt.

147. The Ombudsman has also observed from complaints that councils are less flexible if the ratepayer has a history of breaking payment plans. The following case studies show the different approaches taken by two councils.



Payment plan takes almost a third of woman's income

Rachel lives in a house in the Greater Shepparton City Council area. Her financial counsellor contacted the Ombudsman on her behalf in 2019.

The complaint said that for around 10 years, Rachel's ex-partner subjected her and her family to extreme family violence (this report describes Rachel's history in more detail from page 75).

After Rachel ended the relationship in 2009, she had ongoing financial and other problems. This included a rates debt with the Council.

The Council was aware of Rachel's history by at least 2010. Its records show it agreed to multiple payment plans under which she could pay as little as \$30 a fortnight, but she did not keep up her payments.

Rachel says she still experiences trauma and cannot remember what happened with the Council until 2017.

In 2017, she entered into a new payment plan with the Council that required her to pay \$500 a fortnight towards the debt. Rachel said her fortnightly income at the time was just \$1,600.

Rachel and the Council provided different accounts of how this came about.

Rachel says she asked the Council if she could pay \$200 a fortnight and it told her it would not accept less than \$500 a fortnight. The Council said its records show Rachel offered \$150-\$200 a fortnight and this was 'unacceptable' because she 'would still be faced with an outstanding debt at the end of the arrangement, which only compounds the problem'. It said Rachel put forward the offer of \$500 a fortnight and it suggested she make an appointment with her accountant or a financial counsellor.

Rachel said she made payments for 12 months but then fell behind with other bills and had problems with working after her car broke down. She said her fortnightly income fell to \$1,100 and she asked the Council again to reduce the payments to \$200 a fortnight, but it refused. The Council says it has no record of this request.

Rachel's bank eventually intervened and paid her remaining debt to the Council, which meant she could stay in her home.



Flexibility leads to good result

Isla and her family live on a small farm in the Baw Baw Shire Council area. She said they began having financial problems in 2017 and fell behind with their rates. She had left paid work to have children. Her husband was on short term contracts and was sometimes out of work.

Isla said by 2019 things were 'looking dire'. She contacted the Council and it asked her to pay a minimum of \$150 a fortnight. She said she could not afford that much and asked if she could pay \$100 a fortnight until May 2020. She said she was securing ongoing work and hoped to be in a better financial position at that point.

Isla told the Ombudsman the Council refused to negotiate. In response to a draft of this report, the Council said it offered payment plans on many occasions, but they were never followed and it sent the file to its debt collector.

After getting a letter from a Council debt collector, Isla contacted the Ombudsman.

The Council told the Ombudsman it had no record of a hardship application from the family and it had agreed to payment plans in the past but they had not been followed. It agreed to accept \$100 a fortnight until May 2020 but said the payments would need to increase from that point. It agreed to send a hardship application form for Isla to fill out.

The Ombudsman spoke with Isla in late 2020 to see what had happened. She said they only had \$50 left to pay and expected to be up to date with her rates by Christmas.

Deferrals

148. The Local Government Act 1989 also gives councils the power to defer a person's rates 'if it considers that an application by that person shows that the payment would cause hardship to the person' (section 170). Councils can defer the whole or part of the rates and impose conditions.
149. In effect, this extends the time the ratepayer has to pay their rates. The debt is not payable until the council sends a notice requiring payment. The Act states that the council may send a notice if 'it considers that the person's circumstances have so changed that the payment would no longer cause hardship to the person' (section 170(3)(a)).

Availability of deferrals

150. While the Act gives councils a broad discretion to offer deferrals, the 2013 MAV Guidelines call for limits. They say this option 'would generally apply to long term cases of extreme financial hardship, or where council extends hardship assistance to self-funded pensioner and retiree rate payers'. They suggested councils consider factors such as whether the ratepayer was a pensioner with a low income.
151. The investigation found that, during the pandemic, councils were more generous with deferrals. Fifty-six councils offered deferrals as part of their pandemic assistance, usually with few restrictions.

152. Outside of pandemic schemes, however, some councils restrict the availability of this option. Most councils (75 councils or 95 per cent) offer deferral in some form. But at least 26 of those councils limit the circumstances in which they will agree to a deferral. The limits vary from council to council. For example:
- Port Phillip City Council allows age pensioners and seniors card holders to defer their rates indefinitely, but other ratepayers can only defer their rates until 30 June of the rating year.
 - Banyule City Council says it will only agree to deferrals in long term cases of extreme hardship.
 - Moreland City Council caps the amount it will defer at 50 per cent of the property's value.
153. Four councils do not (or do not clearly) offer deferral at all, despite the Act listing it as an option.

Views about deferrals

154. The investigation heard different views about when deferrals are a fair and reasonable option for ratepayers in hardship.
155. Community advocates said deferrals are most often used for 'asset-rich income-poor' age pensioners who are struggling to pay yearly rates bills. The rates accrue as a charge against the property. This means the homeowner can stay in their home, and the council recovers the rates when the property is sold or passed on.

156. The Ombudsman sometimes hears complaints involving elderly ratepayers who are distressed at the idea of debts accruing against their homes. Ratepayers Victoria told the investigation:

It could be a couple that's had that a home for 40-50 years, one has passed on and left one pensioner in the home who's on an aged pension on very limited income, isn't well off, just happens to own the home from 30 years ago.

All of a sudden ... according to the way council deals with them, they are a nuisance, they can't afford their rates and they are now a hardship problem that council will not and has no social obligation to address but they created it. The system created it and trapped them there.

157. For younger ratepayers, the investigation heard long term deferrals are less helpful. Unless their circumstances change in the future, a deferral simply pushes the debt into the future with the likelihood that this would also cause the debt to increase. The investigation heard from one ratepayer who was offered a deferral by his council:

I've been unemployed for about 14 months now ... I am roughly \$400 behind every month without even taking into account food costs, electricity, utilities, whatever insurance I might be paying.

They just hand balled me over to a deferral. So instead of recognising that I've got financial hardship now, all they've done is just taken that level of debt and moved it [to] next year ... I'm going to have more problems next year even if I do find work.

158. The 2020 Rating System Review said councils report that ratepayers rarely seek deferrals. Ratepayers raised concerns that:

- councils can seek high interest on deferred rates (this is discussed in more detail from paragraph 178)
- councils can require payment at any time, which creates 'uncertainty in times of hardship'
- they do not want to erode their equity in their homes.

159. The report noted deferrals may be an appropriate way to support asset-rich, income-poor ratepayers. It recommended the State Government publish guidelines and a public communication strategy to promote deferrals to address capacity to pay issues.

160. Some community advocates argued that councils should also offer short term deferrals more often. They gave the example of a relationship breakdown where the couple plans to sell their property and just needs some time to finalise the settlement and sale. The investigation understands some councils sometimes offer short term deferrals (see, for example, the case study at page 76), but not all councils.

Rates waivers

161. The Local Government Act 1989 also gives ratepayers the right to apply for a waiver of the whole or part of their rates or charges (section 171A). The Act says the council may grant an application if it is 'satisfied that the applicant is a person who is suffering financial hardship if that person paid the full amount of the rate or charge for which he or she is liable'.

162. The Act also gives councils the power to waive rates and charges for groups of people (section 171). These groups are:

- people eligible for the State Government rates concession (see paragraphs 61-63)
- 'any other class of persons determined by the Council for the purpose of waiving rates or charges on the grounds of financial hardship'.

Availability of rates waivers

163. The 2013 MAV Guidelines discourage waivers. They reference the section of the Local Government Act on waivers but say:

Councils will not generally waive rates or interest. This is to ensure that financial hardship assistance proffered to one rate payer does not have a 'redistributional' effect on the rate base.

164. Local Government Victoria's 2014 *Revenue and Rating Strategy Better Practice Guide* for councils provides some support for this view. It talks about equity in tax systems and discusses the idea of 'horizontal equity' - the idea that ratepayers in similar situations should pay similar amounts. But it also states '[e]quity is a subjective concept that is difficult to define'. The Guide also mentions other principles which may be considered including the 'capacity to pay principle' - the fact some ratepayers have more ability to pay rates than do others with similarly valued properties.

165. In practice, the investigation found just under half of councils (38 councils or 48 per cent) do not include waiver of rates as an option in their standard hardship policies. Some expressly state they never waive rates. For example:

- Banyule City Council's policy states 'Council will not waive in whole or part any rate, levy, special rate or special charge'.
- Glen Eira City Council's policy states 'Under no circumstances will the principal component of a Rates debt be waived'.

166. Not all councils provide a reason for this practice, but it appears MAV's statement about waivers being unfair because of their 'redistributional effect' may be influential. Fourteen councils refer to this in their policies. Nillumbik City Council's policy states that it is a principle of the Act that '[e]very rateable property should meet its share of rates and charges' and:

Council will not waive rates, municipal charges or service charges as the value of each property provides the owner with a potential source of funds if liquidated. It is considered inequitable for the majority of ratepayers to subsidise the property assets of hardship applicants. A more equitable solution for the community is to defer payment of rates and charges.

167. Of the other councils, 27 councils limit the circumstances in which a rates waiver is available. Some say waivers are only provided in exceptional circumstances. Others cap the amount of waiver they will provide. For example:

- Greater Dandenong City Council's standard hardship policy says it will only waive rates in 'extreme circumstances' and it will not waive more than \$500 unless the Council resolves that exceptional circumstances warrant an exception.

- Port Phillip City Council also says it will only waive rates in 'extreme circumstances' but has a \$1,000 cap.
- Melton City Council will only consider waivers for people eligible for the State Government rates concession and caps the waiver at 30 per cent of the current year's rates.

168. At some councils, a council resolution is required for rates waivers of any size - this was the case at 14 councils.

169. During the pandemic, some councils were more generous with waivers. Some announced some waivers as part of their COVID-19 rates packages, although they sometimes used the term 'rebate' or 'reimbursement'. Some of these councils were advertising waivers for the first time. For example:

- Southern Grampians Shire Council offered a reimbursement equivalent to two per cent of total rates bills for the 2020-21 financial year.
- Golden Plains Shire Council offered rebates of \$500 for people on Jobseeker and businesses on JobKeeper and \$100 for people with more than a 30 per cent drop in income.
- Frankston City Council allowed residential ratepayers on Jobseeker to apply for a \$200 rate waiver for their 2020-21 first quarter instalment payment.

170. The investigation has limited data about councils' actual use of rates waivers. It obtained data from 13 councils for the years 2018-19 and 2019-20. Nine councils did not waive rates in those years. The only councils waiving rates in any substantial way were:

- Greater Dandenong City Council, which said it waived rates under its standard hardship policy 22 times in 2018-19 and 54 times in 2019-20. This amounted to \$8,394 in rates in 2018-19 and \$18,807 in 2019-20. The Council said it also provided rebates to 10,713 eligible pensioners and 373 people receiving JobSeeker in 2019-20 as part of its pandemic assistance package, at a cost of more than \$1.1 million.
- Melton City Council, which reported 3,433 waivers totalling \$686,000 in 2019-20 as part of its COVID assistance package.

Views about waivers

171. When the investigation met with community advocates, they often expressed frustration with councils' reluctance to offer rates waivers. They noted utility companies and banks are willing to waive customer debts, but not councils.

172. This report has noted that some ratepayers say their council did not tell them they could apply under the Act (see paragraphs 102-104). One recounted his experience trying to apply for a waiver using an application form developed by Ratepayers Victoria during the pandemic. He said when he spoke to one council officer:

she was just basically following a script ... She made comments to me 'Oh we haven't given waivers, we don't give waivers, we haven't given a waiver in 30 years'. I feel like it's like a cultural thing ... It's almost like a knee jerk reaction.

173. When the investigation spoke with local government bodies, it observed concerns about the impact of rates waivers on:

- council revenue and ability to provide services
- the fairness of the rating system, if other ratepayers have to make up the shortfall.

174. One council officer told the investigation:

We still need to deliver the services and at the end of the day, if we start waiving rates then another section of our community then has to pick up that tab. At the end of the day, we've still got a finite fixed revenue and expenses. So, if we are writing off rates then that money has to come from somewhere else and we have then to make service adjustments to other services to, in the end, balance that bottom line.

175. The Rating System Review report noted although waivers 'may be appealing to address payment difficulties and hardship issues for individual ratepayers, the consequent loss of revenue could create challenges for broader equity'. It noted the Act gives councils sufficient discretion but 'there is no guidance to councils about the process by which eligibility is determined'.

176. A representative from Ratepayers Victoria told the investigation that councils' current approach to waivers 'bears no relation to what's in the Local Government Act. It falls a long way short'.

177. The Ombudsman has raised concerns with councils in the past about blanket policies on waivers and whether they are consistent with the discretion given by the Local Government Act. The following case studies show the different responses of two such councils.



Blanket refusal to consider rates waiver ‘dictated’ by policy

Nick lives in a unit in the Maroondah City Council area and contacted the Ombudsman in late 2020 about a problem with his rates. He explained that he lost his savings in 2018 when his business collapsed. The stress aggravated a pre-existing medical condition and he found himself on a disability support pension struggling to pay his bills. When he contacted the Ombudsman in 2020, he said he would not have survived without help from his mum, siblings and friends.

Nick said he asked the Council to waive his 2019-20 rates, which were just over \$1,000. He told the Council his pension was not covering his basic expenses and mortgage and a waiver ‘may help me begin to get back on my feet’.

The Council refused. In one email, it said ‘to ensure the rate burden is shared equally amongst all ratepayers, Maroondah City Council do not waive the rates of any individual properties, which will ultimately be at the expense of others’. It offered Nick a payment plan or said he could defer his rates with interest. The Ombudsman was concerned the Council was applying a rigid policy without considering Nick’s circumstances. The Council said:

Council is like any other statutory authority that collects taxes and charges, it does not waive those charges but more appropriately works with its ratepayers to meet their rating obligations in a manner that is suitable to both the ratepayer and the Council recognising the individual circumstances of each of those ratepayers.

... To do otherwise and waive rates for some means that the other ratepayers in the community would be expected to meet the shortfall for those rates, a notion that cannot be contemplated especially in a ‘rate capped’ environment that Local Government finds itself in.

Council is of the strong opinion that its conduct with its ratepayers who find themselves in financial difficulty for whatever reason is consistent with the current legislation. It also is of the belief that it mirrors best practice with other Local Government authorities and State and Federal taxing authorities.

The Ombudsman asked the Council for evidence it had assessed Nick’s circumstances under the waiver section in the Local Government Act and determined whether payment would cause him hardship. The Council said, ‘[w]e are not trained counsellors, financial or otherwise, and are not qualified to be able to determine whether someone is suffering hardship due to their financial or medical situation’. It repeated:

Council has not and will not seek applications from ratepayers for waiver of rates under Section 171A of the Local Government Act 1989. Council’s Rate Collection and Hardship Policy dictates its response in relation to ratepayers that find themselves in difficulty. Therefore, Council does not need to provide consideration under [section] 171A.

The Ombudsman gave the Council a chance to comment on a draft of this case study. It said it ‘has provided and continues to provide the ratepayer with the ability to discharge his rating obligations without the application of penalty interest’. It also said it ‘has not dictated a minimum amount or timeframe as to when the outstanding rates need to be paid [and] the ratepayer has the ability to determine when and how much he can pay.’ It said it was ‘disappointing’ this report did not note it had reached agreement with ratepayers in over 1,000 other cases.

The Council did not address the point of the case study, which is that its blanket policy that it never waives rates appears to be inconsistent with the Local Government Act 1989.



Creation of a more flexible policy under the Act

In 2019, a financial counsellor contacted the Ombudsman about Melbourne City Council's approach to rates and financial hardship. She said she recently helped two Council ratepayers in hardship and, while the Council offered them a payment plan, it did not appear to have a policy or offer options under the Local Government Act.

When the Ombudsman made enquiries, the Council said it did not have an endorsed policy but had been resolving matters with payment plans in practice. It noted the 'legislative provisions relating to waivers are onerous and difficult to enact'.

Ombudsman officers met with the Council, which was open to developing a policy.

The Council fast-tracked the process when the pandemic began and published its policy in March 2020. It allows ratepayers to ask for payment plans, deferrals and interest waivers. It also allows ratepayers to apply for a waiver or reduction of rates. It says, while this is not its preferred option, it will consider waiving or reducing rates for homeowners in 'exceptional circumstances' where 'severe impact' can be demonstrated.

The Council now has an online application form which ratepayers can use to apply for all the hardship relief options under the Act.

Interest charges

178. The investigation also heard concerns about the interest charged by councils when they offer hardship relief in the form of payment plans or deferrals.
179. Councils have a discretion whether to charge interest. The Act states a council 'may' require a person to pay interest on any rates or charges not paid by the due date (section 172). It also states that councils 'may' require payment of interest on deferred amounts when they give notice that the amount must be repaid (section 170(3)(b)).
180. The Act states that where interest is charged, it 'is to be calculated' at the penalty interest rate, which is currently 10 per cent (section 172).
181. The Rating System Review expressed the view that councils had a discretion whether to charge the penalty interest rate or a lower rate. The investigation understands there are three ways this can happen under the Act:
 - a council 'may exempt any person from paying the whole or part of any interest either generally or specifically' (section 172(3))
 - a council may waive the whole or part of interest for people eligible for the State Government rates concession or 'any other class of persons determined by the Council for the purpose of waiving rates or charges on the grounds of financial hardship'. This requires a Council resolution (section 171).
 - a ratepayer can apply for an interest waiver under the Act (section 171A).

182. The 2013 MAV Guidelines say councils should charge interest in the case of both payment plans and deferrals. They justify this in relation to deferrals, stating 'interest should continue to accrue on the deferred rates and charges in order to avoid "redistributional" effect on the rate base'.
183. However, the MAV Guidelines state that councils should not charge penalty interest. They explain the importance of an interest reduction as follows:

Councils recognise that setting a penalty interest rate which is consistent with the *Penalty Interest Act 1983* could have a negative effect on the finances of ratepayers which prolongs their hardship. As such, where hardship is established, councils should reduce the penalty interest rates to the market interest rate (for example the official 180-day bank bill rate). This ensures that neither the council, nor ratepayer suffer unduly from implementing the rates and charges deferral.

Council interest charges

184. The investigation found many councils charge penalty interest on payment plans and deferrals, despite the MAV Guidelines.
185. In the case of payment plans, the majority of councils appear to be charging penalty interest. Council policies on this issue were sometimes unclear, but the investigation identified just 10 councils that were willing to hold interest on payment plans in at least some circumstances (for example, for the first 12 months or for so long as the ratepayer complies with the terms of the payment plan). Another two councils said they only charge interest on the recommendation of a financial counsellor. Whitehorse City Council was one of the few councils charging a lower rate of interest (it charges the penalty interest rate less five per cent).

186. In the case of deferrals, again, the majority of councils appear to be charging penalty interest. The investigation identified just four councils that charge no interest. Another two councils indicated they charge penalty interest on the recommendation of a financial counsellor. The investigation identified just 15 councils that charge a lower rate of interest, at least in some cases. Monash City Council, for example, charges no interest on deferred amounts for pensioners over age of 65 who have lived in their home for more than 10 years, and 2.5 per cent for other ratepayers.

187. Some of these councils specifically note the problems created by penalty interest in their policies. Indigo Shire Council's policy, for example, states:

Council recognises that setting a penalty interest rate which is consistent with the *Penalty Interest Act 1983* could have a negative effect on the finances of ratepayers which prolongs their hardship. As such, where hardship is established, Council will reduce the penalty interest rates to Council's investment rate as assessed at the beginning of each financial year.

188. It is not always clear why other councils charge penalty interest. Yarriambiack Shire Council's policy, for example, says 'A penalty interest is a legitimate amount owing that council has a right to collect'. Some councils appear to believe they cannot charge a lower rate of interest under the Act. For example, the Borough of Queenscliffe's Rating Strategy says Council cannot apply an alternative interest rate, although it can exempt a person from paying the whole or part of an amount. Banyule City Council's rating strategy also states 'Council cannot apply an alternative rate'.

189. During the pandemic, many councils have been more generous with interest charges. This generally involved councils holding their interest on unpaid rates or offering interest-free payment plans and deferrals.

Interest waivers

190. Almost all councils (75 councils or 95 per cent) clearly offer the option of interest waivers under the Act.
191. However, a handful of councils limit the amount of interest they will waive. Nillumbik Shire Council, for example, caps interest waivers at 12 months. Glen Eira City Council's policy says it only waives interest in 'extreme circumstances'. Kingston City Council's policy says it will only agree to one interest waiver every five years (although, in response to a draft of this report, the Council noted it has made exceptions to this rule in some cases and has also waived interest as part as its pandemic relief).
192. Some councils said they consider reducing interest on a case by case basis. One council told the investigation:
- We want to try to encourage those who are genuinely in hardship who are reaching out and asking for assistance, we want to help them not make it harder for them.

The impact on ratepayers

193. Although councils have options to reduce and waive interest, the Ombudsman regularly receives complaints from ratepayers concerned about their council's interest charges.
194. One council officer told the investigation that their council only charges interest if a ratepayer misses an instalment on their payment plan, and that interest might only be around \$4. They said ratepayers sometimes object more to the idea of the interest than the amount itself.
195. However, the Ombudsman has seen cases where over time other councils have charged ratepayers hundreds or thousands of dollars. In some cases, the interest charges have built over time and now make up anywhere from a quarter to nearly 50 per cent of the ratepayer's total debt. The case study on page 51 is one example.
196. The Rating System Review report set out some key principles in relation to hardship, noting '[t]he system should assist ratepayers facing payment difficulty and avoid causing harm'.

Extracts from complaints

I'm really struggling with this because the interest is accumulating. But there's nothing they tell me they can do about it. It just continues ... it just keeps escalating and with the interest I'll never be able to pay this off ... It just keeps going up and up and up and it's like, oh my god.

These hefty interests, calculated on a daily basis, ... have made it impossible for me to bring about a resolution ... [T]he problem is with all the fees (interests and legal fees) they keep adding on and all the constant high demands, I can just never catch up, the whole situation (the total amount owing) is out of control, and it just doesn't feel like there is ever an end.

My bank is there to make money and they even considered me and didn't charge me interest and gave me hardship and things like that. I'm trying to pay them off and it's like a little snowball becoming a big snowball because they keep on charging interest and everything else on top of it ... where everybody else I've been able to get on top of things. It's like a noose hanging around my neck at the moment.

This made it very hard for me to pay it off as the interest fee just kept adding on[to] the bill ... I went on a payment plan ... and still they are not even stopping the interest fee ... I am struggling now because I am not working because of COVID-19.

We are struggling to keep on top of everything especially with the significant increase in price for utilities ... Financially I am unable to pay the interest owing.

197. One financial counsellor told the investigation that council interest charges create a 'poverty trap' for people who are already struggling financially. Another said, '[t]he debt just keeps on accumulating and increasing in value. A ratepayer never gets an opportunity to take stock and catch up on it'.



Woman on payment plan charged over \$25,000 in penalty interest

Teresa called the Ombudsman in early 2020 about her rates debt with Brimbank City Council. She told the Ombudsman that after separating from her husband some years ago, she found out he had not been paying their council rates. She said he cannot work and she is working two jobs to pay off the debt.

Teresa was upset the Council was charging interest on the debt. She said the debt 'keeps escalating ... and I will never be able to pay this off'.

The Ombudsman advised Teresa to complain to the Council's Chief Executive Officer and call back if she could not resolve the matter.

The investigation followed up the case with the Council in 2021 to find out what happened.

The Council's records showed Teresa and her husband started falling behind on their rates in 2000. It said Teresa entered into a payment plan in 2010, when the debt was around \$19,500. The Council confirmed it had been charging interest on the debt. Its interest charges since 2010 total more than \$25,000. Although Teresa has been making regular payments for a decade, her debt including ongoing rates is now \$47,000. Before the pandemic, the Council was charging Teresa more in interest each year than it was charging her for rates.

Teresa and the Council gave different accounts of whether Teresa had ever asked for help or been offered it by the Council. Teresa told the Ombudsman she spoke to a manager at the Council who refused to waive the interest and suggested she take money out of her superannuation.

When the investigation spoke with the Council, it said it had no longer had the correspondence from the time the payment plan was created and it had no record of any contact from Teresa since 2010. The investigation noted Council records refer to a call in July 2019, but did not record what was said. The Council said it would not advise people to take money out of superannuation and it refers people to its hardship policy. It said it had never received a hardship application from Teresa.

The Council said it would contact Teresa about its hardship policy and 'of course we would consider a waiver of the interest on the debt'. The Council also said it had recently updated its policy:

Under our current arrangements, if a ratepayer enters into a payment arrangement under financial hardship and maintains that arrangement then Council places a hold on the raising of interest.

Other options – extra payment options

198. The investigation heard that in addition to offering hardship relief, some councils offer ratepayers extra ways to pay their rates to help them budget and stay out of debt in future.
199. The Local Government Act 1989 currently sets out two options for ratepayers to pay their rates (section 167):
- in four instalments, on dates determined by the Minister for Local Government. Councils must offer this option under the Act.
 - in a lump sum in February each year. Councils may offer this option under the Act, but they do not have to.
200. The investigation found that most councils (61 councils or 77 per cent) now also offer ratepayers extra instalment options. Some let ratepayers pay in nine or 10 monthly instalments. Others let ratepayers pay in fortnightly or weekly instalments. Councils usually require the ratepayer to agree to direct debit to access these options.
201. A number of councils (32 councils or 41 per cent) also offer Centrepay. Centrepay allows people on Centrelink benefits to have their bills paid by Centrelink from their fortnightly benefits.
202. The Rating System Review said, as a matter of principle, '[t]he system should make it easy for ratepayers to pay their rates'. It said most councils support more payment options, but some said they do not have the capability to offer direct debit. The Review said it was concerned councils were falling behind other organisations that offer more payment options.



Getting help – how do councils compare?

Energy, water, telecommunications companies and banks

There are a set of mandatory obligations regarding energy payment plans including giving customers minimum assistance, including the option of repayment of arrears 'over not more than 2 years by payments at regular intervals of up to one month'. Energy retailers must give customers advice about payment options that would let them pay over this period and they have discretion to allow payments over a longer period.

There are also mandatory obligations regarding deferral. Retailers must give customers minimum assistance including 'an initial period of at least 6 months' during which repayment of the customer's arrears is put on hold while they take steps to reduce their energy costs.

There do not appear to be minimum requirements regarding waivers, but the Energy Retail Code says there is nothing that prevents waiver of fee, charge or amount of debt.

The energy sector does not charge penalty interest and the interest rate for water is capped at 4 per cent, to be charged only in certain circumstances.

The Urban Water Business Customer Service Code makes provision for alternative payment arrangements 'in accordance with a customer's capacity to pay', including flexible payment plans, offering to extend the due date for some or all of an amount owed and informing customers of any circumstances in which the water company will waive or suspend interest payments on outstanding amounts.

Water companies will waive any interest accrued prior to the customer being identified as in hardship and exempting the debt from the accrual of interest on overdue amounts during the customer's period of hardship for those on a payment plan.

The Telecommunications Consumer Protections Code is more flexible than the Energy Retail Code and the Urban Water Business Customer Service Code – suppliers can choose three options from a list that includes deferrals, waivers and cancellation of fees.

The telecommunications best practice guide *Assisting and responding to customers in financial hardship*, sets out the principle that ensures that the response to a customer who is experiencing financial hardship is proportionate, and commensurate with matters such as the degree of vulnerability and the customer's capacity to meet their financial obligations. This includes taking steps to ensure customers are only offered repayment options and ongoing services that they can afford.

In the case of banks, consumers can apply for a change to their credit contract with their bank on hardship grounds by extending the period of the contract and reducing the amount of each payment due; postponing payments during a specific period; or both.

Banks will offer interest-only payments for a period of time; extend the term of the loan or temporarily postpone payments if it thinks it is possible to restore the customer's financial position. Banks have a discretion to reduce or waive debt if it is an unsecured personal loan or credit card debt, on a case by case basis and on compassionate grounds.

Government tax agencies

The Australian Tax Office operates a scheme where taxpayers can apply for 'release' from tax debts on the grounds of 'serious hardship' and can also suspend debt recovery. It can extend the due date for payment (deferral) and will consider payment of debts by instalment over time (payment plan). However, this is not offered as a matter of course.

The Australian Taxation Office's General Interest Charge ('GIC') is currently 7.02 per cent, payable from the time the tax was due. Taxpayers can apply for a remission and the ATO can also initiate a remission itself. There is a broader discretion to remit the GIC and it is not payable until after the extended due date. For payment by instalments, GIC applies from the original due date but the taxpayer can seek a remission.

The State Revenue Office has a debt management team that deals with the majority of taxpayers who are experiencing financial hardship with land tax. It can offer instalment arrangements, usually up to 12 months, and can offer longer arrangements on a case by case basis. Taxpayers can apply to the Land Tax Relief Board for remission and the Treasurer can grant ex gratia relief (waiver). The relief board and the Commissioner can grant postponements (deferrals).

The State Revenue Office allows up to 26 weeks interest free to pay land tax. If someone is willing to pay or circumstances have impacted their ability to pay, then market interest (currently 1 per cent) is used, or a significant portion is waived. If someone is deliberately avoiding paying, then the premium interest rate of 8 percent is charged. It can also offer payment arrangements without interest and has had a 12-month interest-free arrangement during the pandemic.

Facing debt recovery

203. Ratepayers who cannot negotiate suitable hardship relief with their council, or who ignore their rates debts, face enforcement action. Under the Local Government Act 1989, this can include being taken to court and, if the rates debt remains unpaid for three years, sale of their land.

204. Government bodies are expected to act as 'model litigants' when taking legal proceedings. The State Government has issued model litigant guidelines that describe what this means in practice. The guidelines do not expressly apply to local councils but are followed by some. They allow agencies to act 'firmly and properly to protect their interests' and to seek to recover their legal costs. But they also stress the need to:

- act fairly and consistently in the handling of legal proceedings
- consider seeking to avoid and limit the scope of legal proceedings by taking reasonable steps to resolve disputes by agreement.

205. On some occasions, councils have been criticised for being too zealous about recovering rates debts. The 2012 community legal centre report said some councils were 'far too quick to sue residents without adequately exploring alternatives to litigation'. The 2020 Rating System Review recommended regulation to make it clear that coercive powers, such as legal action and debt collection, should be a 'last resort'.

206. On other occasions, councils have been criticised for not doing enough to recover rates debts. In 2019, the Local Government Inspectorate criticised one council for not recovering unpaid rates. The Inspectorate said 'many instances of failure to pay rates may be instances of hardship but council requires a process to manage such circumstances'.¹⁹

207. The investigation looked at what ratepayers can expect from councils at present, and what could be improved.

Attempts to contact ratepayers

208. The investigation found that all councils now attempt to contact ratepayers about unpaid rates before resorting to legal action.

209. The process varies from council to council. Some councils only send a reminder or overdue notice to the ratepayer. Other councils go to some effort. Alpine Shire Council, for example, told the investigation it starts with a reminder notice and then asks its debt collector to call the ratepayer. It then uses an 'early intervention' strategy which involves six attempts to contact the ratepayer by phone, SMS, email or letter. If this does not work, the debt collector follows up with a formal letter, another phone call or SMS and a final 'field call' (an in-person visit).

¹⁹ Local Government Inspectorate, *Protecting Integrity: Yarriambiack Shire Council Investigation* (2019) 13.

210. Some councils said these processes reduce the need for legal action to recover debts. Port Phillip City Council, for example, changed its approach to debt collection in 2010 and since then has reportedly seen:

an overall reduction of legal costs on ratepayers from approximately \$300,000 per year to approximately \$60,000 per year and an improved collection rate of 98% plus (before COVID-19).

Many ratepayers are very grateful for the call. On a number of occasions, the ratepayer has forgotten to change their mailing address. Sometimes it's due to a family crisis for example cancer and paying a rate bill and/or contacting the Council is the last thing on their mind.

211. The Ombudsman tends to hear about the cases where the process has not worked. Ratepayers sometimes report they did not get their council's letters or emails.

Extracts from complaints

[T]hey said they send letters but we haven't received any - the first time they sent it to the Sheriff's department and this time they referred it to a law firm ... Don't they have due diligence to try to call you or contact you by email before they go screwing with your credit rating by sending the Sheriff to your door?

I've just received a call this morning from a debt collector that they've put it in the hands of. I've received no letters from the council, no calls, no emails, nothing. I'm just dumbfounded.

I have had (at many times) little or no correspondence from [the Council] at all, I haven't even received all my rates notices.

212. In some cases, the problem is a practical one – the council does not have the right address for the ratepayer. Pyrenees Shire Council told the investigation it recently started sending its final letter by registered mail. If no one signs for the letter, it assumes the person is no longer at the address. It then uses ‘skip tracing’ (a system for tracking down a person) to locate the person. Around a dozen other councils also use skip tracing or ‘field calls’ to find ratepayers. Pyrenees Shire Council said it had cut its use of legal action by half since it started sending mail by registered post.
213. Complaints to the Ombudsman also suggest it can be hard to get the amount of contact and the timing right. Some ratepayers find the number of calls and visits stressful. Some councils only pursue larger debts in earnest, which ensures the amount of contact is proportionate to the size of the debt. Moreland City Council and Mornington Peninsula Shire Council, for example, only refer debts over \$1,000 for debt collection.
214. However, the Ombudsman also dealt with one complaint where the council did not pursue the ratepayer until the debt grew. By that time, the ratepayer found the size of the debt unmanageable.
215. In 2019, the High Court found that in Queensland, statute of limitations laws apply to the recovery of rates debts.²⁰ In that case, it meant the council had to take action to recover the debt within six years. There are similar statute of limitations laws in Victoria.

Use of debt collectors

216. One community lawyer noted councils largely rely on debt collectors to contact ratepayers, instead of engaging with people themselves.
217. Almost all councils use debt collectors to recover unpaid rates debts from ratepayers, usually if there is no response to their own reminder notices. Only two councils - Ararat Rural City Council and Banyule City Council - told the investigation they no longer use debt collectors.
218. For many ratepayers, a letter or call or visit from a professional debt collector is stressful and upsetting. The Ombudsman hears these sorts of concerns from ratepayers.
219. The 2012 community legal centre report and the 2020 Rating System Review report both noted that use of debt collections adds to the stress and pressure for vulnerable people. The Rating System Review, as noted earlier, recommended regulation to ensure practices such as debt collection are a last resort.
220. The investigation identified several problems with current arrangements.

²⁰ *Brisbane City Council v Amos* [2019] HCA 27.

Extracts from complaints

It was intimidation, really, [there were] two blokes. I am a mum at home with my kids.

I am again being hounded by [the Council's debt collector], who calls up at odd hours of the day and evening. They have also sent a field officer to my door to talk to my wife.

I was shocked and concerned about having debt collectors pursuing me at my home for payment. I do have genuine concerns around debt collectors being sent to relatively isolated properties unannounced, particularly where women like myself might be alone ...

[T]his situation is causing [my aunt] a lot stress and anxiety. It is like she is constantly paying the council the little money she has and is constantly being harassed and asked for more.

Use of debt collectors to negotiate hardship relief

221. Once councils refer a debt to their debt collector, ratepayers usually have to negotiate hardship relief with the debt collector.
222. The 2013 MAV Guidelines advised councils against this. They suggested councils ensure their debt collection policies for ratepayers give people an opportunity to apply for hardship assistance. They recommended that '[d]ebt collection agents who identify hardship should refer cases back to council'.
223. Few councils, however, are willing to engage with ratepayers once they have referred a debt. The investigation reviewed some of the letters sent by council debt collectors to ratepayers. In almost all cases, they provided contact details for the debt collector if the ratepayer wanted an alternative payment arrangement. Ratepayers also reported such experiences.

224. Some councils' policies expressly state that the council will not deal with ratepayers or hardship applications at this point. West Wimmera's policy, for example, states '[o]nce a debt has been placed in the hands of Council's Debt Recovery Contractor all negotiations with the ratepayer will be handled by them'. In response to a draft of this report, the Council said this ensures there is one point of contact for ratepayers. It explained it would speak to ratepayers who contact the Council, but would not vary any agreement. It said it gives its hardship policy to its debt collectors and expects to them to act consistently with social obligation requirements. Yarriambiack Shire Council's policy states:

If a debt has already been referred to Council's nominated Debt Collection Agency, a person cannot apply for Financial Hardship in relation to that debt. The person must negotiate payment terms with the nominated Debt Collection Agency.

Extracts from complaints

They won't let me [lodge a hardship application] because it's through a [debt collection] lawyer. They won't even speak with us ... They won't accept anything unless it's through the lawyers.

[The Council] refused to even speak with me at all and said it was now in the hands of their [debt collection] solicitors and I could only deal with them.

Limited hardship relief options

225. The investigation observed that debt collectors generally only offer ratepayers a 'special payment arrangement' or payment plan that lets ratepayers pay off the debt in instalments.
226. When the investigation reviewed copies of debt collector letters to see their advice, some referred to unspecified 'payments options' or 'arrangements' and encouraged ratepayers to contact the debt collector for discussion. Where the letters mentioned a specific option, it was a 'special payment arrangement' or plan.
227. The investigation also looked at councils' contracts with debt collectors where councils could provide a copy. Most referred only to special payment arrangements, if they referred to hardship at all. One commonly used contract in the sector refers to a 'hardship waiver agreement'. However, the investigation found no references to that option in debt collectors' communication with ratepayers.

Limited oversight of debt collectors

228. The investigation was not always confident about councils' arrangements for managing the way debt collectors deal with people in hardship.
229. The investigation asked councils to provide a copy of their contracts with debt collectors to consider contract standards regarding ratepayers in hardship, and how councils monitored those standards.
230. Nine councils said they did not have a current written contract with their debt collector.

231. Another 36 councils did not or could not provide their contract. Many explained that they engaged their debt collector through MAV or Procurement Australasia. MAV and Procurement Australasia offer councils arrangements under which they tender for a panel of debt collectors and enter a legal deed with the successful companies. Councils can 'opt in' to these arrangements and choose a debt collector from the panel.
232. Some councils said they did not have a copy of MAV's or Procurement Australasia's contract documents. The investigation obtained copies of these contracts direct from MAV and Procurement Australasia.
233. MAV and Procurement Australia require debt collectors to comply with relevant laws as well as industry codes of practice or guidelines. These would include debt collection guidelines issued by the Australian Competition and Consumer Commission and the Australian Securities and Investments Commission.²¹ These guidelines set standards of behaviour for debt collectors, such as how often and when they can contact debtors.
234. However, none of the contracts reviewed by the investigation referred to the hardship relief provisions in the Local Government Act 1989 or required debt collectors to tell ratepayers about those options.

²¹ Australian Competition and Consumer Commission and Australian Securities and Investments Commission, *Debt collection guideline: for collectors and creditors* (2020).

235. Some contracts require debt collectors to offer payment arrangements in accordance with council practices and to seek council approval for arrangements. However, few councils require debt collectors to consider or apply the council's broader hardship policy. Yarra Ranges Shire Council's contract was one exception. It stated '[t]he Council has in place a Rate Recovery and Financial Hardship Policy ... The Contractor is to be fully conversant with the policy when dealing with ratepayers'.
236. Procurement Australasia told the investigation that councils are responsible for monitoring debt collectors' actions and performance. MAV also said contractors are obliged to report their activities to councils direct. It is not clear how councils monitor their debt collector's compliance with their contract when so many councils told the investigation they did not have a copy of the contract documents.

Confused communication

237. The Ombudsman also observed cases where lines of communication between councils, their debt collectors and ratepayers became confused.
238. The debt collector letters reviewed by the investigation were all clear, short and written in plain English. However, they did not offer interpreters or information in accessible formats for people who speak languages other than English or have a disability.
239. The Ombudsman sometimes sees complaints that involve miscommunication between all the parties. The following case studies are two examples. The second case highlights the particular challenges faced by ratepayers who struggle communicating in English.



Debt collector tells ratepayer she owes \$8,400 – Council says she owes more than \$20,000

Lyn owns her house in the Casey City Council area. She has struggled to pay her council rates since buying the house many years ago. She acknowledges she has not always handled her debt problems well.

Lyn contacted the Ombudsman in early 2020 after some confusing advice about the size of her debt. She provided a copy of a letter from the council's debt collector dated January 2019 asking her to pay just over \$8,400. Then in November 2019, she found out via her bank that she owed the Council more than \$20,000. She said 'I nearly fell over and was in complete shock'. She said when she called the Council, they told her the \$8,000 figure was an 'old amount'.

When the Ombudsman contacted the Council, it confirmed Lyn owed around \$21,000. The letter from the debt collector referred to only part of the debt, not the total debt. The Council acknowledged the letter did not make this clear and said it would review its documents.

The Council said if Lyn started making regular payments, it would stop applying penalty interest to the debt. It said if she kept up the payments over three to six months, it would waive some of the interest that had already accrued. Lyn was not happy with the Council's offer. However, given her long history of failing to pay her rates, the Ombudsman concluded the Council's position was reasonable.



Extra confusion for woman with limited English

Amal lives with her family in Melbourne's northern suburbs and speaks limited English.

She contacted the Ombudsman with the help of a friend in early 2020 after getting a final notice from Whittlesea City Council saying she owed just over \$4,000 on her rates.

Amal could not understand how she owed that much. She said she spoke with the Council about the rates a few years earlier through an interpreter. She said she was told to pay \$100 a month and that would cover the rates. She provided copies of bank records to prove she had been making the payments.

The Council emailed Amal to explain that she had not paid her rates on time since her family bought their house. It said the person she spoke with years earlier was its debt collector. It said she had entered a payment plan to pay off her rates.

According to the debt collector, it set the payments at \$100 because Amal said that was all she could afford. It was never enough to cover her rates.

The Council said Amal later agreed to another payment plan which required her to pay \$200 a month. It said, since then, the Council had changed its debt collector and she should have received a letter telling her the direct debit arrangement with the old debt collector had stopped. It asked her to contact its new debt collector to make a new arrangement.

Amal asked the Council to waive the interest it had charged on the debt (around \$700) because she felt the debt collector gave her wrong advice. The Council acknowledged that English was not Amal's first language. It offered to waive \$500 in interest if Amal lodged a hardship application.

Legal action

240. Councils retain the power to take ratepayers to court if they do not resolve their debt problems or keep to their payment arrangement.
241. For ratepayers, legal action adds to their problems. Apart from the stress, councils can seek an order for the ratepayer to pay their legal and other costs. Councils then add these costs to the ratepayers' debt. This usually increases the debt by \$1,000 or more.
242. The 2012 community legal centre report and the 2020 Rating System Review both argued legal action should be a last resort. The investigation looked at councils' current practices.

Use of legal action

243. The 2012 community legal centre report included court data showing that in 2010-11 councils sued 6,328 people for unpaid rates debts.
244. This sort of data needs to be used with caution when looking at homeowners in financial hardship. The data shows all legal action taken by councils for unpaid rates, including legal action against investors and business owners. It also does not show how many of the ratepayers were experiencing hardship, or the history of the debts and whether councils took action as a last resort. There were also a number of councils who said their own records differ from the Magistrates' Court data (which is based on the number of proceedings classified in the Court's systems as 'arrearages of rates'). However, it is currently the best available evidence of how often councils use legal action to resolve rates debts.
245. Recent court data shows that the overall number of legal actions has grown. The investigation obtained recent data from the Magistrates' Court. In 2018-19, the last financial year before the pandemic, councils sued ratepayers for unpaid rates on more than 7,000 occasions.
246. Most councils stopped taking legal action when the pandemic began (although many still contacted ratepayers about their debts in other ways). This was consistent with principles issued by the National Cabinet to 'essential service providers' including councils in April 2020. In 2019-20, the number of actions for unpaid rates debts dropped to over 4,000.
247. At an individual council level, the picture varies. Some councils, mainly in regional areas, have cut their use of legal action since the 2012 community legal centre report. Some did not sue any ratepayers, or very few ratepayers, in 2018-19. They include Ararat Rural City Council, Banyule City Council, Colac Otway Shire Council, Gannawarra Shire Council, Surf Coast Shire Council and Swan Hill Rural City Council.
248. Other councils, mainly in metropolitan areas, increased their use of legal action compared with 2010-11, according to the Magistrates' Court data. They include Kingston City Council (334 actions in 2018-19, compared with 63 in 2010-2011), Whitehorse City Council (342 compared with 38 in 2010-2011) and Yarra City Council (168 compared with 45 in 2010-2011). In response to a draft of this report, Kingston City Council said it could not comment because it had not provided the data. Yarra City Council said the Council's own records were different, but it could not provide further information in the time available.

249. The top three councils for legal action in 2018-19 were in outer suburban areas – Brimbank City Council, Wyndham City Council and Casey City Council. In response to the draft report, Brimbank City Council and Casey City Council both noted that councils with a larger number of ratepayers would be expected to have a larger number of legal actions. They suggested that other data should be used to show use of legal action in the sector.

Council discretion in cases of hardship

250. Based on complaints investigated by the Ombudsman, councils try to resolve rate debts in other ways before taking legal action.

251. At least 11 councils now say that legal action is a last resort in their policies, and another two told the investigation this was their approach in practice. One council officer said 'I try to take every step ... I try, I really try'.

252. The most difficult cases seen by the Ombudsman are those where the ratepayer is clearly vulnerable but has stopped engaging completely or has a history of defaulting on hardship agreements with the council.

253. The 2013 MAV Guidelines state councils have limited capacity to identify genuine hardship amongst 'recalcitrants and those who ignore rates notices'. The Guidelines said:

At some point councils must begin charging penalty interest, or instigate debt collection processes and lodge matters with the Magistrates Court in order to achieve a resolution. However, during this process, councils and contractors must remain sensitive to hardship and ensure that hardship is not exacerbated by instigating debt collection processes.

254. Some council officers who spoke with the investigation took a similar view. One said councils have to take action at some point. Another said they do not take legal action 'if we feel that the people are genuine' but 'it's those that ignore, those are deliberately trying to evade paying, that's where we say we can't help you if you can't help yourself'.

255. The Rating System Review expressed concern that councils appeared to be using legal action to 'trigger a response' from ratepayers. It said:

Anecdotal evidence from rates managers and other council participants of the consultation process indicates that the court order applies more pressure on the ratepayer than other less formal processes such as phone calls, reminder notices and letters from lawyers.

256. Community advocates argued councils need a better understanding of how vulnerable people behave. One lawyer said clients sometimes arrive at appointments with piles of letters they are too scared to open. A financial counsellor said:

[It's] like they're frozen. It's embarrassing. They feel guilt. They feel shame. I don't think [councils] understand that.

257. Some community lawyers noted that councils do not have to take legal action to recover rates. Since rates are a first charge on land, they can let the rates accrue against the value of the land and collect the debt when the land is sold or transferred in the future.

258. There is evidence that at least some councils exercise discretion before taking legal action. Around half of councils (40 councils or 51 per cent) now sue only if the debt reaches a certain size. Bayside City Council and Central Goldfields Shire Council and Casey City Council, for example, only sue for debts once they reach \$1,000. Nillumbik Shire Council only sues for debts over \$5,000. Ratepayers Victoria's submission argued this threshold for action should be much higher – either \$10,000 or three years of unpaid rates debts.
259. Other councils consider the vulnerability of the ratepayer. For example, at least three councils – Melbourne City Council, Whitehorse City Council and Monash City Council – say they will not take legal action against pensioners. Hobsons Bay City Council also told the investigation it had never referred a pensioner to its debt collector.
260. But practices are not consistent. The following case studies describe three complaints to the Ombudsman. In all of the cases, there was some evidence of hardship, but the ratepayers were not cooperating with the council. In the first two cases, councils took legal action. In the third, the council exercised its discretion to let the debt accrue.



Warrant of apprehension for 'distressed' ratepayer not responding to contact

Jill is in her 60s and lives in the Melton City Council area. When the Ombudsman spoke with her, she said she was in a serious accident at work around 10 years ago. She said she had been living on compensation payments and is now on unemployment benefits.

The Council's records showed Jill had been behind with her rates on and off for a few years. On 11 December 2017, the Council sent a reminder notice asking her to pay \$496 'immediately'. There was a statement on the front of the notice inviting Jill to call the Council if she was in financial hardship.

The Council says Jill did not respond. Less than a month later, on 5 January 2018, it referred the debt to its debt collector.

The debt collector tried to contact Jill many times by phone and letter. They visited her house nine times but no one answered the door. When they reached her by phone in April 2018, she told them she was not living at the house.

She said a family member had an addiction and had attacked her and she was 'too afraid' to live there. The debt collector described her as 'very cooperative but clearly a very distressed person'.

Jill agreed to pay off her debt at \$100 a fortnight, but she did not make any payments. In the meantime, she was missing more rates payments and the debt was growing. The debt collector sent an SMS and another letter. Jill paid \$200 but did not contact the debt collector or the Council.

In June 2018, the Council took Jill to court. At that stage, her rates debt was \$1,296. The Council obtained an order for its legal costs. Jill's \$1,296 debt was now a \$2,216 debt.

The Council took out a summons for oral examination (which requires a debtor to attend court to give information about their finances). Jill made two more payments but did not go to the court. The Council took out a warrant of apprehension.

Jill eventually paid that debt but she was falling behind with her new rates payments. In July 2019, the Council threatened to take her to court again. When the Council's debt collector visited Jill, she said she was on unemployment benefits but was expecting an inheritance. She later called twice, 'confused' about what she owed.

The debt collector gave her details of a financial counsellor to help her apply for hardship, but she made no application. The Council sent a letter threatening more court action. The Council told the Ombudsman it decided not to take Jill to court again and she eventually paid out the debt. It said 'Council will go through all avenues to contact a ratepayer and seek to offer them assistance before legal proceedings are commenced'.

When Ombudsman officers spoke with Jill in December 2020, she said she ended up borrowing money from her family to pay out the Council.

The Ombudsman gave the Council a chance to comment on a draft of this case study. It noted that it sent 36 rates notices to Jill about outstanding rates balances in the years leading up to the legal action, and it tried to contact her 12 times before taking legal action. It said she 'broke arrangements [three] times without notifying Council and making [an alternative payment arrangement]'.

However, it agreed:

it is important to recognise that people who are vulnerable due to personal crisis or family violence may struggle to engage with councils at times and legal action needs to be exercised with sensitivity. Council tries to do that at all times and believes in the vast majority of cases it does so. As [the report] recognised, there are difficulties involved in managing such situations when you are unable to communicate with the ratepayer consistently.

The Council said it had tightened its processes so that:

- accounts in arrears are referred to a manager where there is evidence the ratepayer could be impacted by family violence. It said this will allow closer review of these situations by senior staff.
- manager approval is required any warrants of apprehension.

The Council also said it would refund the legal costs charged to Jill in this case.



Bankruptcy action against age pensioner who had not paid rates for 13 years

Chris is an age pensioner in their 60s who has trouble communicating in English. A community legal centre contacted the Ombudsman on Chris's behalf in 2018 after Wyndham City Council bankrupted Chris over around \$30,000 in unpaid rates.

The community legal centre said Chris's behaviour suggested mental health issues. Chris was living alone in the house without electricity or gas or a telephone. The legal centre said Chris appeared not to understand the obligation to pay rates and could not read the bankruptcy notice. It said a financial counsellor had prepared a hardship application and it wanted the Council to annul the bankruptcy and let Chris pay off the debt at \$50 a fortnight.

When the Ombudsman contacted the Council, it said Chris had not paid rates since 2005. It said it had tried to resolve the matter over 13 years:

- It had spoken with Chris many times, as well as with friends of Chris and a migrant assistance centre.
- Chris had agreed to seven payment plans. Chris had defaulted on six of them but was making payments under a current plan.
- It had invited Chris to make a hardship application in the past, but Chris had not.
- It had taken Chris to court twice and issued summonses for oral examination. It said Chris only attended court after it sought a warrant for apprehension. It also executed a warrant to seize property from Chris but decided not to take anything from the house.

The Council said it had not decided to pursue the bankruptcy lightly. It said while its records show Chris had limited English, it believed Chris had some funds and simply refused to accept there was an obligation to pay rates.

It said it believed it would be unfair to other ratepayers to let the matter go and let debt accrue. The Ombudsman did not pursue the complaint at the time because a court ordered the bankruptcy and only a court could overturn the order.

Officers contacted the Council during this investigation to find out what had happened. The Council said Chris' bankruptcy administrator had not been able to engage with Chris and the Council, as the only creditor, decided to annul the bankruptcy and pay the administrator's costs. It said the Council had since granted hardship assistance in the form of a payment plan of \$100 per month. Chris had made some but not all payments. The Council said '[t]he balance of the rates will be deferred until hardship consideration ends or [Chris] chooses to sell the property'.

The Council said:

This was the first application for Bankruptcy proceeding that Council undertook in an effort to recover a significant amount of outstanding rates, where other legal action had been unsuccessful.

... Council is very proactive in our attempts to provide support to those that are more vulnerable within our community. Support is provided through hardship plans as well as referral to external support agencies where appropriate. We have seen this process achieve some positive results for residents in need. Our policy and processes continue to be reviewed and refined to ensure that we engage as fully as possible to understand the circumstances of those in hardship and tailor solutions that may meet their needs.

The ongoing challenge for Council is to more effectively balance the need to ensure the payment of rates in an effort to be fair to all rate payers against the need to support individual rate payers in need of additional support. An added difficulty which we recognise is that vulnerable residents may not always be in a position where they can communicate their need for support.



Council lets debt accrue for family in hardship

Tim contacted the Ombudsman in 2019 about his rates debt with Glen Eira City Council. He explained he found himself unemployed a few years ago and was out of work for around two years. He said a support organisation lodged a hardship application with the Council but they 'didn't give me nothing'. He said he was working again and was paying off the debt, but the Council was charging interest and the debt was growing.

Ombudsman officers advised Tim to seek hardship relief from the Council. We had trouble contacting him again, so officers contacted the Council during this investigation to query its response.

The Council said Tim started falling slightly behind with his rates in 2005 and by 2009, the amount owing became a concern. It said after trying to contact Tim three times, it agreed to a payment plan in 2010.

It cancelled that plan in 2016 after Tim stopped paying. A support organisation contacted the Council and explained that Tim and his wife were unemployed and caring for a child with a disability. The Council asked for documents to verify that they were getting Centrelink benefits and a statement of their income and assets. It said the documents were never provided.

The Council said Tim wrote to it in 2019 after he complained to the Ombudsman. The Council's response said 'Council is more than happy to evaluate and consider your claim for financial hardship, but we do require supporting documentation'.

The Council said it had not received any documents. It said Tim was making some payments and owed around \$10,000. It continued to charge interest on the debt until the start of the COVID-19 pandemic, but had not taken any legal action.

Legal costs

261. As this report has already noted, most councils seek an order for their legal costs and add them to the ratepayer's debt (see paragraph 241).
262. Gannawarra Shire Council indicated these decisions are motivated by fairness to other ratepayers. It said '[i]n this way the ratepayers who have paid their assessment are not burdened with these extra costs'.
263. However, the Ombudsman hears complaints from ratepayers that these costs just make it harder for them to pay their debts.
264. A representative of Ratepayers Victoria told the investigation that these practices can further entrench hardship. He said '[i]t's just giving free legal work that is not solving the problem. You're not solving it'. Some community advocates also told the investigation that rates should not be a way to push people into destitution and homelessness, noting this puts more pressure on other parts of government and the housing sector.
265. Many councils (34 councils or 43 per cent) expressly state in their policies that they will consider waiving legal costs.

Extracts from complaints

[T]he cyclical behaviour of council charging interest and legal fees despite my hardship has contributed further to my hardship rather than assisted me to get out of financial hardship ... The interest and legal fees I was charged made me feel there was no light at the end of the tunnel ...

I am a single parent working long hours and struggle financially to raise two children on one income ... The reason I did not pay my rates was because I was finding it difficult at the time, please do not make it even more difficult for me by imposing these crazy, unjustifiable fees.

I have paid thousands of dollars so far but I can't keep up ...

266. However, the situations in which councils will waive legal costs differ. Melton City Council and Mitchell Shire Council say they will waive costs if the ratepayer is in hardship. Mitchell Shire Council told the investigation it had waived \$10,451 in legal costs over the last two years. Bass Coast Shire Council said it will consider waiving costs if there are 'severe mental health issues'.

267. Other councils do not provide for costs waivers on the ground of hardship. Eight councils said in their policies that they would only waive costs if there had been an error on the council's part or the council had not done enough to engage with the ratepayer before taking them to court.

271. The investigation heard that councils are conscious of the 'reputational damage' caused by forcing the sale of people's land. Some councils, such as Benalla Shire Council, have a policy of not selling properties used as a residence. Others require a resolution of their elected councillors before they will sell property under the Act.

Forced land sales

268. The Local Government Act 1989 also gives councils the power to sell a ratepayer's property to recover unpaid rates (section 181). This option is available if:

- the rates have been unpaid for three years or more
- there is no current arrangement in place for payment of the rates to the council
- the council has a court order requiring payment.

269. People who contact the Ombudsman are sometimes well aware of this power and are fearful of losing their homes.

270. In practice, however, councils rarely use this power. Data from Land Use Victoria, the State's land registry agency, shows that there were only 28 land sales or transfers under this section of the Local Government Act in 2018-19. In 2019-20, there were only 10. It is unclear from the records how many of these cases involved residential homes, but the records suggest many of the properties were vacant land.

Extracts from complaints

I heard that the council, they can take your house. That was my biggest worry.

[The Council] threatened they would sell my house if I didn't pay. I felt [intimidated] and bullied ... I was so fearful that I would lose my house ...

[The Council] can kick you out, they can sell the place ... [T]his is my place. I'm an older person. Where am I going to go?

Knowing that my house may be sold and [we] will be homeless doesn't let me sleep at nights.



Recovering debts – how do councils compare?

Energy, water, telecommunications companies and banks

Regulation prevents these companies from disconnecting customers or taking debt recovery action while customers are receiving hardship assistance.

Energy companies must keep offering assistance until the customer is no longer in payment difficulty, or the customer has 'refused or failed to take reasonable action' towards paying their bills and debts. They cannot take debt recovery proceedings while the customer is receiving assistance and they can only disconnect a customer for non-payment as a last resort after certain steps have been taken. The steps include issuing a reminder notice, a disconnection notice and using 'best endeavours' to contact the customer and offering hardship assistance.

Water companies cannot take legal action or restrict supply until they have sent a reminder notice and a warning notice, have attempted to contact the customer and have offered a flexible payment plan. They cannot take legal action unless the customer owes \$200 or more or has failed to pay consecutive bills over 12 months.

Telecommunications companies must issue reminder and disconnection notices that include information about their hardship policies. They must also comply with ACCC and ASIC guidelines for debt collection.

The Australian Banking Code of Practice also states banks will comply with the ACCC and ASIC guidelines and will not require people to access superannuation to pay off debts.

Government tax agencies

The Australian Taxation Office publishes a practice statement on its approach to enforcement on its website. It notes it has a responsibility to collect unpaid tax:

As a matter of course, the ATO will take into account the individual circumstances of each tax debtor to ensure that any recovery strategy is effective and appropriate for collecting that particular tax-related liability.

The Australian Taxation Office says it issues notices for outstanding amounts and may contact taxpayers before taking legal action, but they cannot expect this.

The State Revenue Office uses an internal debt management policy. Its objectives include 'vigorous pursuit of debt in a sensible, cost efficient, effective and timely manner'.

The State Revenue Office told the investigation it generally sends two reminder notices to taxpayers who fail to pay land tax. Its policy also encourages 'personal contact' by telephone unless this is not appropriate. Officers can take legal action against taxpayers who have not responded to earlier attempts to recover taxes. The policy allows for legal action for any debt over \$200.

The policy states officers must 'exercise discretion' and apply the policy with 'common sense' to ensure that taxpayers in similar circumstances are treated equally. It lists factors officers should consider, including whether pursuing the debt is in the public interest. It lists a range of options for officers where a taxpayer does not have funds to pay, or payment would leave them destitute. These are not limited to payment plans.

The State Revenue Office said it uses professional debt collectors to recover smaller land tax debts. Its debt collectors can arrange instalment payments with customers as long as they comply with the agency's policies. For more complicated matters, the State Revenue Office expects the debt collector to refer the matter back to its officers.

Resolving complaints

272. Community lawyers and financial counsellors noted that good practice hardship schemes give people a way to complain about or appeal their treatment. This section looks at the current options.

Internal options

273. The new Local Government Act 2020 requires councils to develop a fair and effective process for considering and responding to complaints about their services (section 106). It also requires councils to have a complaints policy (section 107).
274. The investigation identified that at least 18 councils also have a specific system for appealing or reviewing hardship relief decisions. In most cases, the 'appeal' is heard by a senior council officer or the council's Chief Executive Officer. Two councils allow appeals to their elected councillors.

External options

275. Some financial counsellors told the investigation they also want an external body to hold councils to account. One financial counsellor said they had a client who was fearful of what would happen if they made a complaint to the council. They noted there is a 'huge power imbalance when it comes to councils and ratepayers. They're not on a level playing field'.
276. The Victorian Ombudsman can take complaints about the actions of councils and regularly deals with complaints about rates hardship and debt recovery. The Ombudsman endeavours to quickly and informally resolve complaints, and may decide to investigate any matter arising from complaints. The Ombudsman may make formal recommendations for change if an investigation reveals any unfairness or wrongdoing.
277. The Parliament amended the Ombudsman Act in 2019 to give the Ombudsman additional powers to mediate or conciliate complaints.
278. The investigation's discussions with financial counsellors suggest that awareness of the Ombudsman as an option to consider complaints about councils is low. Few council policies require officers to advise ratepayers about their right to complain to the Ombudsman. Only three councils currently refer to the Ombudsman in their hardship policies.



Resolving disputes – how do councils compare?

Energy, water, telecommunications companies and banks

These private companies have statutory regulators that can issue codes and guidelines about hardship – the Essential Services Commission in the case of energy and water companies, the Australian Communications and Media Authority in the case of telecommunications companies and various Commonwealth regulators in the case of banks.

Their regulatory arrangements differ. Energy and water companies have codes created by the Essential Services Commission. Telecommunications companies largely operate under an industry code.

These sectors also have ‘industry’ ombudsman schemes that can take complaints from customers – the Energy and Water Ombudsman, the Telecommunications Industry Ombudsman and the Australian Financial Complaints Authority. Regulatory codes require energy and water companies and banks to tell customers about their right to complain to these bodies.

The industry ombudsmen all have information on their websites about how they deal with hardship complaints.

They can:

- ask companies to suspend any debt recovery or disconnection action while they consider a complaint
- use alternative dispute resolution to resolve the matter
- if the matter cannot be resolved, make a decision or determination that is binding on the company.

Government tax agencies

The Australian Taxation Office and the State Revenue Office, like other public sector bodies, are subject to the powers of government ombudsmen. Government ombudsmen can make recommendations but not binding decisions.

Special topic: Family violence

279. Throughout the investigation's meetings and discussions, community lawyers and financial counsellors consistently raised one problem - the way councils treat people with debts associated with family violence.

280. Victoria's 2015 Royal Commission into Family Violence recognised economic abuse as a form of family violence. It noted that when people leave violent relationships, they can be left in financial insecurity and debt:

Victims of family violence are more likely than other women to experience financial difficulty and many women experience poverty as a result of family violence, regardless of their prior economic circumstances. Research also tells us that women from culturally and linguistically diverse backgrounds and older women are at greater risk of financial insecurity following family violence and face additional barriers to accessing support. The financial consequences of family violence can be acutely damaging and they are often long-term.

Victims' financial security is affected by partners who perpetrate economic abuse by controlling household finances, financial and utility accounts and incurring debt in the victim's name through coercion or deception.

281. The Royal Commission looked at three types of debts - consumer credit debts, utility debts and fines. It recommended the State Government:

- work with Commonwealth and State authorities or industry associations to ensure regulatory codes recognise family violence as a ground for hardship assistance, and to produce industry guidelines
- encourage industry ombudsmen to publicise the availability of dispute resolution processes to help victims resolve disputes about debts incurred in the context of family violence.

Council policies and practices

282. The Royal Commission did not look at councils and rates debt, although it made some other recommendations involving local government. Community advocates told the investigation that victims of family violence also face problems with rates:

- The perpetrator of the violence may have failed or refused to pay rates during the relationship, running up debts in the name of the victim.
- The perpetrator may stay in the house after the victim leaves and stop paying the rates, exposing them to debt recovery and legal action.

283. An advocate who works in the area of family violence said victims face multiple problems resolving these issues - they may have no savings or money to pay the debts; they may have trouble applying for hardship relief because they do not have financial documents or know the extent of their assets or liabilities; and they may also be dealing with other debts and legal disputes as well as housing and other problems.

284. Councils as a whole do not appear to have considered the implications of family violence for their rates practices. The investigation found only seven councils (nine per cent) currently refer to family violence in their hardship policies.

285. The following three case studies show the way three councils dealt with people with rates debts in the context of family violence.



Victim of family violence subject to repeated court action and threats to sell her house

Rachel lives in a house in the Greater Shepparton City Council area. Her financial counsellor contacted the Ombudsman on her behalf in 2019.

This report has already described parts of this case on page 40. The complaint said that for around 10 years, Rachel's ex-partner subjected her and her family to extreme family violence. When Rachel ended the relationship in 2009, she had ongoing financial and other problems. Her former partner had sold all her belongings. She had to borrow money to pay for legal costs. She was also supporting her family on one income. She and her family had ongoing health problems.

Rachel fell into debt with her council rates. The Council was aware of Rachel's history by at least 2010. Its records show it agreed to multiple payment plans under which she could pay as little as \$30 a fortnight, but she defaulted on those plans. Rachel says she still experiences trauma and cannot remember what happened with the Council until 2017, when she requested a new payment plan. She and the Council disagree on exactly what happened but she ended up on a payment plan that required her to pay \$500 a fortnight (almost a third of her income).

According to Rachel, her accountant wrote to the Council explaining she was in financial hardship. According to the Council, it asked Rachel's accountant for a statement of financial position 'multiple times', but did not receive one.

Information provided by the Council shows its officers and debt collection agency attempted to contact Rachel many times about the debt and that between 2010 and 2019 it:

- took Rachel to court three times
- threatened to sell Rachel's home four times. The Council began the legal process to sell the home twice.

By 2018-19, the Council's interest charges and legal costs on the debt totalled over \$10,000. Rachel's rates charges over the same period were around \$16,700. Rachel wrote to the Council in 2019 with the help of a financial counsellor and asked it to refund the interest and legal costs on her debt.

The Council refused. It noted it had asked Rachel's accountant for information to support a hardship application but no information was provided. It said:

... Council is within its rights under the Local Government Act to charge interest on any outstanding balances ... To remain fair to the 30,000 ratepayers within the municipality, and to comply with Council policy, Council rates staff require all necessary information to assess each application for hardship on their merits. Council was not afforded the opportunity to properly undertake the assessment of hardship.

Rachel's bank decided to step in to pay her debt to the Council. The Council agreed to waive a small amount of interest as a 'show of good faith'. That waiver totalled \$377. Ombudsman officers made enquiries with the Council in 2019 about the case. Its response said 'Council will not waiver rates, legal costs or any further interest.'

The Ombudsman wrote to the Council again when finalising this report and noted concerns about 'the Council's treatment of [Rachel] given her significant history of family violence and the ongoing impact on her and her family.' Amongst other things, she asked if the Council intended to review its approach to victims of family violence in future. The Council said 'Council will continue to be guided by its Financial Hardship Policy and assess every hardship situation, whether due to family violence or any other factor, on a case by case basis.'



Victim of family violence given more time to pay

Ashleigh owns a house in the Greater Geelong City Council area but has been living in safe accommodation since leaving her ex-partner. Her financial counsellor brought her situation to the Ombudsman's attention.

The financial counsellor said Ashleigh was a 'victim of extreme family violence' that had left her with 'extensive and complicated' financial problems. She said Ashleigh's ex-partner refuses to leave the house and Ashleigh has had to take legal proceedings to have him removed so she can sell the property. She has not paid council rates since leaving the house and owes the Council around \$7,000.

The financial counsellor said the Council has agreed not to take action until the house is sold. She noted, however, that the Council wanted to charge interest.

She said she believed this was 'inherently unfair':

Ideally some reduction of the amount outstanding is not unreasonable either. The pandemic and systemic problems in the judicial process have resulted in [Ashleigh] being unable to live in her home for 2 years whilst the perpetrator remains in the property at no cost to himself. [Ashleigh] has been responsible for the mortgage, rates, water bills and house insurance during this period. She has been plunged further into debt through no fault of her own and received no benefit from the home she bought for herself.

The Ombudsman contacted the Council about Ashleigh's situation. It said it did not have a policy on family violence and rates debts. It confirmed it had been charging penalty interest on the debt, which totalled just over \$500. The Council said '[d]ue to the circumstances, the City will waive all penalty interest ... and hold further interest until the property is sold'.



'Huge empathy' and \$14,500 waiver

Kate's financial counsellor emailed the Ombudsman after hearing about this investigation. They wanted the Ombudsman to know that Cardinia Shire Council had shown 'huge empathy' to a client. The Council is one of the councils with a policy that recognises family violence as a sign of hardship. The Ombudsman contacted the financial counsellor and Kate consented to them telling her story.

The counsellor explained Kate had been in a violent relationship until 2008. They said her ex-partner left her with debts as well as psychological and physical injuries.

According to the Council's records, Kate started falling behind with the rates on her house in 2010. She had a long history of contact with the Council. At times, she paid off small amounts on payment plans. At other times, she made no payments and the debt grew.

Kate had disclosed her history and problems to the Council several times over the years. In 2013 and 2015, she told the Council she was not working and was struggling financially. The Council referred the matter to its debt collector in 2015 and started taking legal action. Kate told the debt collector about the family violence and said it had left her with debts and a brain injury.

A couple of months later, she contacted the Council again to say she was 'barely putting food on the table'. In 2018, she emailed again and the Council agreed to a payment plan of \$100 a week.

The counsellor said Kate came to see them in 2020 and they called the Council about her history. The Council advised the financial counsellor to lodge a hardship application. The counsellor included Kate's police reports and intervention order applications.

The Council told the Ombudsman that after it read the application, it reviewed the history of Kate's rates account saying:

Due to the severe nature of the ratepayer's personal circumstances that directly attributed to the non-payment of rates and in recognition that Council could have done more to work with the ratepayer over this time, it was recommended to Council's financial hardship committee that the arrears including legal costs and interest be waived.

The financial hardship committee noted Kate had been making regular payments since April 2018. With the approval of the Council's Chief Executive Officer, the Council agreed to waive around \$14,500.

Kate's financial counsellor told the Ombudsman that Kate is currently working and managing to pay her mortgage and rates.



Family violence – how do councils compare?

Energy, water, telecommunications companies and banks

Regulatory codes for energy and water companies require them to have a family violence policy and train their staff. They must recognise family violence as a potential cause of payment difficulty. Before taking debt recovery action, energy companies must consider the impact on the customer and whether other people were responsible for the energy use.

The Telecommunications Consumer Protection Code refers to family violence in its definition of financial hardship. It requires providers to provide flexible repayment options including 'where being the victim of domestic or family violence contributed to an inability to pay the debt'.

The Australian Banking Association's industry guideline for banks sets out potential signs of financial abuse and principles for responding. They include developing internal processes, recognising that financial abuse can contribute to financial hardship and training staff. The guideline also states banks should ensure their contracts with debt collectors require the debt collectors to comply with the guideline.

Many of these private companies advertise support programs for customers affected by family violence.

Government tax agencies

The State Revenue Office does not have publicly available information for taxpayers affected by family violence, but the Australian Taxation Office publishes some information on its website.

Council systems

286. The investigation also considered what drives councils' responses to ratepayers in hardship. It heard at length from community advocates and others about what they saw as problems in the system, including poor understanding of hardship and a lack of proper regulation and systems.
287. The 2012 Rating System Review heard similar evidence. As this report has noted, it recommended regulation to ensure consistent practice and 'a collaborative change management program' in the sector.
288. This section sets out the evidence from community advocates and councils about the current problems and what they would like to change. It looks at how other sectors have managed these issues, including how they choose and train people to deal with hardship; how they report their work; and how they build collaborative relationships with other services.

Attitudes to hardship and fairness

Criticism of councils

289. When the investigation met with advocates and other organisations, the most common concern they raised issue was councils' attitudes to people who cannot afford to pay their rates.
290. The investigation heard some councils were 'exemplary' or 'fantastic' at dealing with ratepayers in hardship. They included Bass Coast Shire Council and Monash City Council.
291. But comments about certain councils and the sector overall were stinging. Descriptions included 'paternalistic', 'passive', 'antiquated', 'punitive', 'behind the times', 'somewhere in the Dickensian era'.

292. This report has already noted concerns about judgmental application processes (see paragraphs 129-132). A representative from Ratepayers Victoria said councils take the view that 'if the ratepayers cannot pay their rates, it is the ratepayers' fault'. Some community advocates wanted councils to understand that people in hardship may have other problems, or to understand how vulnerability affects people and their behaviour.
293. Some also wanted councils to understand that, for residential ratepayers, homes are not just assets for liquidation. One financial counsellor recalled occasions where councils asked about 'downsizing' for older ratepayers. Another said attitudes at one council appeared to be that 'it is a privilege to own a house.'
294. A representative of Ratepayers Victoria said:
- the thing for all of us is councils have a social obligation. It is not a financial transaction; they have a social obligation like every other company in our country.

Council views

295. The investigation found a range of attitudes and approaches across councils.
296. Some councils acknowledge their social obligations in their policies. For example, West Wimmera Shire Council's policy mentions the council's 'social obligation to ensure that its vulnerable customers are treated fairly and that our actions will not add to the customer's burden'. Horsham Rural City Council's policy advises its officers to be 'extremely aware of the financial, emotional, physical or psychological difficulties that the ratepayer may be experiencing'.

297. However, some council policies strike a harsher tone. Greater Shepparton City Council's policy, for example, distinguishes between 'reasonable' and 'unreasonable' causes of financial difficulty. This gives officers the ability to refuse hardship relief if they believe the hardship has resulted from the ratepayer's 'own decisions'.

298. At an officer level, the investigation also observed a range of views both at its meetings and in council responses to case studies in this report. Some stressed the importance of a helpful approach. An officer from Southern Grampians Shire Council said 'the way we try to drive it is to say understand the person first and then there are a series of processes. I think it is developing within councils'. A financial counsellor who works with Mansfield Shire Council said:

[The Council] is very dependent on collecting all [its] rates, so the rates coordinator's focus is let's help people to pay their rates, not punish them because they can't.

299. However, the investigation also observed some concern about ratepayers who ask for relief when they may not be in genuine hardship. Some council officers said it can be difficult to tell when hardship is genuine, for example where ratepayers say they cannot pay rates but are paying for school fees or 'lifestyle' expenses.

300. The investigation observed that councils often spoke about fairness, but in terms of fairness to other ratepayers. As this report has noted, the 2013 MAV Guidelines warn of the 'redistributional effect' of waiving rates and interest on other ratepayers (see paragraph 163). The investigation was told some other ratepayers also have low incomes but 'scrimp and save' to pay rates.

Expertise and training

301. Council officers' statements about the difficulties of identifying 'genuine' hardship raises questions about expertise and training within councils.

302. This can be a particular problem when councils are asked to assess applications for rates waivers (see case study on page 46, for example). One council officer suggested detailed guidance on 'how a council should objectively measure and assess hardship' and 'how the level of assessed financial hardship is to be weighted against the proportion of rate relief sought'.

303. Councils rarely employ people with financial counselling or specialist experience to deal with hardship applications. Mansfield Shire Council employs a part-time financial counsellor and Bass Coast Shire Council's policy refers to a Specialist Revenue Officer who is an ex-financial counsellor. Golden Plains Shire Council said it recently appointed a specialist Rates Hardship Officer on a six-month contract.

304. Other small councils noted their rates teams only have one or two people. Hiring people with specialist qualifications is not always an option.

305. Some councils, as this report noted earlier (see paragraph 125), ensure an expert assessment by asking ratepayers for an assessment from a financial counsellor. Other councils indicate they rely on the substantial experience of their officers.

306. The investigation identified that current training and guidance for officers varies. The Revenue Management Association (the professional association for rates officers) holds a yearly conference which usually has speakers or sessions on hardship issues. Some councils said officers had attended training with financial counselling bodies or the debt collection industry.

307. By contrast, utility and telecommunications companies have regulatory obligations to train staff on issues such as family violence or the companies' hardship policies.

Budget pressures and conflicts of interest

308. The investigation heard that the problems in the current system may be more fundamental than just expertise and training.

309. Ratepayers Victoria's submission argued council rates and finance officers have 'an inherent Conflict of Interest' in this area. A representative explained:

they have a budget that they have to make ... And so what that means is that's what they will protect at all costs even if it's on the back of hardship. So they are conflicted in assessing hardship because they actually don't want to grant it because then they would have to cut something, drive efficiency, do something different. They don't want to do that; their job is to protect the revenue for the budget.

310. The Ratepayers Victoria representative noted councils do not usually make any provision for hardship relief in their budget plans. This means any relief granted by councils disrupts their budget. He contrasted this approach with private companies such as banks. He said '[i]t is a massive governance failure because they are saying "we don't have anything; we haven't even allowed for it"'.

311. The investigation did not find any cases where councils decided hardship applications on revenue grounds. But it observed finance and rates officers often talked about hardship relief in terms of budgets, cash flow and costs. The investigation heard budgets in councils are tight, especially in smaller councils and especially since the State Government introduced 'rate-capping' (see paragraph 50). One officer said their council relies on rates for around half of its revenue and waiving them would be unsustainable. Another said their council does not offer Centrepay because it costs more than other payment options and the council cannot pass the cost to the ratepayer.

312. One stakeholder suggested council hardship relief schemes might be better managed in other sections of councils, where officers have a different focus and different skills. The investigation heard water companies usually deal with hardship relief in their customer service teams, rather than their finance teams. It heard their focus is helping customers make regular payments, not minimising outstanding debt.

Laws and standards

313. Some financial counsellors were frustrated that ratepayers' experiences depend on individual councils and individual council officers. One said, 'no matter which council you go to, no matter who you speak to ... there has to be consistency'.

314. This report has noted that energy and water and other private companies have minimum regulatory standards. By contrast, councils have broad discretions under the Local Government Act to decide if and when to give hardship relief. Not all councils follow the 2013 MAV Guidelines.

315. Ratepayers Victoria's submission argued that the 'self-regulated, self-managed' approach to hardship relief has failed. One financial counsellor said:

Most of the other industries or sectors we deal with, if it's not legislated they at least have guidelines as to what you have to do and that does not seem to be the case within councils. They can basically do whatever the hell they like. And that can make them very difficult to deal with.

316. The investigation noted the sector lacks even an agreed definition of 'financial hardship'. The Local Government Act does not define the term. The investigation found only just over half of councils (45 councils or 56 per cent) include a definition in their policies. Most use the definition in the 2013 MAV Guidelines, which is 'a customer or ratepayer who wants to pay but cannot'. But one stakeholder said in practice, councils often make quasi-judgements based on what people own or how they spend their money. A representative of Ratepayers Victoria said councils 'literally don't know how to define [hardship] and they don't know how to assess it. If you can't do those things, you actually can't address hardship'.

317. Ratepayers Victoria's submission also argued for clear service standards and uniform timeframes for assessment and decision-making.

318. Some councils welcomed the idea of advice about good practice or minimum standards, including detailed advice about how to assess hardship applications. One said it offers benefits for councils, because they can point to compliance with certain standards to 'defend' themselves from criticism.

Transparency and reporting

319. Ratepayers Victoria also argued councils should have minimum standards for transparency around their hardship relief schemes. A representative said:

Councils for us should have to disclose as good corporate citizens every year in public ... how many applications they got for hardship ..., how many they approved, how many they rejected, and how much they actually gave in hardship ... [T]hat should be a minimum standard across the sector so that we can see that councils are being responsible and responding to hardship.

320. Councils already collect a range of data under a sector-wide scheme known as the Local Government Performance Reporting Framework. They report the data to the State Government, which publishes it on the 'Know Your Council' website. Local Government Victoria's website describes the Framework as a way to promote 'council transparency, accountability and performance'. The scheme includes data on visits to council swimming pools and the cost of council libraries. However, there is currently nothing on rates hardship relief or debt recovery.

321. Some councils collect and report data to senior managers. However, when the investigation requested data for this report, it found councils collected and reported in different ways. For example, the investigation asked for data on the proportion of unpaid rates at each council, to see if it affected councils' debt recovery practices. Some councils counted only substantial rates debts in their data while others included smaller debts. These differences make it difficult to compare councils.
322. Other councils do not appear to collect key data at all. One council told the investigation that determining the number of payment plans for the last two financial years would take one of its officers a week.
323. Other agencies and sectors have more consistent and transparent reporting. The State Revenue Office publishes data on levels of tax debt in its annual review, although it does not publish data on hardship relief. Energy and water companies give data on their hardship schemes to their regulator, the Essential Services Commission. The Commission publishes the data in a yearly report and published data more often during the pandemic.

Collaboration

324. Finally, there was a consistent theme in the investigation's meetings that councils could learn from practices and experiences in other sectors.
325. As this report has noted before, the 2012 community legal centre report argued that '[i]n comparison to other sectors, such as the utility sector, local government is lagging far behind in terms of best practice financial hardship regulation and monitoring.' The investigation heard similar statements during this investigation. One community advocate said '[c]ouncils operate in a vacuum. They don't look at what everybody else is doing ... [They talk] with each other but they don't talk to anyone else'.
326. The 2013 MAV Guidelines encouraged councils to build relationships with financial counsellors. They said:
- Council should commit to maintaining close relationships with their region's accredited financial counsellors and meet with them on a regular basis. These meetings can provide a forum to discuss the implementation of council's hardship policy and other relevant issues.
327. Some councils do this already. Colac Otway Shire Council is part of a local Financial Inclusion Action Plan with local business and services. The investigation heard Whitehorse City Council and Mitchell Shire Council considered feedback from financial counsellors when developing their hardship policies. Councils such as Greater Bendigo City Council, Greater Dandenong City Council, Northern Grampians Shire Council and Wyndham City Council said they have referral arrangements or regular meetings with local financial counsellors.
328. One council officer told the investigation there were benefits in engaging with organisations and setting up referral schemes with other agencies. They said, in their experience, there had been positive outcomes for ratepayers who received assistance from these agencies.
329. Some community advocates suggested councils might also participate in groups such as the Thriving Communities Partnership. Its members include energy and water companies, banks, financial counsellors and other support organisations. Its website says it aims to 'create deeper awareness and connections across communities, organisations and government by building collaborative networks and platforms for collective learning and action' on issues of vulnerability and hardship.

Conclusions

330. This investigation looked at how councils can better deal with ratepayers in financial hardship.

331. This issue has been generating criticism of councils for many years. Two reports – the 2012 community legal centre report and the 2020 Rating System Review report – raised concerns about poor information and heavy-handed debt collection. The economic impact of the COVID-19 pandemic has made the issue more urgent.

332. The investigation found councils have already changed some of their practices. Many offered more generous hardship relief during the pandemic. Outside of those special schemes, they have been doing more to engage with ratepayers who fall into debt. The investigation found examples of good practice – councils publishing information in community languages, offering easier ways to pay rates, and working with local financial counsellors and other organisations.

333. But good practice is not consistent across all councils, and the sector as a whole is falling behind the private sector and government tax agencies. It should be a matter of concern that banks and utility companies sometimes do more to meet social obligations than local councils.

334. There are some common practices in councils that cannot be justified:

- **Failing to inform ratepayers about all of their options**

Council information too often focuses on the option of payment plans. This is a solution for many ratepayers, but not all. The Local Government Act 1989 includes deferrals and waivers as other options. Failing to inform ratepayers about those options, or providing unclear or out of date information, is inconsistent with councils' public transparency obligations.

- **Refusing to consider waivers and deferrals**

Too many councils have a blanket policy of refusing to consider rates waivers and deferrals, or only considering them in limited ways. Councils are willing to exercise discretions that benefit their revenue. They need to be just as willing to exercise discretions that benefit ratepayers. There are good grounds for arguing councils should waive rates rarely, but the Parliament has given people the right to apply and applications should be considered on their merits. Blanket refusals to even accept applications are inconsistent with the spirit of Local Government Act and the approach taken by the Australian Taxation Office and the State Revenue Office.

- **Charging penalty interest to people in hardship**

Penalty interest is meant to punish people who do the wrong thing, not to drive people in hardship further into debt. In some cases reviewed by the investigation, the interest charged by councils was staggering – hundreds and thousands of dollars of extra debt for people who have had rates deferred for hardship reasons or are trying to pay off their rates.

335. Councils' approach to debt recovery is more complex. All governments reserve the right to take enforcement action where people fail to pay their taxes. Councils are no different. However, they should act as model litigants and only take legal action as a last resort.

336. It is heartening to see councils already taking this approach, but the heavy reliance on debt collectors to engage with ratepayers carries risks. Contact from a debt collector can be stressful and frightening for anyone, let alone someone in hardship. This type of activity needs clear, enforceable hardship standards. It may also be time for some councils to check their own policies against ACCC and ASIC debt collection guidelines.

337. The investigation was particularly concerned by examples of legal action against people with vulnerabilities such as mental health problems, personal crisis or a history of family violence. In some of the cases reviewed by the investigation, councils appeared to lack an understanding that people in these situations may not have the capacity to engage with them at times. The power to take legal action in the Local Government Act 1989 is a discretion and, like the power to sell land, it needs to be exercised with sensitivity.

338. Nobody wins from heavy-handed approaches, least of all the public interest. The investigation often heard about the need to be fair to other ratepayers. However, councils have obligations under the Local Government Act to their whole community, not just those who can afford to pay. Good hardship relief schemes get the balance right. And as the investigation heard, driving people in hardship further into debt or out of their homes is short-sighted. It creates costs for other parts of government, costs that are also borne by taxpayers.

The way forward

339. During this investigation, the State Government made a welcome commitment to reform rates hardship relief. Its response to the 2020 Rating System Review accepted high-level recommendations for:

- regulation to ensure consistency in some areas and to ensure debt collection and legal action are a last resort
- a 'collaborative change management program'.

340. The evidence in this investigation supports this direction. It can be achieved in practice by:

- **strengthening laws and standards**
through changes to the Local Government Act and regulations. This report's recommendations tackle the most difficult issues identified in evidence through clear minimum standards for all councils; better public information; scope for councils to help people struggling with formal application processes; recognition of the role of payment plans; fairer use of interest; limits on heavy-handed debt recovery; and more transparency.
- **increasing skills and knowledge**
in councils through training and guidance materials, such as model policies and procedures
- **addressing the reliance on debt collectors**
through stronger contractual oversight
- **building links with other sectors**,
including the private sector. It is sometimes said councils and council rates are unique. This is true in many ways, but there are dangers in insularity. The sector should never again be left to fall so far behind good practice.

341. In all of these areas, the recommendations call for change to address one of the most pressing issues raised by community advocates - rates debts linked with economic abuse associated with family violence.
342. Such a program of reform brings challenges. Some smaller regional councils told the investigation they rely heavily on rates and operate under financial constraints.
343. There is a body within the State Government that has driven such change before in the form of the Essential Services Commission. The Commission brings existing hardship expertise and a record of reform from its work in the energy and water sectors. It is familiar with local government through its role under the State 'rate-capping' laws. It has good links with other organisations and sectors, something which is needed to ensure councils stay up to date with good practice.
344. This investigation recommends the Minister for Local Government and Local Government Victoria work with the Essential Services Commission and its minister, the Assistant Treasurer, to drive this much-needed change.
345. The Victorian Ombudsman recognises it also has a role to play as a complaints body for local councils. Pending changes to local government laws and regulations, this report sets out on page 90 this office's own view on what a good approach to financial hardship looks like.
346. This office welcomes advice from some councils that they will review their policies and procedures for ratepayers in hardship as a result of this report. The result promises to provide better outcomes for councils and ratepayers.

Opinion

347. On the basis of the evidence obtained in the investigation, the Ombudsman has formed the opinion that the following practices at some local councils are 'wrong' pursuant to section 23(1)(g) of the Ombudsman Act:

- failing to inform ratepayers of all the statutory options available to councils to address financial hardship
- adopting a blanket policy that council will not waive or defer rates, or will limit the circumstances in which they will do so, without considering the merits of ratepayers' applications
- charging penalty interest when ratepayers are meeting their obligations under payment arrangements, or have had rates deferred on the basis of financial hardship
- failing to ensure debt collector contractors are subject to clear and enforceable standards regarding ratepayers in financial hardship
- restricting options available to ratepayers in financial hardship once a matter has been referred to a debt collector contractor.

Recommendations

The Ombudsman makes the following recommendations pursuant to section 23(2) of the Ombudsman Act:

To the Minister for Local Government and the Assistant Treasurer

Recommendation 1 – Stronger laws and standards

Seek changes to relevant local government legislation and regulations to:

- a. ensure a clear, consistent definition of ‘financial hardship’
- b. empower the Essential Services Commission and the Minister for Local Government to issue standards (in the form of a code of practice or guidelines) for rates hardship relief, including where rates debts are associated with family violence
- c. require councils to have a rates hardship policy. The policy should include provisions related to economic abuse associated with family violence.
- d. require councils to include hardship relief information on their websites and rates notices
- e. give councils discretion to waive or defer rates and interest for individual ratepayers without an application
- f. recognise payment plans or arrangements as one of the statutory options for responding to ratepayers in financial hardship, along with waivers and deferrals
- g. provide for the Minister for Local Government and the Essential Services Commission to set a maximum interest rate that may be charged by councils where a ratepayer is complying with the conditions of a payment plan or arrangement or a deferral
- h. require councils to make reasonable efforts to contact a ratepayer before taking legal action to recover unpaid rates
- i. require councils to report data on rates hardship relief through the Local Government Performance Reporting Framework (or another appropriate reporting mechanism).

The Department of Jobs, Precincts and Region’s response:

The Department’s response to the recommendations in this report said:

The report’s recommendations will be considered in the context of the Victorian Government’s response to the Local Government Rating System Review final report. The government committed to ensuring that the rating system is set out in primary legislation and provides transparent and flexible ways for councils to treat ratepayers facing financial hardship fairly.

The Victorian Government has committed to designating local government rates as a form of taxation in statute. This benefits the nature of rates and the status of local governments as a distinct and essential tier of government as per the Victorian Constitution Act 1975. In considering ratepayer circumstances of financial hardship, alignment with the best practices of the State Revenue Office (SRO) and Australian Taxation Office (ATO) will be sought wherever possible.

To Local Government Victoria (in the Department of Jobs, Precincts and Regions)

Recommendation 2 – Building knowledge and skills

Work with the Essential Services Commission, councils and local government professional associations to develop training and guidance material (such as model hardship policies) on dealing with rates hardship applications and debt recovery, including in relation to the following matters:

- a. identifying indicators of financial hardship
- b. assessing financial hardship applications and determining the most appropriate relief options
- c. identifying indicators of family violence and responding to ratepayers who have disclosed family violence.

The Department's response:

Accepted.

The Department said:

[it] will work with councils and local government professional associations to develop training and guidance material, centred around future iterations of the Revenue and Rating Plan as required by the Local Government Act 2020 and work on developing model financial hardship policy requirements ... [T]his work will take its lead from the best practice approaches of the SRO and ATO and advice will be sought from these entities along with the Essential Services Commission. This work will also support improved collaboration by councils with financial counsellors and other groups as per Recommendation Four.

Recommendation 3 – Use of debt collectors

Work with councils, the Municipal Association of Victoria and Procurement Australasia to ensure that arrangements with debt collection agents:

- a. are subject to clear and enforceable standards
- b. require debt collection agents to comply with the ACCC and ASIC guidelines for debt collection
- c. require debt collection agents to be familiar with and comply with council rates hardship policies
- d. require debt collection agents to inform ratepayers of all statutory options available for hardship relief
- e. refer ratepayers who disclose financial hardship to the council for consideration.

The Department's response:

Accepted. The Department said:

Improvements to the use of debt collectors by councils will be included in the work to develop training and guidance material, centred around future iterations of the Revenue and Rating Plan as required by the Local Government Act 2020 and work on developing model financial hardship policy requirements.

Recommendation 4 – Building collaboration

Work with the Essential Services Commission, councils and local government professional associations to build regular and ongoing consultation with financial counsellors, community legal groups and other sectors and organisations that work with people in financial hardship.

The Department's response:

Accepted.

What does a good approach to financial hardship look like?

Information for ratepayers

- having a rates hardship policy that sets out hardship relief options, eligibility for those options and how to apply
- making the policy easily accessible online and in hard copy on request
- publishing a plain English explanation of the policy online and in hard copy on request
- providing the summary in accessible formats appropriate to the community eg community languages, audio or video versions or Easy English or Easy Read versions.
- having a communication strategy for reaching ratepayers in hardship eg prominent information on rates notices, use of local media and social media, offering information through local support services
- using customer-focused, effective language in communication
- ensuring council officers dealing with ratepayers are familiar with the rates hardship policy

Application processes

- making it clear when farmers, or other people who live at their place of business, are eligible for hardship relief
- making application processes proportionate to the relief sought by the ratepayer eg accepting verbal applications for payment plans or deferrals under three months
- seeking only relevant information from ratepayers and ensuring questions are not intrusive

- requiring supporting documents only where necessary, for example in cases of:
 - long-term hardship relief
 - relief for a significant rates debt
 - a waiver of rates or interest
 - situations where the council considers the ratepayer is not providing honest and accurate information
- offering referrals to financial counsellors, but being flexible if ratepayers do not want to see or apply through such a service
- consulting with local financial counsellors to ensure referral schemes operate effectively
- offering assistance to complete application forms in appropriate cases.

Early intervention

- taking proactive steps to identify ratepayers who may be in hardship regarding their rates, for example ratepayers who miss due dates, request payment plans or disclose hardship or other vulnerabilities
- informing ratepayers about alternative payment options, the hardship policy and available support services.

Payment options

- offering alternative payment options to help ratepayers budget and pay for rates eg Centrepay and monthly instalment options.

Hardship relief

- developing a hardship agreement appropriate to the ratepayers' individual financial circumstances
- considering all options for providing hardship relief:
 - a payment plan or arrangement based on the ratepayer's capacity to pay
 - a short term deferral
 - a long term or indefinite deferral, under which the debt accrues as a charge on the land and is recovered when the land is sold or transferred
 - a rate waiver under the Local Government Act
 - an interest waiver under the Local Government Act
 - referral to a financial counselling or other support organisation.
- considering whether it is appropriate to charge any interest while the ratepayer is complying with the hardship agreement or where the ratepayer is a pensioner or otherwise vulnerable
- charging interest at a rate not exceeding the market rate plus the costs of administering the arrangement, where the ratepayer is complying with the hardship agreement.
- reconsidering the hardship agreement if the ratepayers' circumstances change.

Debt recovery

- ensuring debt management policies and practices are consistent with the ACCC and ASIC's debt collection guidelines
- determining a risk-based debt recovery strategy appropriate to the size and age of the debt and the ratepayer's circumstances
- ensuring any debt collectors contracted by the council are subject to clear and enforceable requirements to:
 - be familiar with the council's rates hardship policy
 - inform the ratepayer of the council's rates hardship policy where there are reasonable grounds to believe the ratepayer is in financial hardship
 - offer information in accessible formats where there are reasonable grounds for believing the ratepayer has trouble speaking, reading or writing in English
 - inform the council where ratepayers disclose financial hardship
 - not contact ratepayers who are complying with their hardship agreement
- not taking legal action unless:
 - there have been reasonable efforts to contact the ratepayer about the debt, including checking council's address for the ratepayer is correct
 - the ratepayer has been informed of the council's hardship policy and how to apply

- o the cost of the legal action is proportionate to the size and age of the debt
- o the council can demonstrate consideration of any known financial hardship or vulnerability eg status as a pensioner, history of family violence, mental health concerns. Councils may opt not to take legal action against pensioners or other vulnerable groups as a matter of policy, or may require senior manager approval before taking any action.
- considering waiving legal costs where it becomes clear the ratepayer was in hardship at the time of legal action or where the legal costs are exacerbating the ratepayer's hardship.
- reporting publicly on hardship relief applications, hardship agreements and debt recovery actions, either in annual reports or through statutory performance reporting arrangements
- keeping proper records of council decisions.

Disputes and complaints

- advising ratepayers who are dissatisfied with the council's decision about internal complaint and review options
- advising ratepayers who are dissatisfied about external complaint options, including the Victorian Ombudsman.

Decision-making and reporting

- managing conflicts of interest within the council by deciding hardship relief applications outside rates or revenue collection teams
- ensuring staff who decide applications have relevant training or experience in identifying and responding to financial hardship
- ensuring provision for hardship relief is factored into the council's annual budget
- developing timeliness and quality targets for deciding hardship applications
- developing referral arrangements and regular consultation with local financial counselling and support organisations
- reporting regularly to senior council managers on hardship relief applications, hardship agreements and debt recovery actions

Appendix 1: Council summaries

Appendix 1: Council summaries

The following pages set out basic information about rates and hardship practices at each local council in Victoria.

Each page is a brief summary of council practices compiled in early 2021. Anyone planning to apply for hardship relief should check the council's website or contact the council for detailed, up to date information about what the council offers, whether they qualify and how to apply.

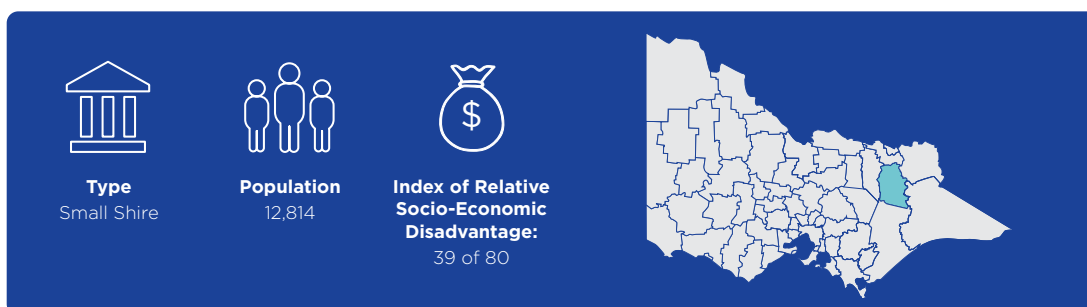
The following section explains where the information is from, what it means and any important limitations.

Population	This information is from the Australian Bureau of Statistics' 'Data by Region' webpage. It shows the estimated resident population for the council in 2019.
Index of Relative Socio-Economic Disadvantage	The Australian Bureau of Statistics ranks Victoria's council areas from 1 to 80 according to their level of socio-economic disadvantage. It considers factors such as income levels, unemployment, education levels, job types and access to a car or the internet. The data in this report shows the Bureau's 2016 rankings. The council ranked '1' is the most disadvantaged council area and the council ranked '80' is the least disadvantaged council area.
Council type	Local Government Victoria groups councils into five types as part of its Local Government Performance Reporting Framework – Metropolitan, Interface, Regional City, Large Shire and Small Shire.
Rateable properties (assessments)	This shows the number of properties (known as assessments) liable to pay council rates in 2019-20. The number is taken from councils' 2019-20 budget documents. The number of properties liable to pay rates changes over time as new properties are developed. The number in council budget documents generally shows the number of properties at the start of 2019-20.
Average rates	This shows the average amount of rates charged by the council in 2019-20. It comes from Local Government Victoria's Know Your Council website.
Budgeted income from rates	This shows how much of the council's income in 2019-20 came from rates. It comes from Local Government Victoria's Know Your Council website.
Extra payment options	This shows whether the council lets ratepayers pay their rates through Centrepay or through monthly, fortnightly or weekly instalments.
Hardship policy	This shows whether the council had a written hardship policy at the time this report was drafted.

Rates waivers, Deferrals and Payment Plans	<p>This shows whether the council will consider these options where a ratepayer in financial hardship. It shows the rules that apply to rates for primary residences. Many councils have different rules for investment properties, commercial and other properties. Some councils offer deferrals and waivers only in limited circumstances. Where there are limits, they are noted in brackets. This information is based on council's public information (policies and websites) as well information provided by councils during the investigation.</p>
Interest rate and Interest waiver	<p>This shows the rate of interest charged by the council on unpaid rates and whether the council is willing to consider waiving that interest. Where councils told us they charge no interest or a different rate of interest for deferred rates or payment plans, this is noted. These sections show the rules that apply to rates for primary residences only. The information is based on council's public information (policies and websites) as well information provided by councils during the investigation.</p>
Other	<p>Some councils also offer extra types of assistance for ratepayers in hardship. Where a council drew that to the investigation's attention, it is noted here.</p>
Debt collection agent	<p>This information shows whether the council uses a debt collection agent to help it recover unpaid rates. It is based on information provided by the council during the investigation.</p>
Number of court actions	<p>This shows the number of Magistrate Court actions brought by the council to recover unpaid rates. It was obtained from the Magistrates Court and is based on the number of actions classified in its systems as 'arrears of rates'. The data is for all ratepayers, not just homeowners. Some councils told the investigation their records are different to the Court's data. This may be because of the way the action is classified in the different systems. Where councils told us this, it is noted on the page.</p>
Number of land sales	<p>This shows the number of properties that were sold or transferred by the council under section 181 of the <i>Local Government Act 1989</i> because of unpaid rates. The data is for all ratepayers, not just homeowners. It is based on information provided by the State's land registry, Land Use Victoria.</p>
COVID rates help	<p>This section shows the special assistance offered by the council during the COVID-19 pandemic. Some councils had already stopped offering this assistance when this report was drafted. Anyone planning to apply for help should check the council website or contact the council to find out whether the assistance is still available, whether they qualify for help and how to apply.</p>

Alpine Shire Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	8,807 in 2019-20
Average rates:	\$1,684 in 2019-20
Budgeted income from rates:	59 per cent in 2019-20
Extra payment options:	No

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	Yes (in exceptional cases)
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes
Other:	Rates relief for ratepayers impacted by 2019-20 bushfires

Debt recovery – All properties

Debt collection agent:	Yes
Number of court actions:	10 in 2018-19 9 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Interest hold
Due date extension for 2019-20 rates
Interest-free payment plans
Extra waivers for commercial ratepayers

Ararat Rural City Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	7,164 in 2019-20
Average rates:	\$2,077 in 2019-20
Budgeted income from rates:	61 per cent in 2019-20
Extra payment options:	Centrepay Nine monthly or 18 fortnightly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes (in Rating and Revenue Strategy)
Rates waivers:	Yes
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes
Other:	Grace period of 30 days before any interest charged

Debt recovery – All properties

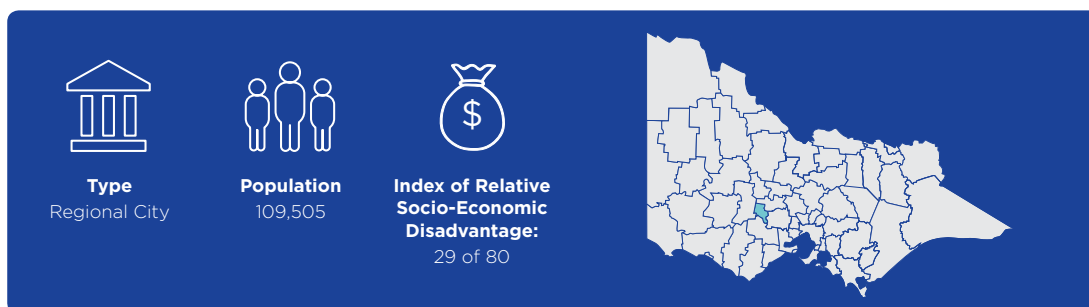
Debt collection agent:	No
Number of court actions:	0 in 2018-19 0 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Interest hold
Due date extension for 2019-20 rates
Interest-free payment plans and deferrals
Rate cut of one per cent in 2020-21

Ballarat City Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	53,728 in 2019-20
Average rates:	\$1,877 in 2019-20
Budgeted income from rates:	67 per cent in 2019-20
Extra payment options:	No

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	Yes
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes

Debt recovery – All properties

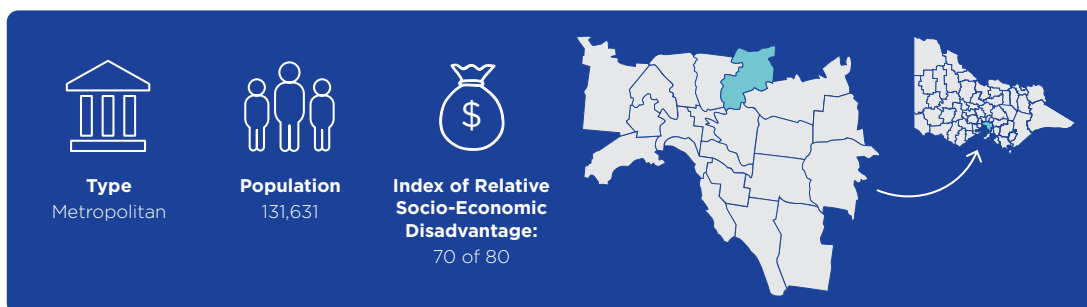
Debt collection agent:	Yes
Number of court actions:	139 in 2018-19 22 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Interest hold
Due date extension for 2019-20 rates
Interest-free deferrals and payment plans
No court action for unpaid rates
Zero per cent rate rise for 2020-2021

Banyule City Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	55,080 in 2019-2020
Average rates:	\$1,866 in 2019-20
Budgeted income from rates:	66 per cent in 2019-20
Extra payment options:	Centrepay Weekly, fortnightly or monthly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	No (under review)
Deferrals:	Yes (for long term cases of extreme financial hardship)
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes

Debt recovery – All properties

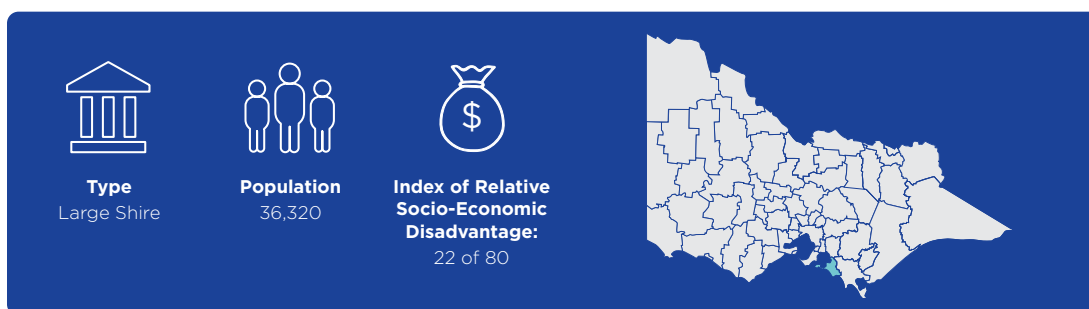
Debt collection agent:	No
Number of court actions:	0 in 2018-19 0 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Interest hold
Interest-free deferrals and payment plans
Extra rates waivers

Bass Coast Shire Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	31,526 in 2019-20
Average rates:	\$1,540 in 2019-20
Budgeted income from rates:	77 per cent in 2019-20
Extra payment options:	Arrangements to pay by other instalments*

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	No
Deferrals:	Yes (in extreme circumstances where making any payment would cause further distress)
Payment plans:	Yes
Interest rate:	50 per cent of penalty interest for deferred rates Penalty interest for other unpaid rates
Interest waiver:	Yes (if payment of interest would exacerbate the problem, capped at 50 per cent of penalty interest)

Debt recovery – All properties

Debt collection agent:	Yes
Number of court actions:	38 in 2018-19** 9 in 2019-20
Number of land sales:	2 in 2018-19 1 in 2019-20 (land was sold in 2018-19 but not transferred until 2019-20)

COVID rates help

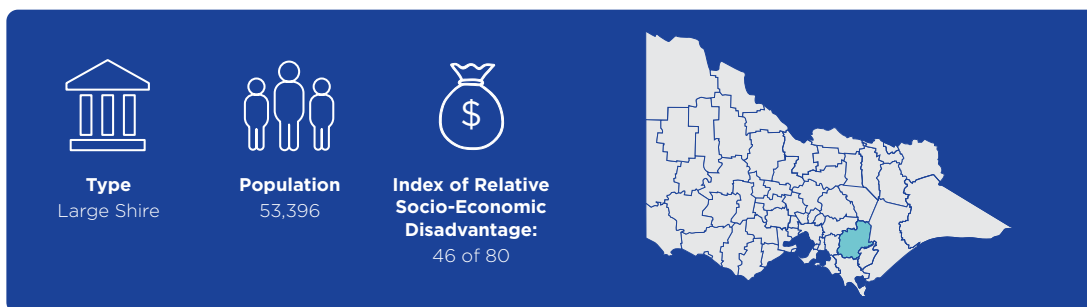
Interest-free deferrals and payment plans

* The Council's Financial Hardship Policy states that Council will '[c]onsider applications from ratepayers to deviate from the standard payment options by entering into an appropriate payment arrangement'.

** The Council's records differ slightly from the Magistrates Court's records for this year. The number shown is based on the Council's records.

Baw Baw Shire Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	26,414 in 2019-20
Average rates:	\$1,969 in 2019-20
Budgeted income from rates:	69 per cent in 2019-20
Extra payment options:	Centrepay Nine monthly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	No
Deferrals:	Yes (if payment plan not an option)
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes

Debt recovery – All properties

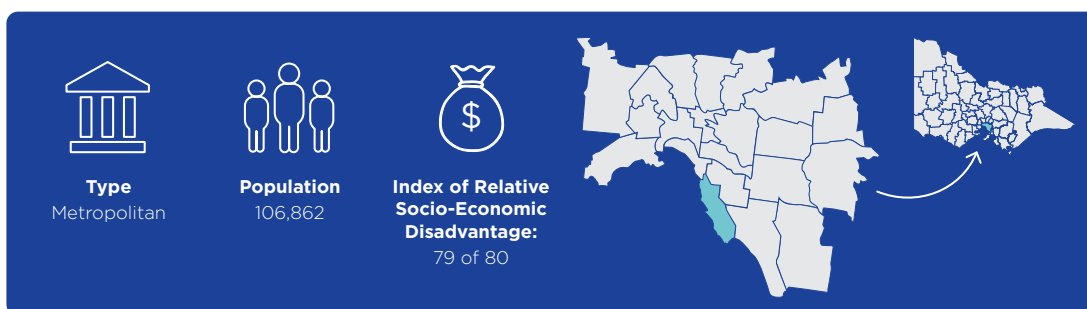
Debt collection agent:	Yes
Number of court actions:	89 in 2018-19 74 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Due date extension for fourth 2019-2020 rates instalment
Interest-free deferrals and payment plans

Bayside City Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	45,888 in 2019-20
Average rates:	\$1,796 in 2019-20
Budgeted income from rates:	74 per cent in 2019-20
Extra payment options:	Nine monthly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	No (Council uses Municipal Association of Victoria 2013 guidelines)
Rates waivers:	No
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes

Debt recovery – All properties

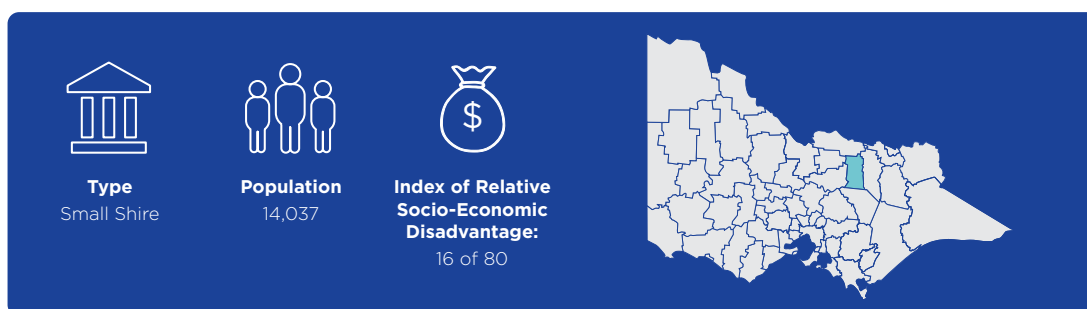
Debt collection agent:	Yes
Number of court actions:	24 in 2018-19 10 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Interest hold
Interest-free deferrals and payment plans

Benalla Rural City Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	8,024 in 2019-20
Average rates:	\$1,850 in 2019-20
Budgeted income from rates:	57 per cent in 2019-20
Extra payment options:	Weekly, fortnightly or monthly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	No
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes

Debt recovery – All properties

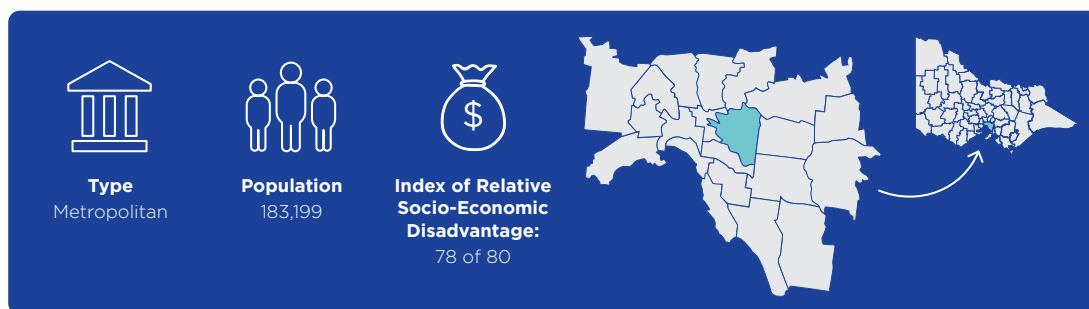
Debt collection agent:	Yes
Number of court actions:	4 in 2018-19 0 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Interest hold
Interest-free deferrals and payment plans
No legal action for unpaid rates

Boroondara City Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	77,686 in 2019-20
Average rates:	\$2,006 in 2019-20
Budgeted income from rates:	79 per cent in 2019-20
Extra payment options:	Ten monthly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	Generally not
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	2.32 per cent in 2019-20 for people who are eligible for State Government rates concession and have had a hardship application approved by Council Penalty interest for other ratepayers
Interest waiver:	Yes

Debt recovery – All properties

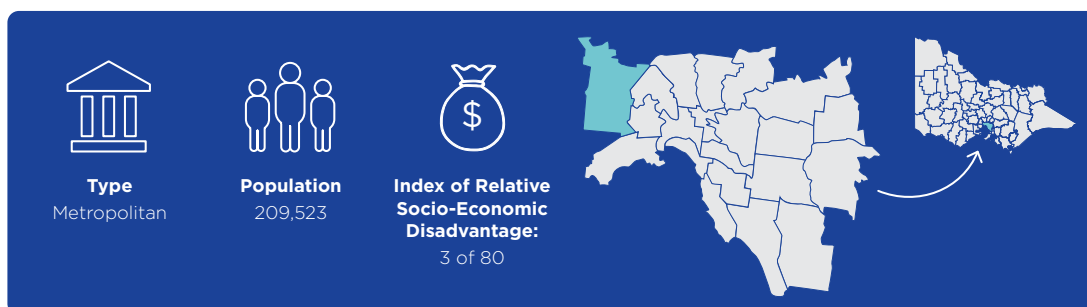
Debt collection agent:	Yes
Number of court actions:	92 in 2018-19 0 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Interest hold
No debt collection for unpaid rates

Brimbank City Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	78,389 in 2019-20
Average rates:	\$1,679 in 2019-20
Budgeted income from rates:	76 per cent in 2019-20
Extra payment options:	Weekly, fortnightly or monthly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	No
Deferrals:	No
Payment plans:	Yes
Interest rate:	No interest on payment plans for ratepayers in financial hardship (where ratepayer complies with arrangement) Penalty interest in other cases
Interest waiver:	Yes (capped at 12 months)

Debt recovery – All properties

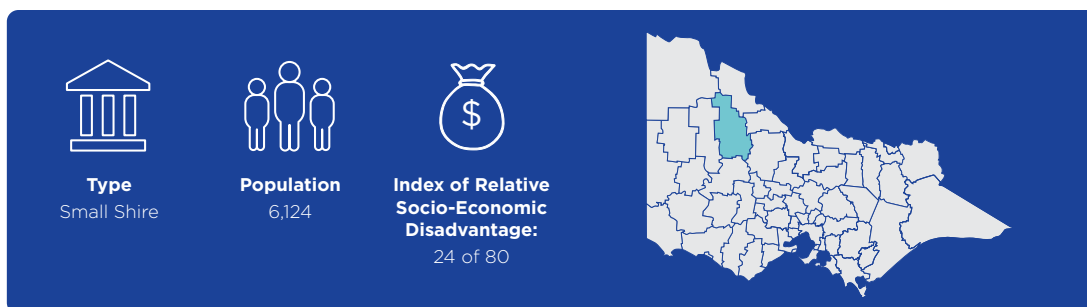
Debt collection agent:	Yes
Number of court actions:	628 in 2018-19 416 in 2019-20
Number of land sales:	1 in 2018-19 0 in 2019-20

COVID rates help

Interest hold
Interest-free deferrals and payment plans
No court action for unpaid rates
Zero per cent rate rise for 2020-2021

Buloke Shire Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	6,259 in 2019-20
Average rates:	\$1,939 in 2019-20
Budgeted income from rates:	50 per cent in 2019-20
Extra payment options:	Centrepay Nine monthly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	Yes
Deferrals:	Yes (capped at five per cent of Capital Improved Value)
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes

Debt recovery – All properties

Debt collection agent:	Yes
Number of court actions:	0 in 2018-19 0 in 2019-20*
Number of land sales:	1 in 2018-19 0 in 2019-20

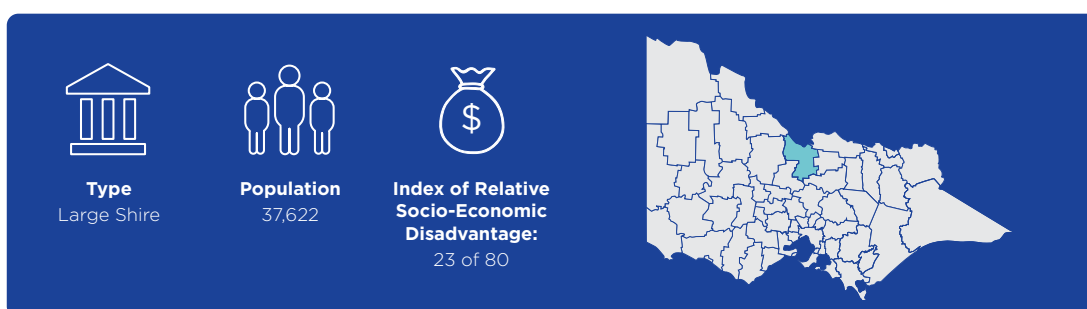
COVID rates help

Interest hold
Interest-free payment plans
No court action for unpaid rates

* The Council's records differ slightly from the Magistrates Court's records for this year. The number shown is based on the Council's records.

Campaspe Shire Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	20,791 in 2019-20
Average rates:	\$1,784 in 2019-20
Budgeted income from rates:	53 per cent in 2019-20
Extra payment options:	Weekly, fortnightly or monthly payments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	No
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes

Debt recovery – All properties

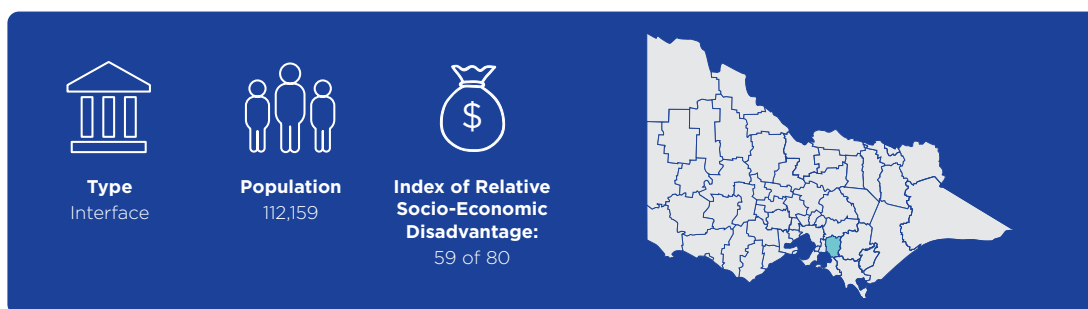
Debt collection agent:	Yes
Number of court actions:	82 in 2018-19 25 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Interest hold
Interest-free payment plans
No debt collection for unpaid rates

Cardinia Shire Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	45,423 in 2019-20
Average rates:	\$1,711 in 2019-20
Budgeted income from rates:	75 per cent in 2019-20
Extra payment options:	Centrepay Weekly, fortnightly or monthly instalments

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	Yes (extreme financial hardship only)
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	No interest charged on deferred or payment plan amounts (unless ratepayer defaults on arrangement)
Interest waiver:	Yes
Other:	Extra rebate for people receiving JobSeeker

Debt recovery – All properties

Debt collection agent:	Yes
Number of court actions:	234 in 2018-19 103 in 2019-20
Number of land sales:	0 in 2018-19 1 in 2019-20*

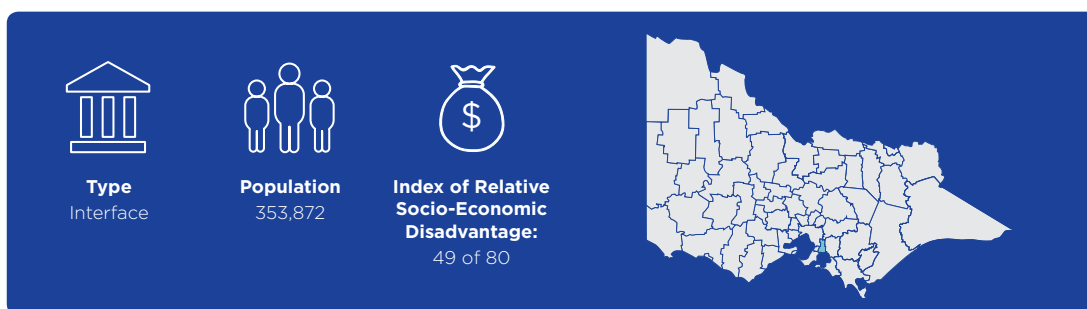
COVID rates help

Interest hold
Due date extension for 2019-2020 rates
Interest-free deferrals and payment plans
Extra rebate for people with Health Care Cards
No court action for unpaid rates

* The Council's records differ slightly from Land Use Victoria's records. The number shown on this page is based on the Council's records.

Casey City Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	124,503 in 2019-20
Average rates:	\$1,567 in 2019-20
Budgeted income from rates:	71 per cent in 2019-20
Extra payment options:	Nine monthly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	Yes (exceptional circumstances only and capped at \$500 unless Council resolves otherwise)
Deferrals:	Yes (capped at three years)
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes

Debt recovery – All properties

Debt collection agent:	Yes
Number of court actions:	670 in 2018-19*
	0 in 2019-20
Number of land sales:	0 in 2018-19
	0 in 2019-20

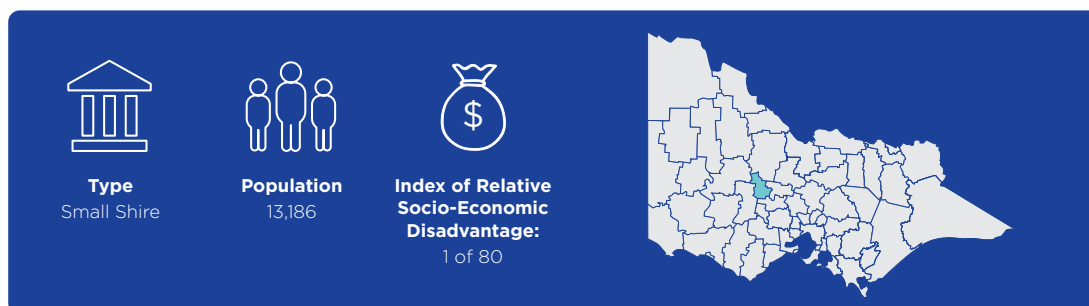
COVID rates help

Interest hold
Due date extension for 2019-2020 rates
Interest-free deferrals and payment plans

* The Council's records differed from the Magistrates Court's records for this year. The number shown is based on the Council's records.

Central Goldfields Shire Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	8,467 in 2019-20
Average rates:	\$1,419 in 2019-20
Budgeted income from rates:	55 per cent in 2019-20
Extra payment options:	Centrepay Weekly, fortnightly or monthly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	No
Deferrals:	Yes (capped at 10 per cent of Capital Improved Value)
Payment plans:	Yes
Interest rate:	No interest charged on deferred rates Penalty interest in other cases
Interest waiver:	Yes

Debt recovery – All properties

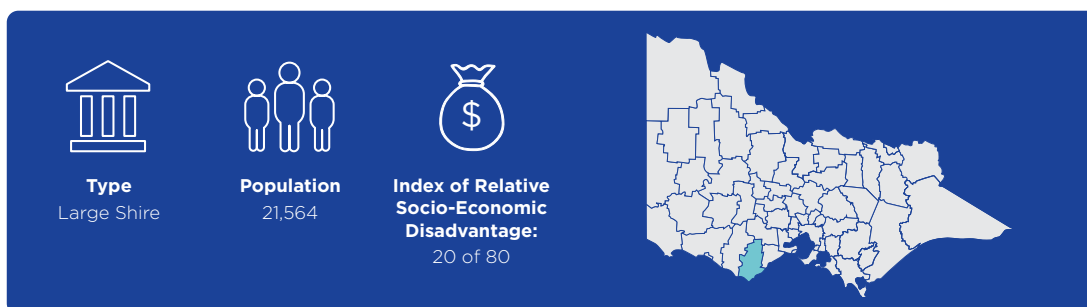
Debt collection agent:	Yes
Number of court actions:	41 in 2018-19 16 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Interest hold
Interest-free deferrals and payment plans
No court action for unpaid rates

Colac Otway Shire Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	15,395 in 2019-20
Average rates:	\$1,811 in 2019-20
Budgeted income from rates:	58 per cent in 2019-20
Extra payment options:	Weekly, fortnightly or monthly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	Yes (only for natural disaster or emergency events, capped at 50 per cent of rates unless Council resolves otherwise)
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes

Debt recovery – All properties

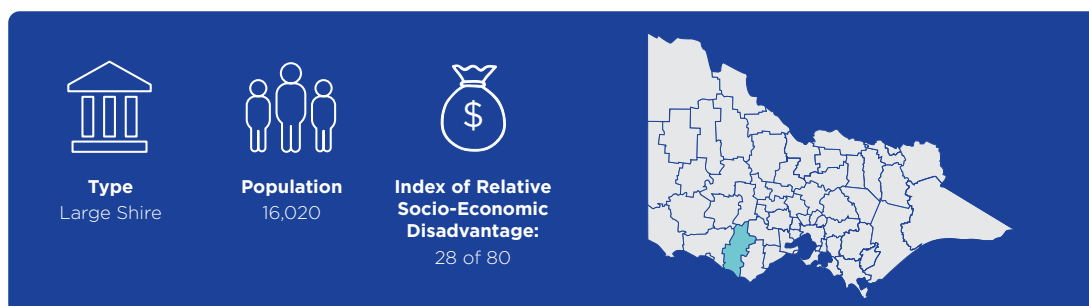
Debt collection agent:	Yes
Number of court actions:	1 in 2018-19 0 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Interest hold
No debt collection for unpaid rates
1.5 per cent rate rise in 2020-21 (which is below the two per cent rate cap)

Corangamite Shire Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	9,626 in 2019-20
Average rates:	\$2,063 in 2019-20
Budgeted income from rates:	49 per cent in 2019-20
Extra payment options:	Centrepay Weekly, fortnightly or monthly instalments*

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	No
Deferrals:	Yes (capped at 12 months)
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes

Debt recovery – All properties

Debt collection agent:	Yes
Number of court actions:	18 in 2018-19 10 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

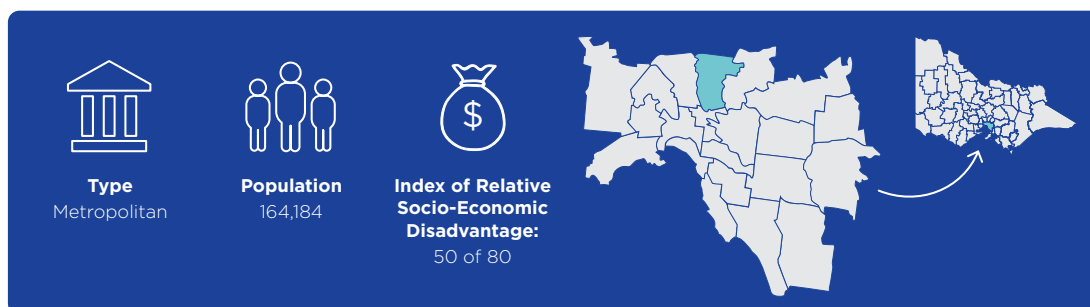
COVID rates help

Due date extension for 2019-20 rates
Interest-free payment plans and deferrals
No court action for unpaid rates
Zero per cent rate rise for 2020-21

* At the time this report was drafted, this option was not described on the Council's website or rates notices, but Council advised the investigation it is available to ratepayers.

Darebin City Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	71,417 in 2019-20
Average rates:	\$1,756 in 2019-20
Budgeted income from rates:	74 per cent in 2019-20
Extra payment options:	Ten monthly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	No
Deferrals:	Yes (capped at 50 per cent of Capital Improved Value)
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes
Other :	Extra rebate for people eligible for State Government rates concession

Debt recovery – All properties

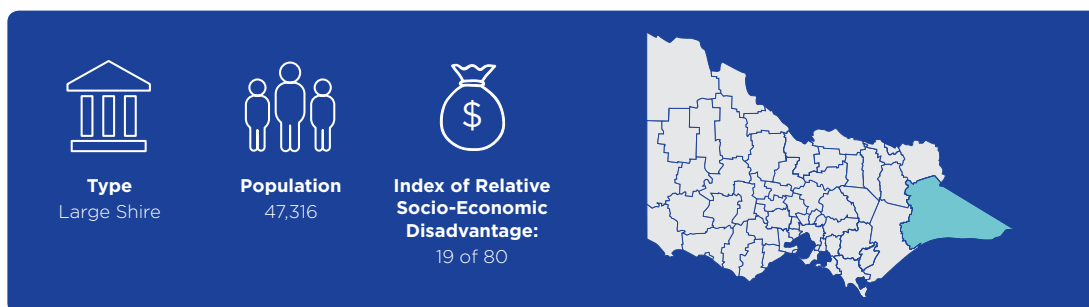
Debt collection agent:	Yes
Number of court actions:	0 in 2018-19 0 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Interest hold
Interest-free payment plans and deferrals
No court action for unpaid rates

East Gippsland Shire Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	31,728 in 2019-20
Average rates:	\$1,599 in 2019-20
Budgeted income from rates:	50 per cent in 2019-20
Extra payment options:	Centrepay Nine monthly instalments by direct debit or an 'arrangement to pay' by other instalments

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	Yes
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	Varying arrangements for deferred rates* Penalty interest for payment plans
Interest waiver:	Yes
Other:	Extra rebate for people eligible for State Government concession Rates relief for ratepayers impacted by 2019-20 bushfires

Debt recovery – All properties

Debt collection agent:	Yes
Number of court actions:	24 in 2018-19 80 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

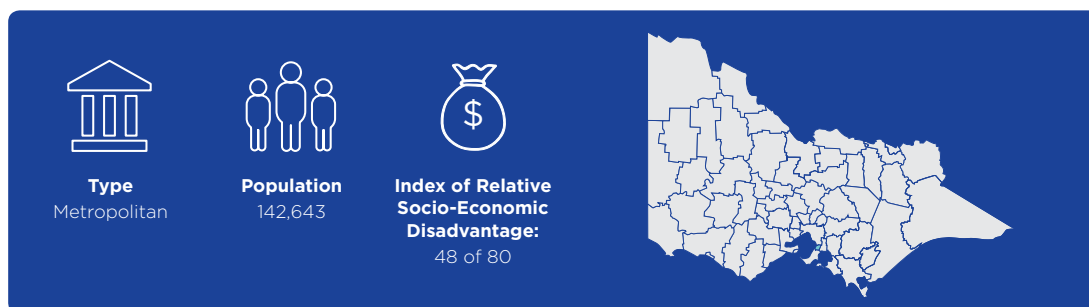
COVID rates help

Interest hold
No court action for unpaid rates
Zero per cent rate rise for 2020-21

* At the time this report was drafted, the Council's Financial Hardship Policy said interest would be charged 'at a reduced rate, which will reflect the official 180-day bank bill rate applicable at the end of the previous month'. The Council told the investigation it charges penalty interest on deferred rates. It said it will be updating the Policy to note that interest 'may' be charged. It noted there have been cases where it charged no interest at all on deferred rates.

Frankston City Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	62,727 in 2019-20
Average rates:	\$1,589 in 2019-20
Budgeted income from rates:	69 per cent in 2019-20
Extra payment options:	Centrepay Nine monthly instalments by direct debit or an 'arrangement to pay' by weekly, fortnightly or monthly payments

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	No
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	50 per cent of penalty interest rate for deferred rates No interest charged for payment plans if financial counsellor states ratepayer is in financial hardship (capped at 24 months)
Interest waiver:	Yes

Debt recovery – All properties

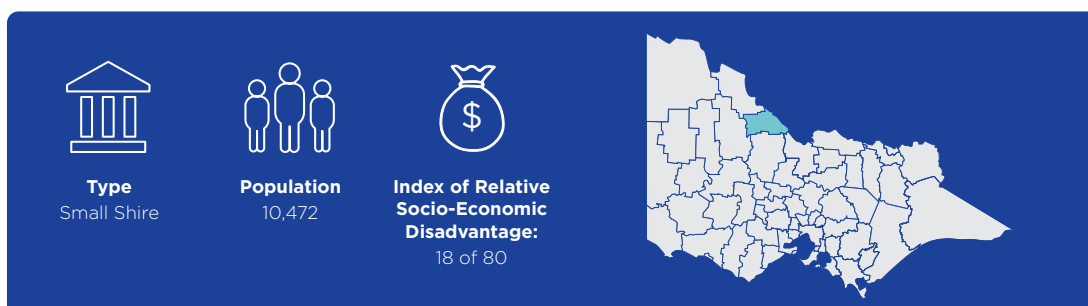
Debt collection agent:	Yes
Number of court actions:	412 in 2018-19 490 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Interest waived
No court action for unpaid rates
Extra rebate for people on JobSeeker
Extra rebate for people meeting hardship criteria

Gannawarra Shire Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	6,760 in 2019-20
Average rates:	\$1,611 in 2019-20
Budgeted income from rates:	45 per cent in 2019-20
Extra payment options:	Centrepay

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	Yes
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes

Debt recovery – All properties

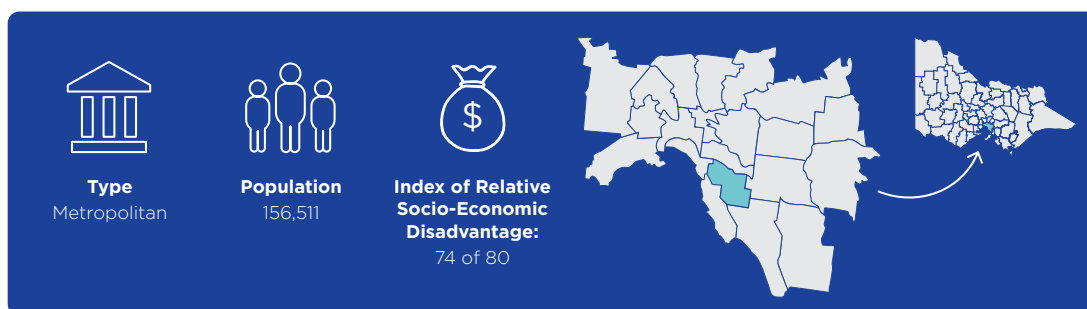
Debt collection agent:	Yes
Number of court actions:	4 in 2018-19 0 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Interest hold
Interest-free payment plans
No court action for unpaid rates

Glen Eira City Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	67,107 in 2019-20
Average rates:	\$1,404 in 2019-20
Budgeted income from rates:	63 per cent in 2019-20
Extra payment options:	Ten monthly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	No
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes (extreme circumstances only)

Debt recovery – All properties

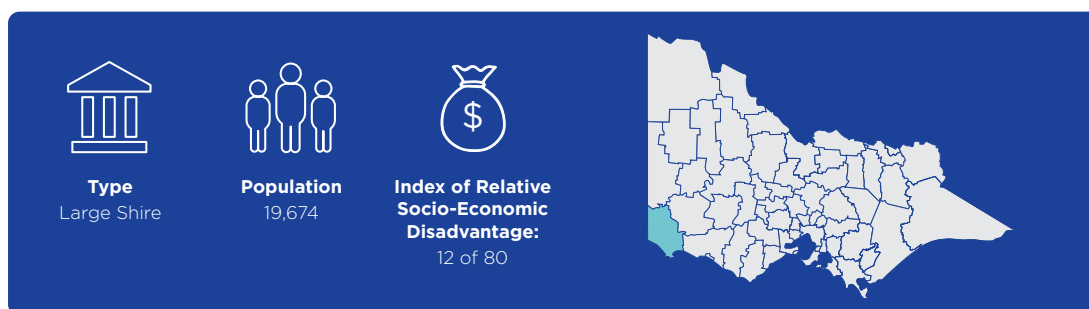
Debt collection agent:	Yes
Number of court actions:	26 in 2018-19 0 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Interest hold
Interest-free deferrals and payment plans
No court action for unpaid rates

Glenelg Shire Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	13,832 in 2019-20
Average rates:	\$1,399 in 2019-20
Budgeted income from rates:	45 per cent in 2019-20
Extra payment options:	No

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	No
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes

Debt recovery – All properties

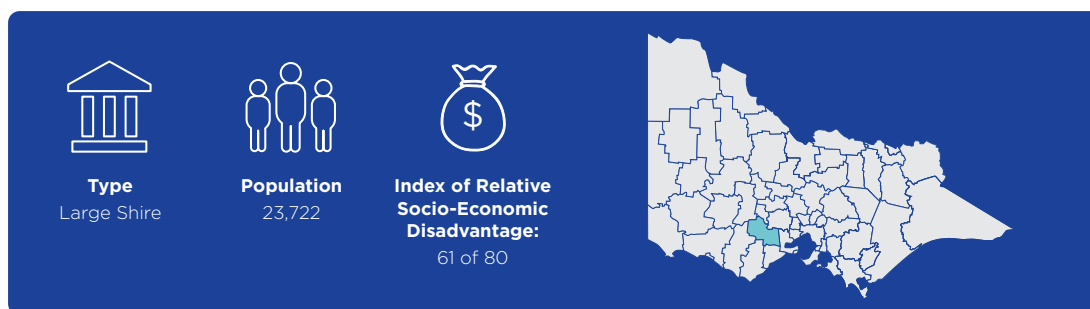
Debt collection agent:	Yes
Number of court actions:	35 in 2018-19 40 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Due date extension for 2019-20 rates
Interest-free deferrals and payment plans
No referrals to debt collection agent for unpaid rates
Zero per cent rate rise for 2020-21

Golden Plains Shire Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	11,076 in 2019-20
Average rates:	\$1,839 in 2019-20
Budgeted income from rates:	58 per cent in 2019-20
Extra payment options:	Ten monthly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	No
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	Penalty rate or other rate determined by Council
Interest waiver:	Yes

Debt recovery – All properties

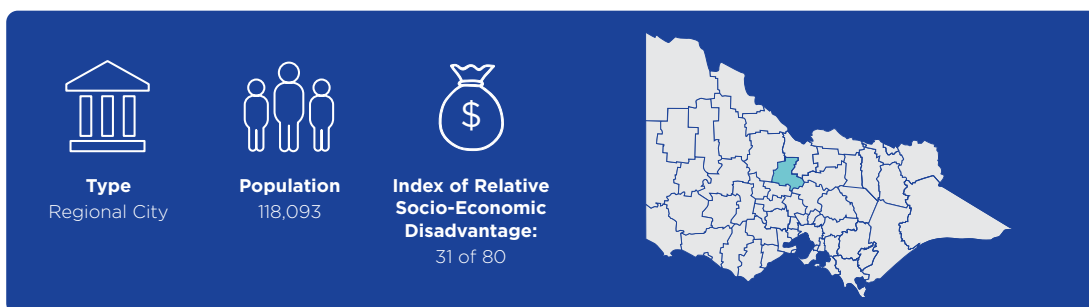
Debt collection agent:	Yes
Number of court actions:	15 in 2018-19 0 in 2019-20
Number of land sales:	3 in 2018-19 0 in 2019-20

COVID rates help

Interest hold
Interest-free deferrals and payment plans
No court action for unpaid rates
Extra rates waiver for people receiving JobSeeker, businesses receiving JobKeeper and people who can demonstrate 30 per cent or more income reduction

Greater Bendigo City Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	58,689 in 2019-20
Average rates:	\$1,710 in 2019-20
Budgeted income from rates:	66 per cent in 2019-20
Extra payment options:	Centrepay Weekly, fortnightly or monthly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	No
Deferrals:	Yes (only if ratepayer enters a payment plan, capped at 12 months and 50 per cent of Capital Improved Value)
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes

Debt recovery – All properties

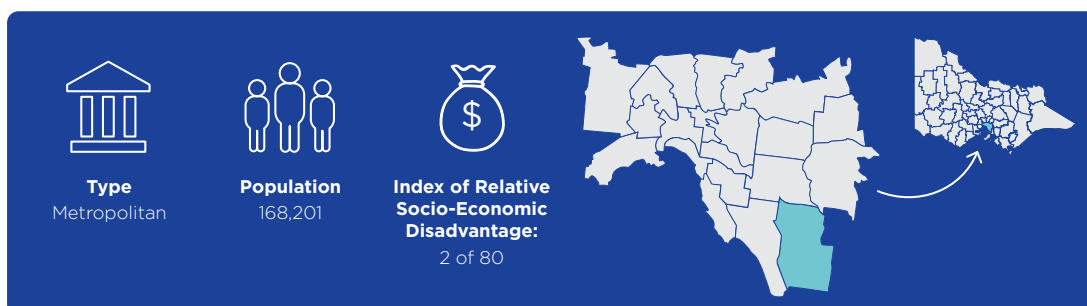
Debt collection agent:	Yes
Number of court actions:	127 in 2018-19 27 in 2019-20
Number of land sales:	1 in 2018-19 0 in 2019-20

COVID rates help

Interest hold
Due date extension for 2019-2020 rates
Interest-free deferrals and payment plans
No court action for some unpaid rates

Greater Dandenong City Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	65,942 in 2019-20
Average rates:	\$1,839 in 2019-20
Budgeted income from rates:	72 per cent in 2019-20
Extra payment options:	Nine monthly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	Yes (in extreme circumstances only and capped at \$500 unless Council resolves otherwise)
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	Market interest for deferred rates Penalty interest for other unpaid rates
Interest waiver:	Yes

Debt recovery – All properties

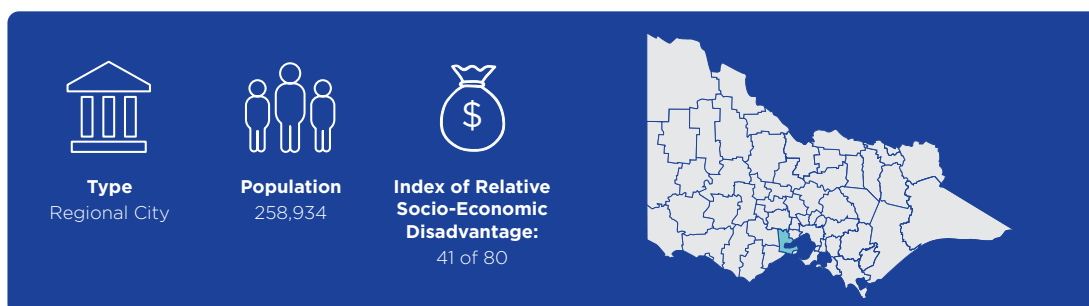
Debt collection agent:	Yes
Number of court actions:	0 in 2018-19 319 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Interest hold
Interest-free deferrals and payment plans
No court action for unpaid rates
Extra rebate for people receiving JobSeeker or State Government rates concession (for rates on principal place of residence)

Greater Geelong City Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	125,928 in 2019-20
Average rates:	\$1,603 in 2019-20
Budgeted income from rates:	62 per cent in 2019-20
Extra payment options:	Centrepay Nine monthly or 20 fortnightly instalments by direct debit or individual instalment arrangements*

Hardship relief – Primary residences

Hardship policy:	Yes (spread across policies including Rating Strategy)
Rates waivers:	Yes**
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	For deferred rates, interest rate set by Council Rating Strategy (3.8 per cent in 2020-21) For payment plans, no interest where ratepayer complies with plan Penalty interest in other cases
Interest waiver:	Yes***

Debt recovery – All properties

Debt collection agent:	Yes
Number of court actions:	272 in 2018-19 127 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Interest hold
Interest-free deferrals and payment plans
Extra rates waivers for businesses required to fully close and in 'exceptional circumstances'
No debt recovery for unpaid rates

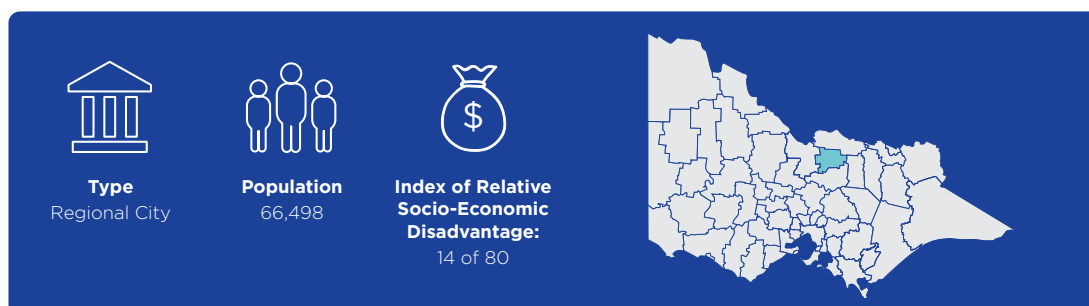
* The Council advertises monthly and fortnightly direct debit instalments on its website. It told the investigation it can also create one-off arrangements to suit ratepayer's circumstances.

**At the time this report was drafted, the Council's Rating Strategy provided for three specific waiver schemes. They included a 'Rates Assistance Waiver' for low income homeowners whose property valuation has increased significantly because of changes in the property market.

***The Council's Rating Strategy and website do not discuss interest waivers, but the Council advised that they are available.

Greater Shepparton City Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	31,280 in 2019-20
Average rates:	\$2,219 in 2019-20*
Budgeted income from rates:	61 per cent in 2019-20
Extra payment options:	Centrepay Ten monthly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	No
Deferrals:	Yes (only for people eligible for State Government rates concession and capped at 10 per cent of Capital Improved Value)
Payment plans:	Yes
Interest rate:	Penalty interest No interest charged for payment plans (unless ratepayer defaults on agreement)
Interest waiver:	Yes

Debt recovery – All properties

Debt collection agent:	Yes
Number of court actions:	128 in 2018-19 78 in 2019-20
Number of land sales:	1 in 2018-19 0 in 2019-20

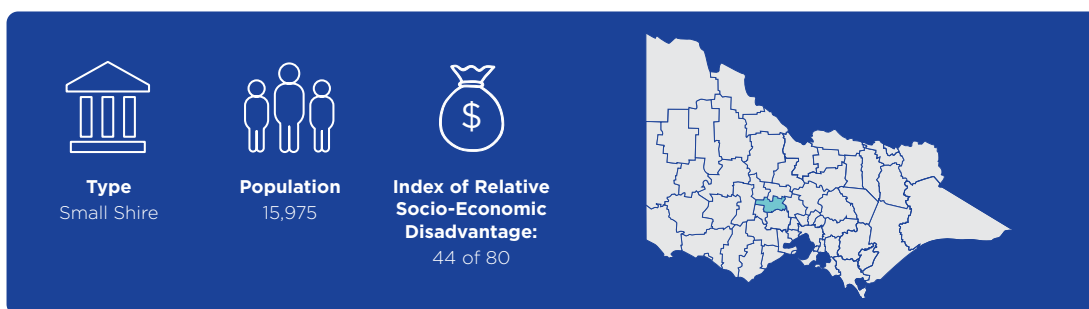
COVID rates help

Interest hold
Interest-free payment plans

* When this report was drafted, Local Government Victoria's Know Your Council website listed the Council's average rates as \$2,542. The Council told the investigation that figure is incorrect because it includes some additional charges. It said its average rates were in fact \$2,219.

Hepburn Shire Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	11,268 in 2019-20
Average rates:	\$1,566 in 2019-20*
Budgeted income from rates:	65 per cent in 2019-20
Extra payment options:	Ten monthly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	No
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes

Debt recovery – All properties

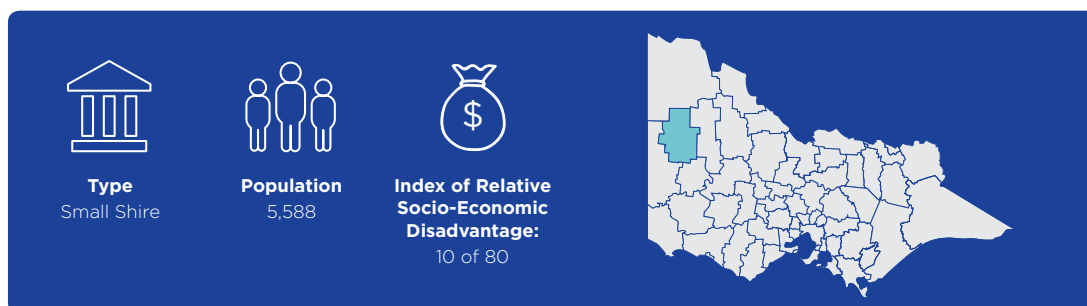
Debt collection agent:	Yes
Number of court actions:	61 in 2018-19 6 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Interest hold
Due date extensions for 2019-20 and 2020-21 rates
Interest-free deferrals

Hindmarsh Shire Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	5,124 in 2019-20
Average rates:	\$1,508 in 2019-20
Budgeted income from rates:	37 per cent in 2019-20
Extra payment options:	Centrepay Weekly, fortnightly or monthly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	Yes
Deferrals:	No
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes

Debt recovery – All properties

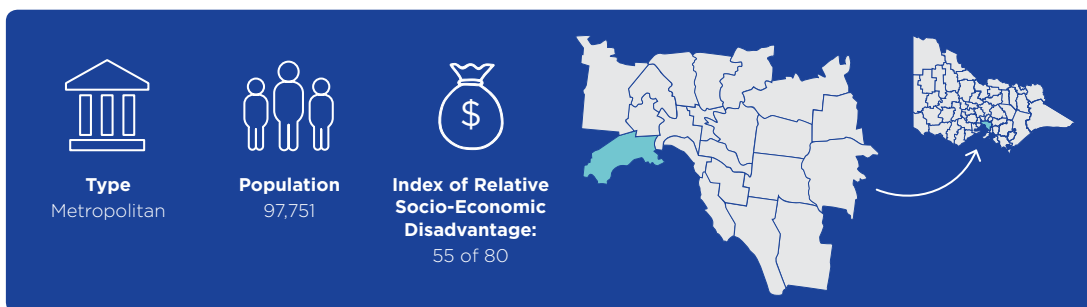
Debt collection agent:	Yes
Number of court actions:	8 in 2018-19 2 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

No extra rates measures announced

Hobsons Bay City Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	42,295 in 2019-20
Average rates:	\$2,372 in 2019-20*
Budgeted income from rates:	79 per cent in 2019-20
Extra payment options:	Weekly, fortnightly or monthly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	Yes (in exceptional circumstances only, capped at the lesser of \$10,000 or 12 months' rates value)
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	No interest for deferred rates Penalty interest for payment plans
Interest waiver:	Yes
Other:	Extra Council rebate for people eligible for State Government rates concession

Debt recovery – All properties

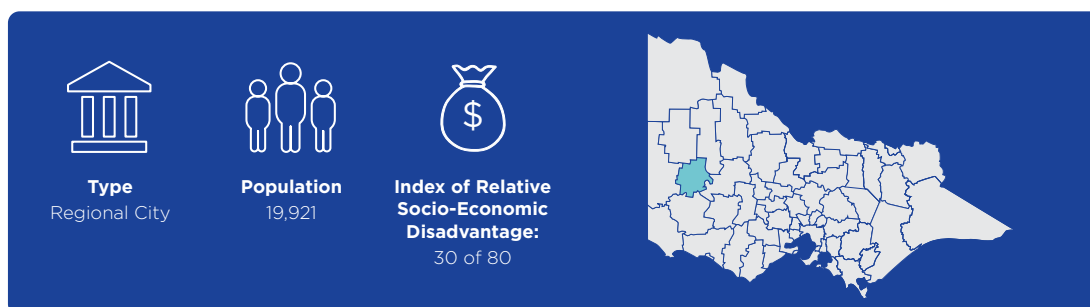
Debt collection agent:	Yes
Number of court actions:	0 in 2018-19 38 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Interest hold
Interest-free deferrals and payment plans
Due date extensions for 2019-20 and 2020-21 rates
One-off 'rate adjustments' (rebates)
No court action for unpaid rates

Horsham Rural City Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	12,454 in 2019-20
Average rates:	\$2,015 in 2019-20*
Budgeted income from rates:	56 per cent in 2019-20
Extra payment options:	Centrepay

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	Yes
Deferrals:	Yes (capped at 50 per cent of Capital Improved Value)
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes

Debt recovery – All properties

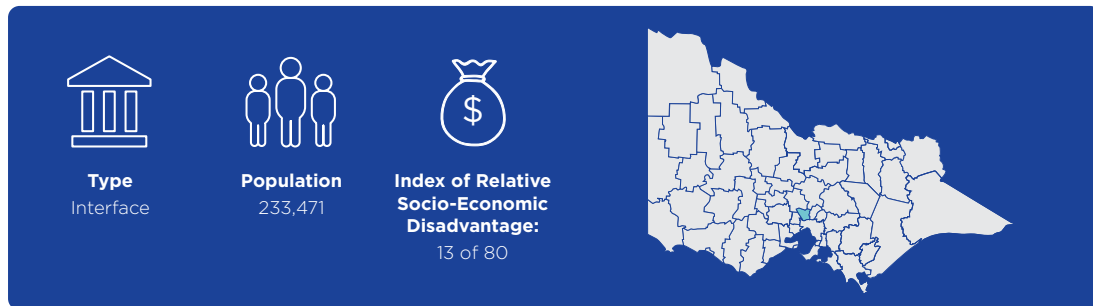
Debt collection agent:	Yes
Number of court actions:	4 in 2018-19 8 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Interest waivers
Interest-free deferrals and payment plans
No legal action for unpaid rates

Hume City Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	88,234 in 2019-20
Average rates:	\$1,981 in 2019-20
Budgeted income from rates:	63 per cent in 2019-20
Extra payment options:	Centrepay Weekly, fortnightly or monthly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	No
Rates waivers:	No
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes (capped at one third of interest)

Debt recovery – All properties

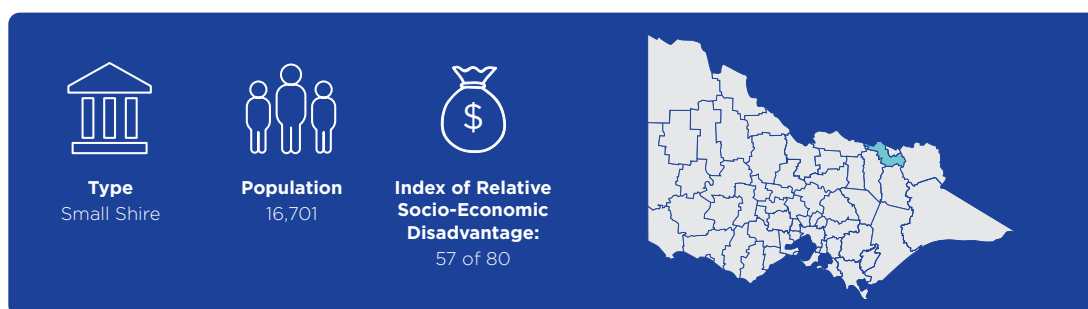
Debt collection agent:	Yes
Number of court actions:	0 in 2018-19 1 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Interest-free deferrals and payment plans
Extra rebate for residential ratepayers

Indigo Shire Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	8,859 in 2019-20
Average rates:	\$1,554 in 2019-20
Budgeted income from rates:	58 per cent in 2019-20
Extra payment options:	Monthly or fortnightly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	Yes (capped at \$1,000 if granted)
Deferrals:	Yes (for people eligible for State Government rates concession, self-funded retirees and extreme and long term cases of hardship; capped at 50 per cent of Capital Improved Value or 30 per cent of equity in property)
Payment plans:	Yes
Interest rate:	50 per cent of penalty interest for deferred rates Penalty interest for payment plans
Interest waiver:	Yes

Debt recovery – All properties

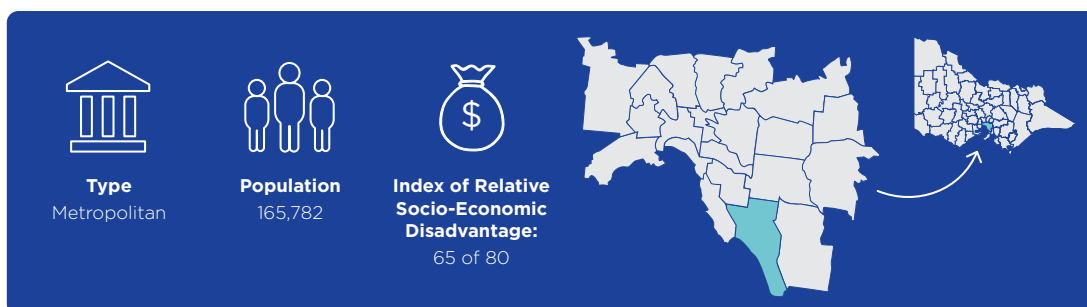
Debt collection agent:	Yes
Number of court actions:	2 in 2018-19 0 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Interest hold
Due date extension for 2019-20 rates
Interest-free payment plans
No court action for unpaid rates

Kingston City Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	75,043 in 2019-20
Average rates:	\$1,741 in 2019-20
Budgeted income from rates:	65 per cent in 2019-20
Extra payment options:	Ten monthly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	Yes (in exceptional circumstances)
Deferrals:	Yes (for people with a Pensioner Concession Card or a Veterans Affairs Gold Card)
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes (capped at one interest waiver every five years)*

Debt recovery – All properties

Debt collection agent:	Yes
Number of court actions:	334 in 2018-19 201 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

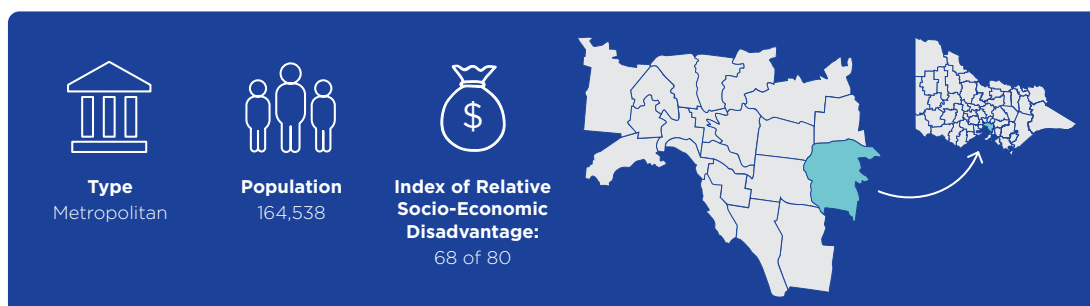
COVID rates help

Interest hold
Due date extension for 2019-20 rates
Interest-free deferrals and payment plans
Extra rebate for people receiving JobSeeker and businesses receiving JobKeeper

* In response to a draft of this report, the Council advised there are exceptions to this policy.

Knox City Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	67,562 in 2019-20
Average rates:	\$1,524 in 2019-20*
Budgeted income from rates:	69 per cent in 2019-20
Extra payment options:	Nine monthly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	Generally not
Deferrals:	Yes (for eligible pensioners and people receiving unemployment benefits, capped at 10 per cent of Capital Improved Value)
Payment plans:	Yes
Interest rate:	Market interest plus two per cent for deferred rates Penalty interest for payment plans
Interest waiver:	Yes

Debt recovery – All properties

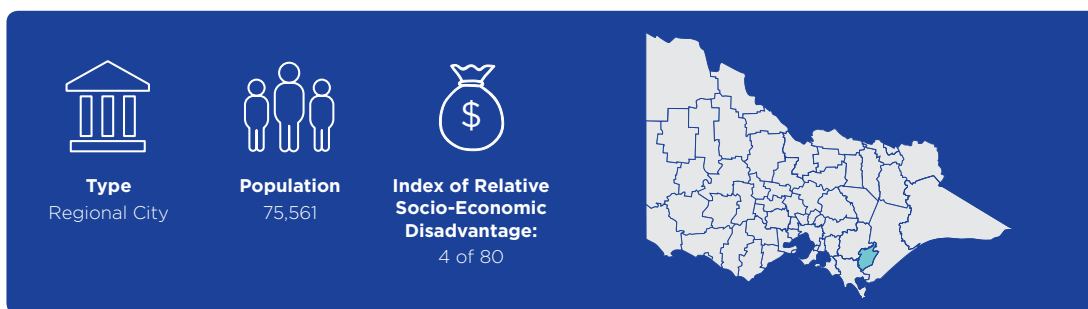
Debt collection agent:	Yes
Number of court actions:	0 in 2018-19 0 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Interest hold
Interest-free deferrals and payment plans
No court action for unpaid rates

Latrobe City Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	38,752 in 2019-20
Average rates:	\$1,542 in 2019-20*
Budgeted income from rates:	60 per cent in 2019-20
Extra payment options:	Centrepay Weekly, fortnightly or monthly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	No
Deferrals:	Yes*
Payment plans:	Yes
Interest rate:	Penalty interest**
Interest waiver:	Yes

Debt recovery – All properties

Debt collection agent:	Yes
Number of court actions:	145 in 2018-19 62 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

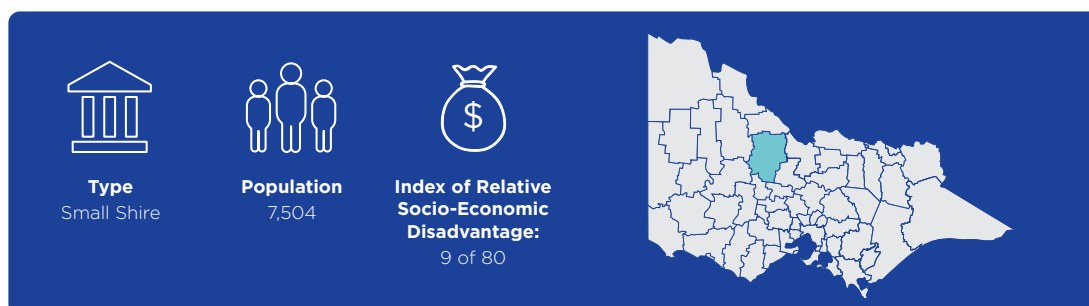
Interest-free deferrals and payment plans
No court action for unpaid rates
Zero per cent rate rise for 2020-21

* At the time this report was drafted, the Council's Financial Hardship policy stated 'A deferral is only permitted for one year up to a maximum of three years, with a new application being required to be submitted and assessed each year'. However, the Council advised that it considers deferrals on a case by case basis and can be flexible depending on the circumstances.

** At the time this report was drafted, the Council's Financial Hardship policy stated 'If the payment arrangement is complete within the same financial year in respect of which the rates are levied, no interest will be charged'. The Council clarified that it may waive interest in some circumstances.

Loddon Shire Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	7,814 in 2019-20
Average rates:	\$1,277 in 2019-20*
Budgeted income from rates:	39 per cent in 2019-20
Extra payment options:	Centrepay Weekly, fortnightly or monthly instalments by direct debit Rates Payment Card (pay in instalments at Post Office)

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	Yes
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes

Debt recovery – All properties

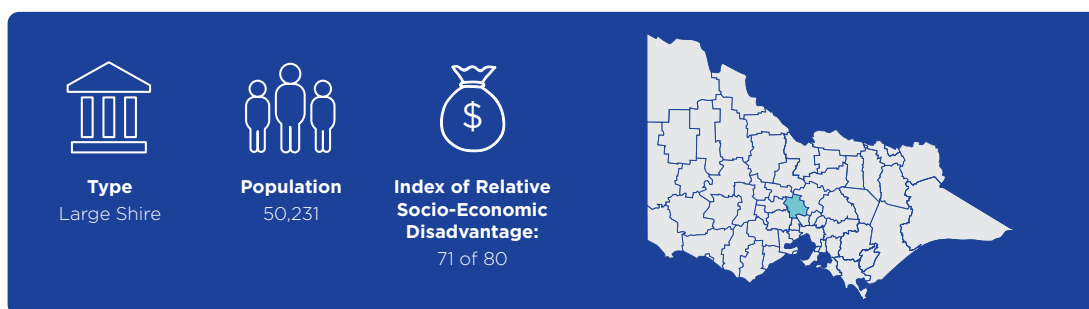
Debt collection agent:	Yes
Number of court actions:	16 in 2018-19 7 in 2019-20
Number of land sales:	3 in 2018-19 0 in 2019-20

COVID rates help

Interest hold
No court action for unpaid rates

Macedon Ranges Shire Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	22,895 in 2019-20
Average rates:	\$1,843 in 2019-20
Budgeted income from rates:	62 per cent in 2019-20
Extra payment options:	Centrepay Weekly, fortnightly or monthly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	Yes (capped at two years)
Deferrals:	Yes (capped at two years)
Payment plans:	Yes
Interest rate:	Usually penalty interest but depends on recommendation from ratepayer's financial counsellor
Interest waiver:	Yes (capped at two years)

Debt recovery – All properties

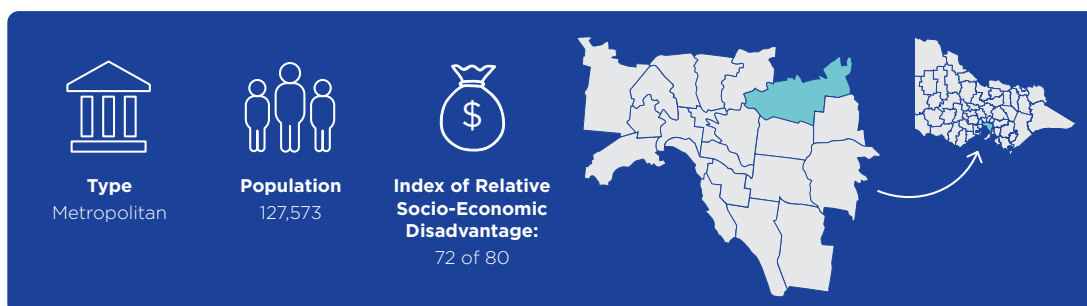
Debt collection agent:	Yes
Number of court actions:	162 in 2018-19 187 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Interest hold
No court action for unpaid rates

Manningham City Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	50,347 in 2019-20
Average rates:	\$1,788 in 2019-20
Budgeted income from rates:	79 per cent in 2019-20
Extra payment options:	Ten monthly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	Yes (only if Capital Improved Value rises by more than 30 per cent in one year, capped at 50 per cent of rates increase)
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	No interest charged on payment plans where Council accepts there is financial hardship Penalty interest in other cases
Interest waiver:	Yes
Other:	Partial rebate for people with Low Income Health Care Cards

Debt recovery – All properties

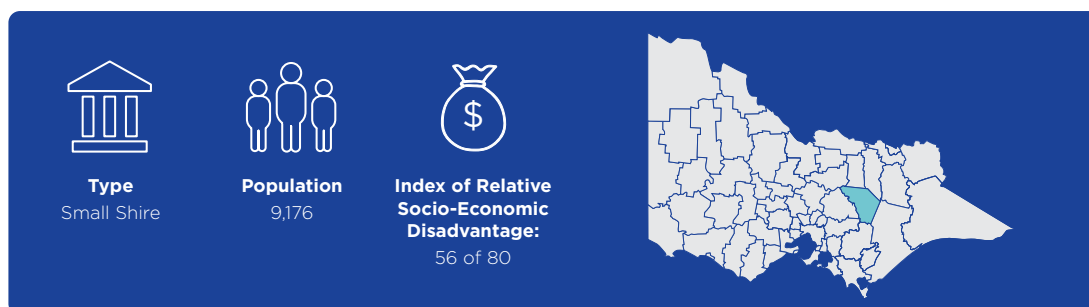
Debt collection agent:	Yes
Number of court actions:	0 in 2018-19 0 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Due date extension for 2019-20 rates
Interest-free deferrals and payment plans

Mansfield Shire Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	7,786 in 2019-20
Average rates:	\$1,537 in 2019-20
Budgeted income from rates:	65 per cent in 2019-20
Extra payment options:	Centrepay Weekly, fortnightly or monthly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	Yes (exceptional circumstances)
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes

Debt recovery – All properties

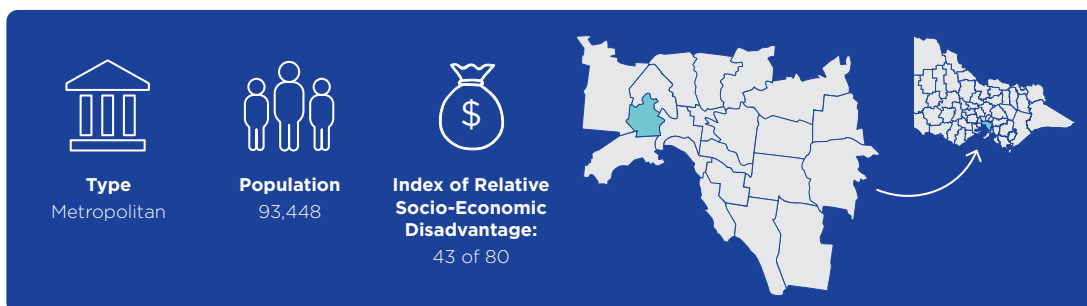
Debt collection agent:	Yes
Number of court actions:	12 in 2018-19 15 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Interest hold
Interest-free deferrals and payment plans
No court action for unpaid rates

Maribyrnong City Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	40,992 in 2019-20
Average rates:	\$2,283 in 2019-20
Budgeted income from rates:	74 per cent in 2019-20
Extra payment options:	Monthly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	No
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes

Debt recovery – All properties

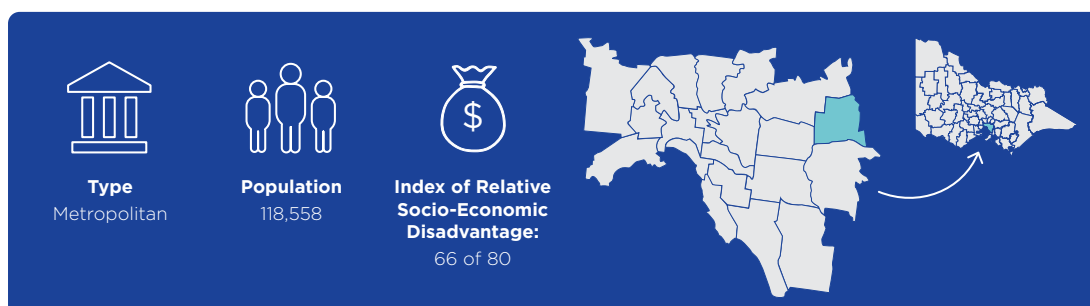
Debt collection agent:	Yes
Number of court actions:	9 in 2018-19 134 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Interest-free deferrals and payment plans
Extra rebates for eligible businesses
No court action for unpaid rates
Zero per cent rate rise in 2020-21

Maroondah City Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	50,148 in 2019-20
Average rates:	\$1,520 in 2019-20
Budgeted income from rates:	69 per cent in 2019-20
Extra payment options:	Nine monthly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	No
Deferrals:	Generally no*
Payment plans:	Yes
Interest rate:	Penalty interest (Council may hold interest for up to six months for ratepayers experiencing financial or other hardship)
Interest waiver:	Yes

Debt recovery – All properties

Debt collection agent:	Yes
Number of court actions:	0 in 2018-19 0 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

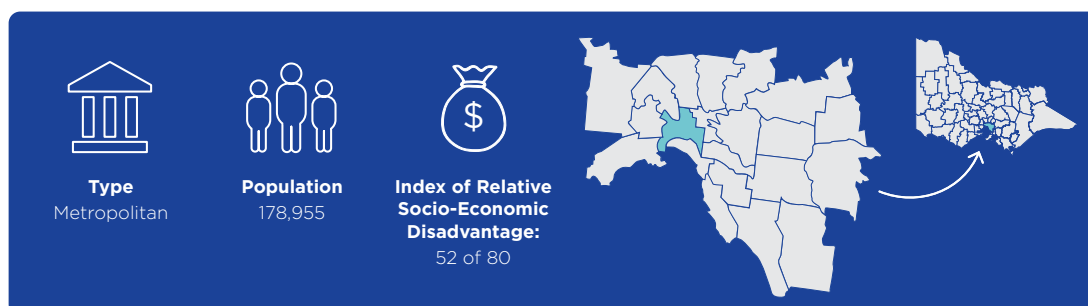
COVID rates help

Interest hold
Interest-free payment plans
No court action for unpaid rates

* At the time this report was drafted, the Council's Rate Collection and Financial Hardship policy stated 'It is not the usual practice for Council to waive or defer rates or charges'. The Council advised there are exceptions and it currently has two deferrals in place.

Melbourne City Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	120,198 in 2019-20
Average rates:	\$2,445 in 2019-20
Budgeted income from rates:	60 per cent in 2019-20
Extra payment options:	Ten monthly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	Yes (in exceptional circumstances)
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes

Debt recovery – All properties

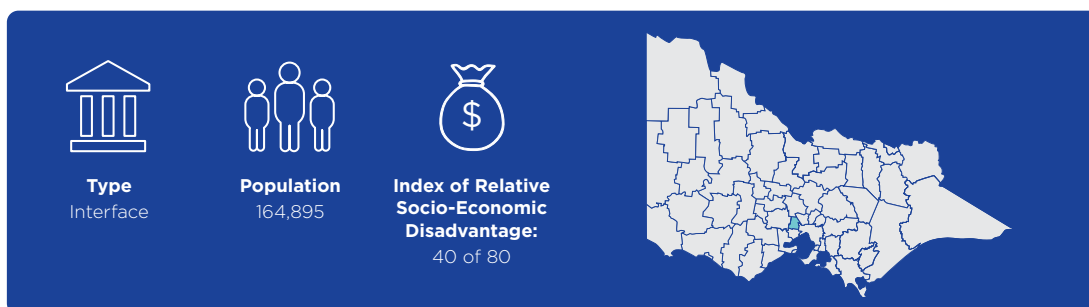
Debt collection agent:	Yes
Number of court actions:	95 in 2018-19 6 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Interest-free deferrals and payment plans
Zero per cent rate rise in 2020-21

Melton City Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	59,341 in 2019-20
Average rates:	\$1,584 in 2019-20
Budgeted income from rates:	71 per cent in 2019-20
Extra payment options:	Centrepay Monthly or fortnightly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	Yes (for people eligible for the State Government rates concession, capped at 30 per cent of current year's rates and charges)
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	Market interest for deferred rates Penalty interest for payment plans
Interest waiver:	Yes (capped at 12 months)

Debt recovery – All properties

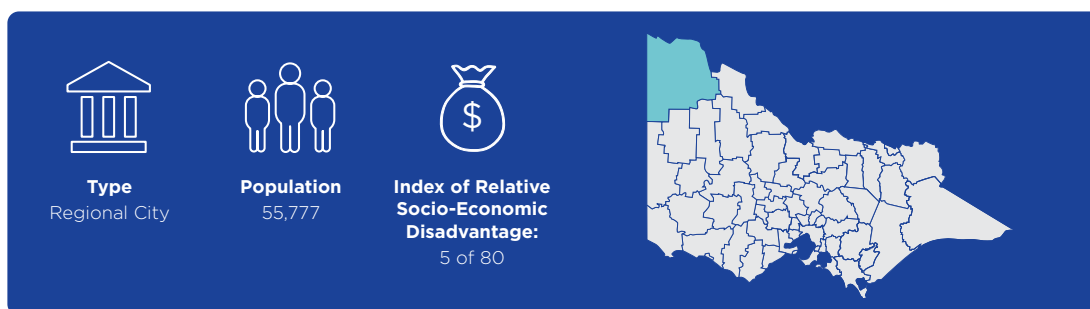
Debt collection agent:	Yes
Number of court actions:	418 in 2018-19 263 in 2019-20
Number of land sales:	0 in 2018-19 1 in 2019-20

COVID rates help

Interest-free deferrals and payment plans
Extra rates rebate for people receiving Centrelink payments
No court action for unpaid rates
Zero per cent rate rise in 2020-21

Mildura Rural City Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	29,332 in 2019-20
Average rates:	\$2,093 in 2019-20
Budgeted income from rates:	61 per cent in 2019-20
Extra payment options:	Centrepay Monthly or fortnightly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	Yes (in exceptional circumstances)
Deferrals:	Yes (for people eligible for the State Government rates concession or unemployed for three months, capped at three years and 25 per cent of Capital Improved Value)
Payment plans:	Yes
Interest rate:	50 per cent of penalty interest rate for deferred rates Penalty interest for payment plans
Interest waiver:	Yes (capped at 12 months and not available for consecutive periods)

Debt recovery – All properties

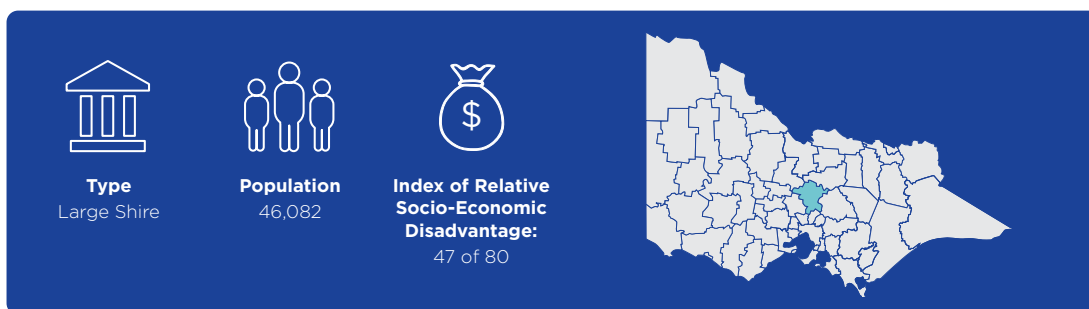
Debt collection agent:	Yes
Number of court actions:	111 in 2018-19 101 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Interest holds
Interest-free deferrals and payment plans
Rates relief packages of up to \$2,000 for business rates

Mitchell Shire Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	21,066 in 2019-20
Average rates:	\$1,805 in 2019-20
Budgeted income from rates:	63 per cent in 2019-20
Extra payment options:	Eleven monthly payments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	No
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	Market interest for deferred amounts Penalty interest for payment plans
Interest waiver:	Yes

Debt recovery – All properties

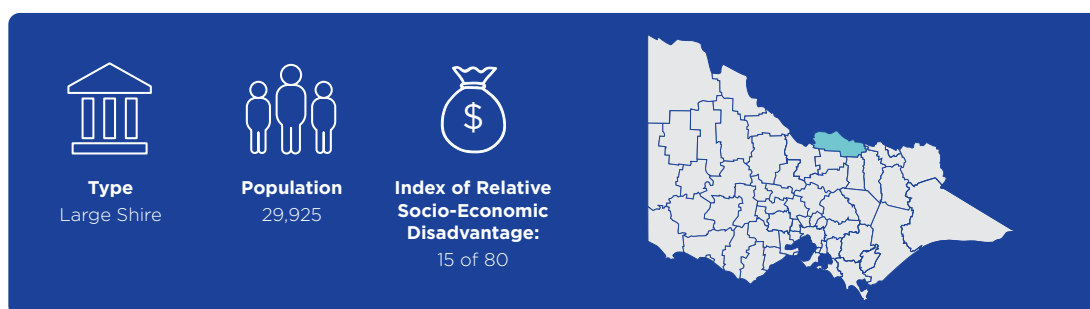
Debt collection agent:	Yes
Number of court actions:	115 in 2018-19 108 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Interest hold
Due date extension for 2019-20 rates

Moira Shire Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	17,564 in 2019-20
Average rates:	\$1,673 in 2019-20
Budgeted income from rates:	62 per cent in 2019-20
Extra payment options:	Weekly, fortnightly or 10 monthly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	No
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes

Debt recovery – All properties

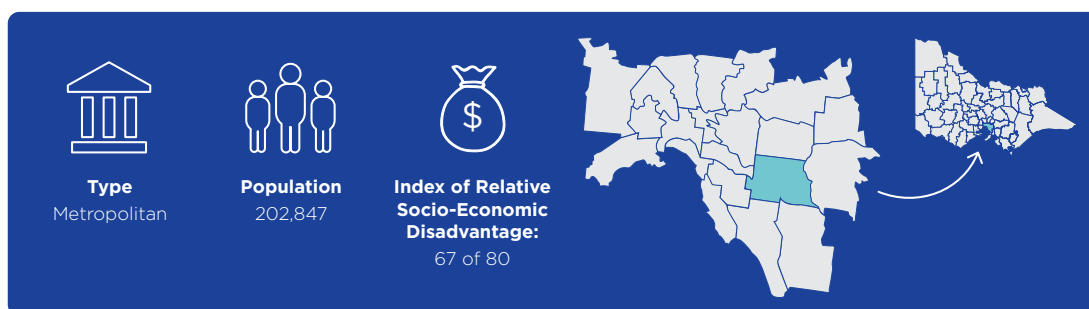
Debt collection agent:	Yes
Number of court actions:	40 in 2018-19 50 in 2019-20
Number of land sales:	4 in 2018-19 0 in 2019-20

COVID rates help

Interest hold
Interest-free deferrals and payment plans
No court action for unpaid rates

Monash City Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	80,119 in 2019-20
Average rates:	\$1,529 in 2019-20
Budgeted income from rates:	66 per cent in 2019-20
Extra payment options:	Centrepay Nine monthly instalments

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	Yes (in exceptional circumstances)
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	For deferred rates, zero interest for 'eligible recipient pensioners' and 2.5 per cent for other ratepayers Penalty interest for payment plans
Interest waiver:	Yes
Other:	Extra Council rebate for people eligible for State Government rates concession

Debt recovery – All properties

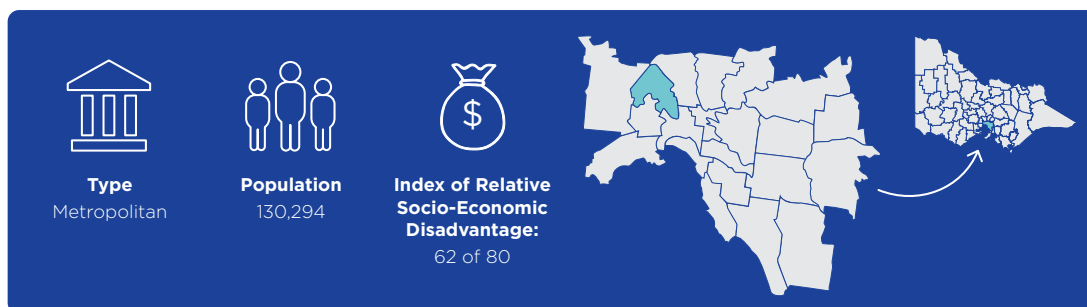
Debt collection agent:	Yes
Number of court actions:	57 in 2018-19 0 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Interest-free deferrals
Ten per cent waiver for all ratepayers

Moonee Valley City Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	57,040 in 2019-20
Average rates:	\$1,823 in 2019-20
Budgeted income from rates:	69 per cent in 2019-20
Extra payment options:	No

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	No
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes

Debt recovery – All properties

Debt collection agent:	Yes
Number of court actions:	131 in 2018-19 11 in 2019-20*
Number of land sales:	0 in 2018-19 0 in 2019-20

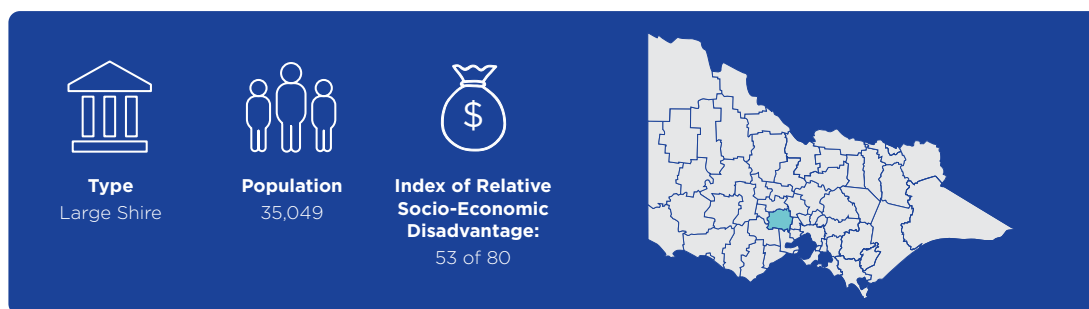
COVID rates help

Interest hold
Interest-free deferrals and payment plans
No court action for unpaid rates

* The Council's records differ from the Magistrates Court's records for these years. The number shown is based on the Council's records.

Moorabool Shire Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	17,091 in 2019-20
Average rates:	\$1,763 in 2019-20
Budgeted income from rates:	66 per cent in 2019-20
Extra payment options:	Ten monthly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	Yes
Deferrals:	Yes (capped at 10 per cent of Capital Improved Value)
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes

Debt recovery – All properties

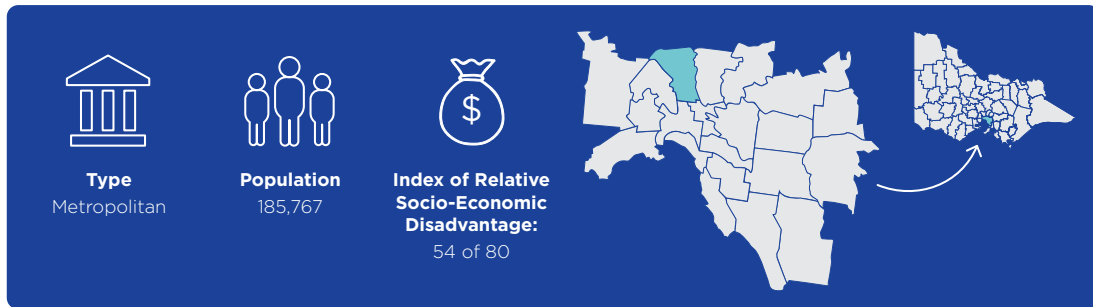
Debt collection agent:	Yes
Number of court actions:	35 in 2018-19 22 in 2019-20
Number of land sales:	2 in 2018-19 0 in 2019-20

COVID rates help

Interest hold
Interest-free deferrals and payment plans
No court action for unpaid rates

Moreland City Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	80,962 in 2019-20
Average rates:	\$1,714 in 2019-20
Budgeted income from rates:	72 per cent in 2019-20
Extra payment options:	Centrepay Ten monthly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	Yes (in exceptional circumstances)
Deferrals:	Yes (may be capped at 50 per cent of Capital Improved Value)
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes

Debt recovery – All properties

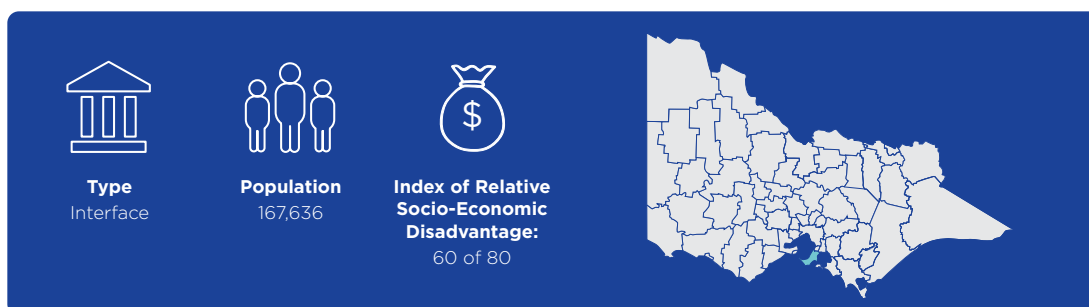
Debt collection agent:	Yes
Number of court actions:	224 in 2018-19 126 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

- Interest hold
- Interest-free deferrals and payment plans
- No court action for unpaid rates
- Extra rebate for pensioners and Health Care Card holders

Mornington Peninsula Shire Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	101,863 in 2019-20
Average rates:	\$1,452 in 2019-20
Budgeted income from rates:	77 per cent in 2019-20
Extra payment options:	Centrepay Nine monthly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	No
Deferrals:	Yes
Payment plans:	Yes (capped at 12 months)
Interest rate:	Penalty interest
Interest waiver:	Yes

Debt recovery – All properties

Debt collection agent:	Yes
Number of court actions:	121 in 2018-19 0 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Interest hold for commercial ratepayers

Mount Alexander Shire Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	11,730 in 2019-20
Average rates:	\$1,650 in 2019-20
Budgeted income from rates:	65 per cent in 2019-20
Extra payment options:	Centrepay Monthly or fortnightly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	Yes
Deferrals:	Yes (capped at six months)
Payment plans:	Yes
Interest rate:	No interest charged on deferred rates or payment plans
Interest waiver:	Yes

Debt recovery – All properties

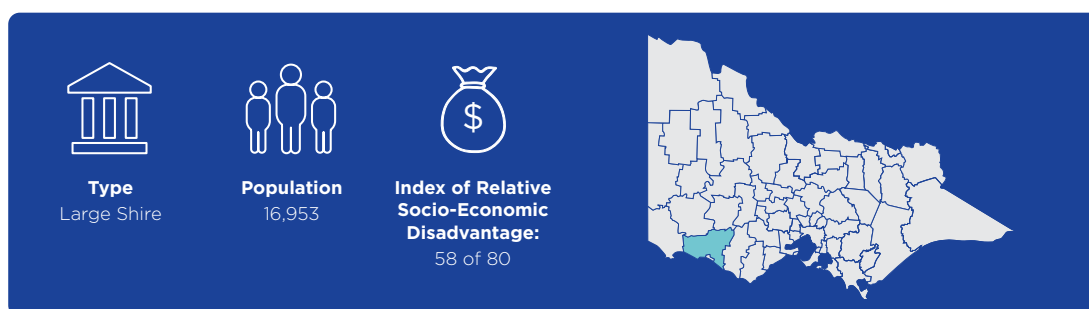
Debt collection agent:	Yes
Number of court actions:	14 in 2018-19 28 in 2019-20
Number of land sales:	0 in 2018-19 1 in 2019-20

COVID rates help

Interest hold
Interest-free payment plans
No court action for unpaid rates

Moyne Shire Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	12,210 in 2019-20
Average rates:	\$1,480 in 2019-20
Budgeted income from rates:	49 per cent in 2019-20
Extra payment options:	Centrepay

Hardship relief – Primary residences

Hardship policy:	No
Rates waivers:	No
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	No

Debt recovery – All properties

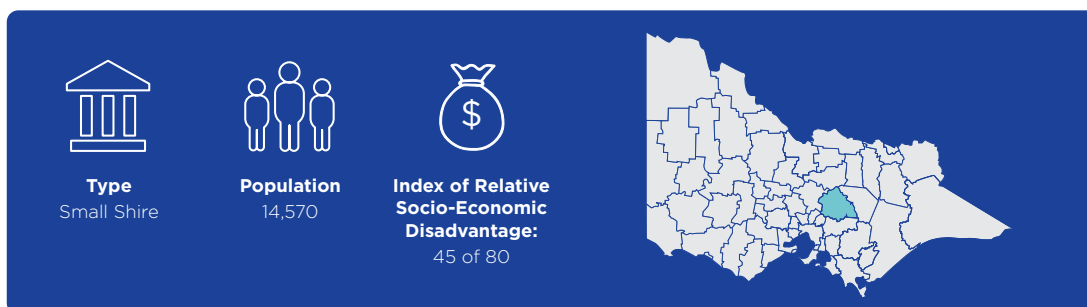
Debt collection agent:	Yes
Number of court actions:	66 in 2018-19 36 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Zero per cent rate rise in 2020-21

Murrindindi Shire Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	9,909 in 2019-20
Average rates:	\$1,802 in 2019-20
Budgeted income from rates:	60 per cent in 2019-20
Extra payment options:	Fortnightly or monthly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	Generally not
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes

Debt recovery – All properties

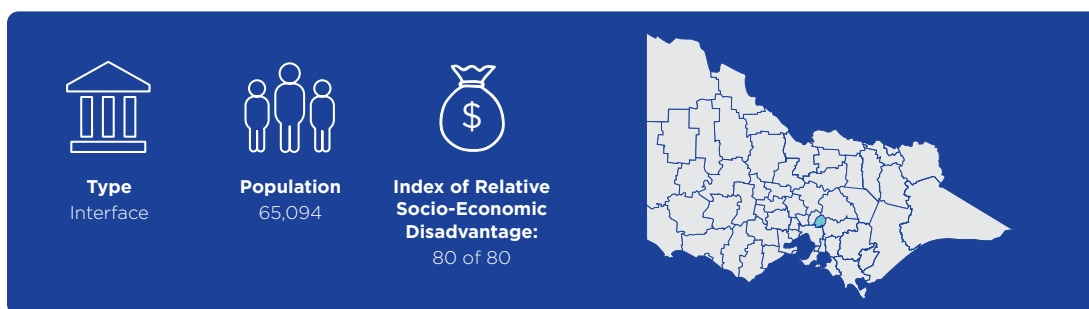
Debt collection agent:	Yes
Number of court actions:	0 in 2018-19 0 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Interest hold
Interest-free deferrals and payment plans
No court action for unpaid rates
Zero per cent rate rise for 2020-21

Nilumbik Shire Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	23,627 in 2019-20
Average rates:	\$2,381 in 2019-20
Budgeted income from rates:	74 per cent in 2019-20
Extra payment options:	No

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	No
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	Penalty interest for deferred rates For payment plans, no interest for first 12 months for pensioners and people on an approved financial hardship plan* Penalty interest for other payment plans
Interest waiver:	Yes (capped at 12 months)

Debt recovery – All properties

Debt collection agent:	Yes
Number of court actions:	36 in 2018-19 34 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

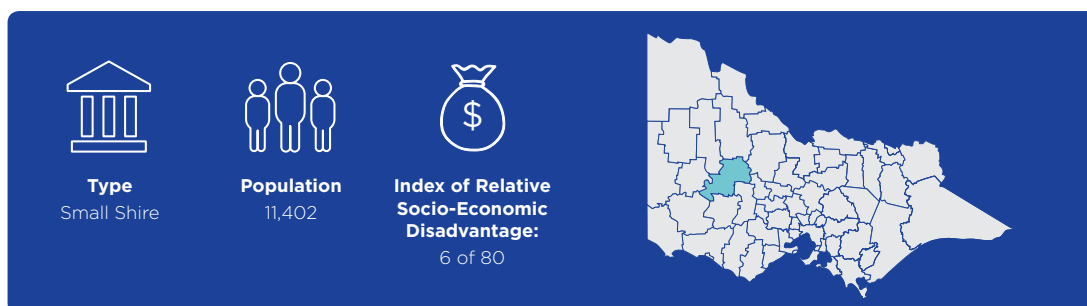
COVID rates help

Interest hold
Interest-free deferrals and payment plans
Zero per cent rate rise for 2020-21

* At the time this report was drafted, the Council's Financial Hardship Policy stated that interest is charged after the first 12 months at the penalty interest rate.

Northern Grampians Shire Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	9,342 in 2019-20
Average rates:	\$1,608 in 2019-20
Budgeted income from rates:	54 per cent in 2019-20
Extra payment options:	Monthly and fortnightly instalments by direct debit*

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	No
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes

Debt recovery – All properties

Debt collection agent:	Yes
Number of court actions:	7 in 2018-19 9 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

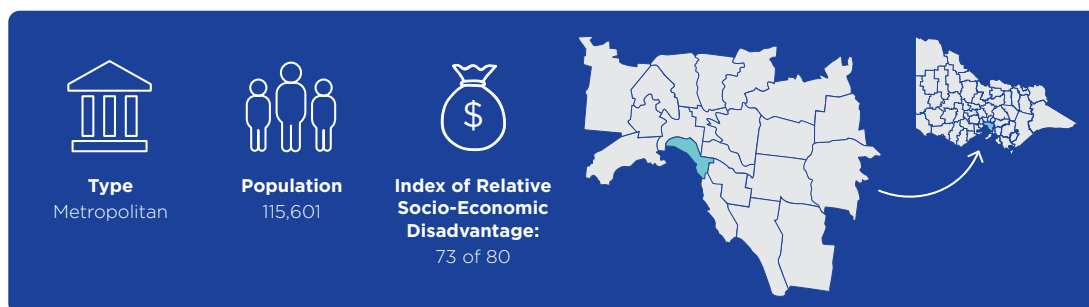
COVID rates help

Interest hold
Interest-free deferrals and payment plans
No court action for unpaid rates

* At the time this report was drafted, the Council's website and rates notices only mentioned fortnightly instalments, but the Council advised that monthly instalments are also available.

Port Phillip City Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	72,883 in 2019-20
Average rates:	\$1,755 in 2019-20
Budgeted income from rates:	58 per cent in 2019-20
Extra payment options:	Nine or ten monthly instalments*

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	Generally not (capped at \$1,000 if granted)
Deferrals:	Yes (except for aged pensioners and Seniors Card holders, deferrals are only granted until 30 June of the rating year)
Payment plans:	Yes
Interest rate:	50 per cent of penalty interest rate on deferred rates for aged pensioners and holders of Seniors Cards, Pensioner Concession Cards or Veterans' Affairs Gold Cards Penalty interest for other deferred rates and payment plans
Interest waiver:	Yes
Other:	Extra rebate for people eligible for the State Government rates concession

Debt recovery – All properties

Debt collection agent:	Yes
Number of court actions:	37 in 2018-19 12 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

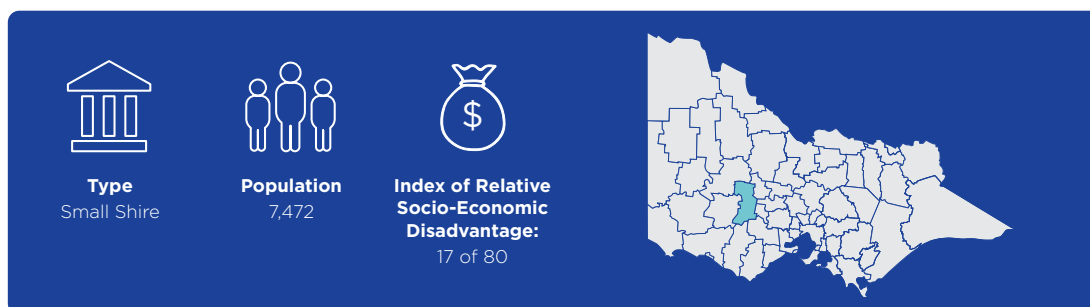
COVID rates help

Interest-free deferrals and payment plans
Rates waiver for residential owner-occupied properties (maximum of \$1,000)

* Council advised that it usually offers ten monthly instalments, but this has been reduced to nine instalments for 2020-21. Additional payment options are also available for pensioners.

Pyrenees Shire Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	6,010 in 2019-20
Average rates:	\$1,407 in 2019-20
Budgeted income from rates:	47 per cent in 2019-20
Extra payment options:	Centrepay

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	No
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes

Debt recovery – All properties

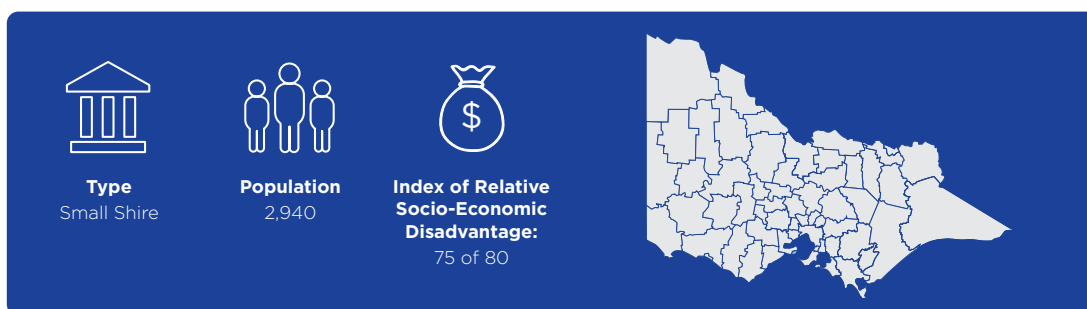
Debt collection agent:	Yes
Number of court actions:	18 in 2018-19 12 in 2019-20
Number of land sales:	0 in 2018-19 3 in 2019-20

COVID rates help

Interest-free deferrals
No court action for unpaid rates

Borough of Queenscliffe

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	3,083 in 2019-20
Average rates:	\$2,101 in 2019-20
Budgeted income from rates:	65 per cent in 2019-20
Extra payment options:	Centrepay

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	No
Deferrals:	Yes (capped at 50 per cent of Capital Improved Value)
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	No

Debt recovery – All properties

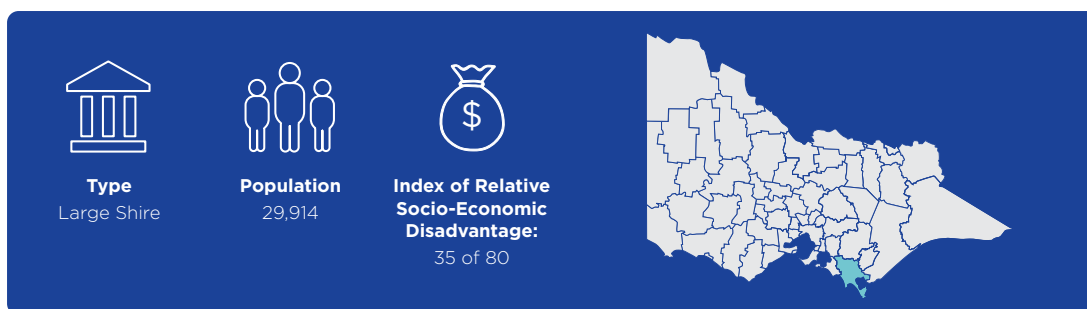
Debt collection agent:	Yes
Number of court actions:	1 in 2018-19 0 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Interest hold
Interest-free deferrals and payment plans
No court action for unpaid rates

South Gippsland Shire Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	19,779 in 2019-20
Average rates:	\$2,014 in 2019-20
Budgeted income from rates:	64 per cent in 2019-20
Extra payment options:	No

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	No
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes

Debt recovery – All properties

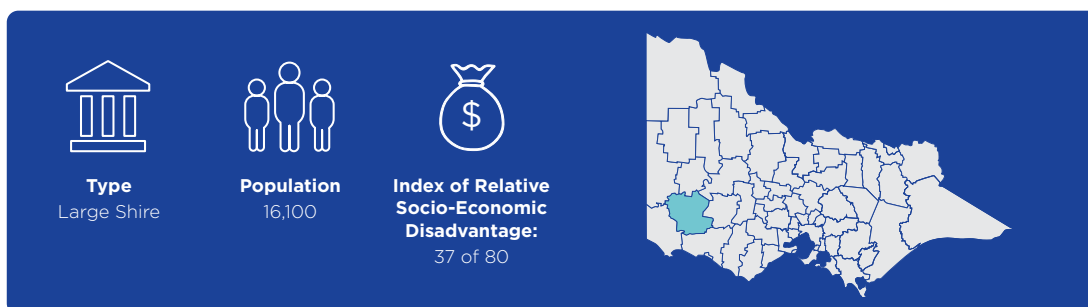
Debt collection agent:	Yes
Number of court actions:	6 in 2018-19 18 in 2019-20
Number of land sales:	0 in 2018-19 2 in 2019-20

COVID rates help

Interest-free deferrals

Southern Grampians Shire Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	10,975 in 2019-20
Average rates:	\$1,707 in 2019-20
Budgeted income from rates:	47 per cent in 2019-20
Extra payment options:	Weekly, fortnightly or monthly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	No
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes

Debt recovery – All properties

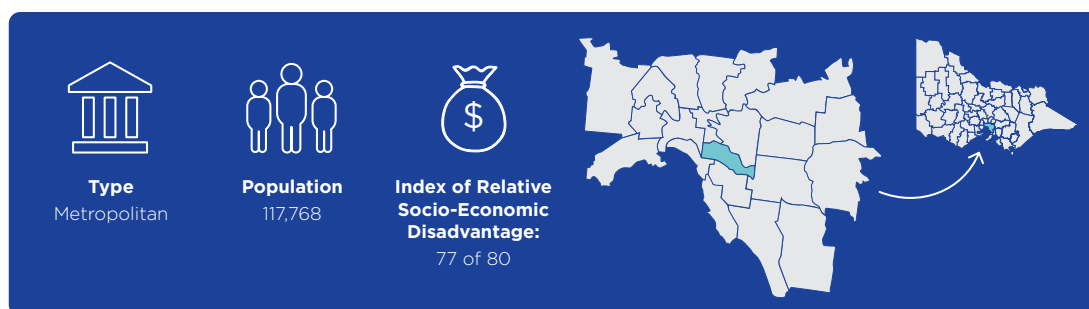
Debt collection agent:	Yes
Number of court actions:	17 in 2018-19 15 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Interest hold on fourth 2019-20 instalment
Interest-free deferrals and payment plans
Two per cent reimbursement of 2020-21 rates on application

Stonnington City Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	64,456 in 2019-20
Average rates:	\$1,444 in 2019-20
Budgeted income from rates:	65 per cent in 2019-20
Extra payment options:	Centrepay

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	No
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes

Debt recovery – All properties

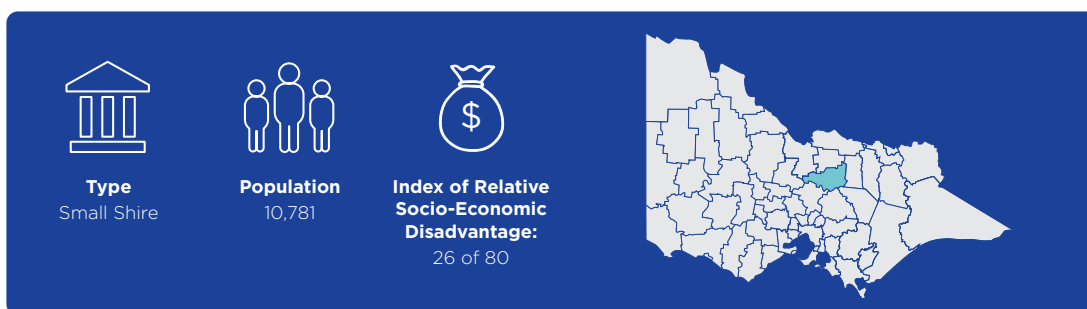
Debt collection agent:	Yes
Number of court actions:	204 in 2018-19 1 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Interest hold
Interest-free deferrals and payment plans
Two per cent rate waiver (to offset two per cent rate rise in 2020-21. In effect, this meant there was no increase in Council rates in 2020-21)

Strathbogie Shire Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	7,606 in 2019-20
Average rates:	\$2,142 in 2019-20
Budgeted income from rates:	63 per cent in 2019-20
Extra payment options:	No

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	No
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes

Debt recovery – All properties

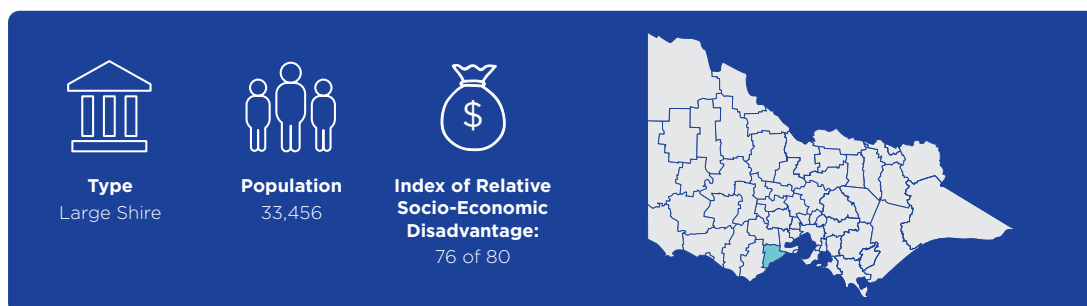
Debt collection agent:	Yes
Number of court actions:	20 in 2018-19 18 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Interest hold

Surf Coast Shire Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	22,347 in 2019-20
Average rates:	\$2,033 in 2019-20
Budgeted income from rates:	68 per cent in 2019-20
Extra payment options:	Ten monthly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	Yes
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	No more than cash rate plus one per cent for deferred rates Penalty interest for payment plans
Interest waiver:	No

Debt recovery – All properties

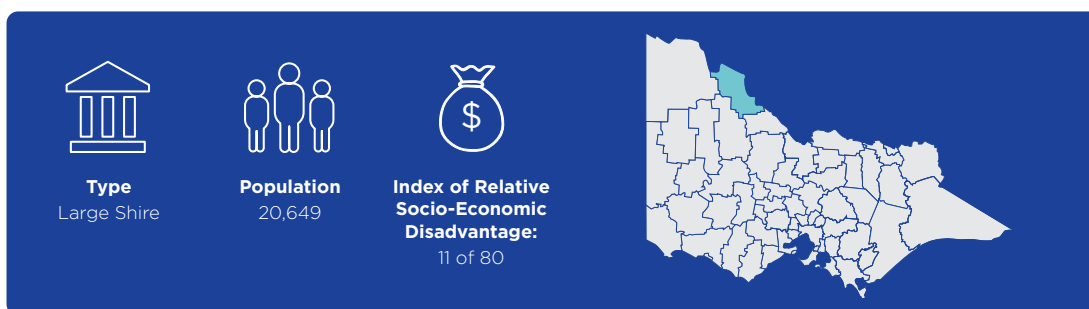
Debt collection agent:	Yes
Number of court actions:	0 in 2018-19 2 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Interest hold
Interest-free deferrals and payment plans
Rates waiver in exceptional circumstances
No court action for unpaid rates

Swan Hill Rural City Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	12,002 in 2019-20
Average rates:	\$2,029 in 2019-20
Budgeted income from rates:	54 per cent in 2019-20
Extra payment options:	Centrepay Weekly, fortnightly or monthly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	Yes (in circumstances of 'dire financial hardship' or where commercial decision made not to pursue debt)
Deferrals:	Yes (in long term cases of extreme financial hardship)
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes

Debt recovery – All properties

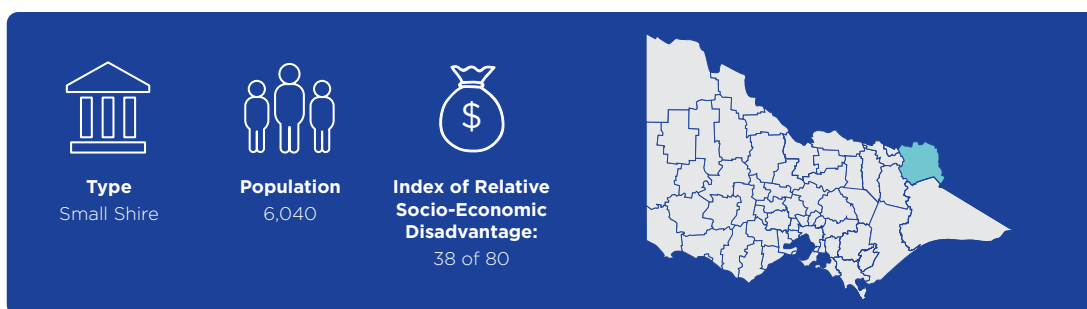
Debt collection agent:	Yes
Number of court actions:	1 in 2018-19 0 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Interest-free deferrals and payment plans

Towong Shire Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	4,480 in 2019-20*
Average rates:	\$1,722 in 2019-20
Budgeted income from rates:	34 per cent in 2019-20
Extra payment options:	No

Hardship relief – Primary residences

Hardship policy:	Yes**
Rates waivers:	No
Deferrals:	No
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	No
Other:	Rates relief for ratepayers impacted by 2019-20 bushfires

Debt recovery – All properties

Debt collection agent:	Yes
Number of court actions:	4 in 2018-19 0 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

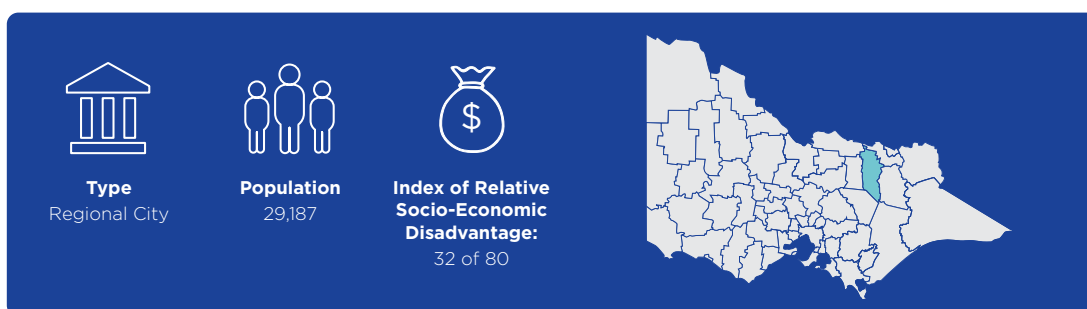
Interest hold
Interest-free deferrals and payment plans
Zero per cent rate rise for 2020-21

* The Council's 2019-20 budget listed the number of assessments as 4,905. This included non-rateable properties. The Council advised the correct figure is 4,480.

** The Council provided a written policy for its COVID rates assistance, but not a general hardship policy.

Wangaratta Rural City Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	15,659 in 2019-20
Average rates:	\$1,725 in 2019-20
Budgeted income from rates:	49 per cent in 2019-20
Extra payment options:	Weekly, fortnightly or monthly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	No
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes

Debt recovery – All properties

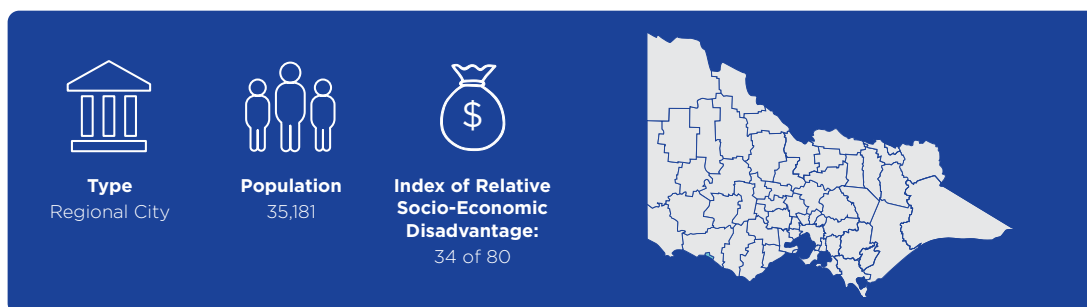
Debt collection agent:	Yes
Number of court actions:	31 in 2018-19 36 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Interest hold
Interest-free payment plans

Warrnambool City Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	17,383 in 2019-20
Average rates:	\$1,946 in 2019-20
Budgeted income from rates:	55 per cent in 2019-20
Extra payment options:	No

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	Yes
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes

Debt recovery – All properties

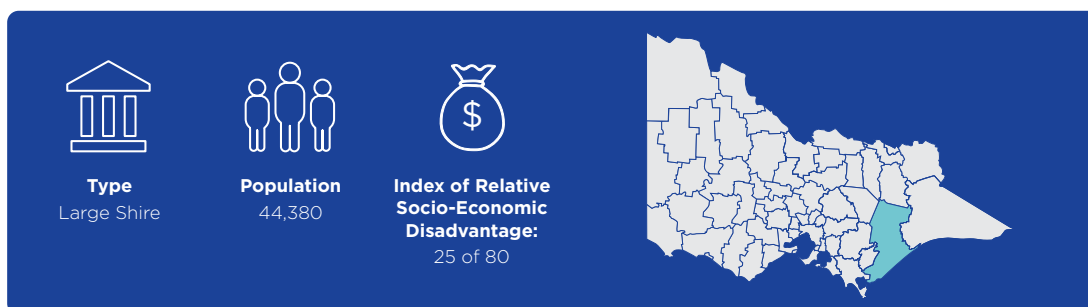
Debt collection agent:	Yes
Number of court actions:	26 in 2018-19 37 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Interest-free deferrals

Wellington Shire Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	32,478 in 2019-20
Average rates:	\$1,695 in 2019-20
Budgeted income from rates:	63 per cent in 2019-20
Extra payment options:	Nine monthly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	Generally not
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes

Debt recovery – All properties

Debt collection agent:	Yes
Number of court actions:	116 in 2018-19*
	0 in 2019-20
Number of land sales:	3 in 2018-19
	1 in 2019-20

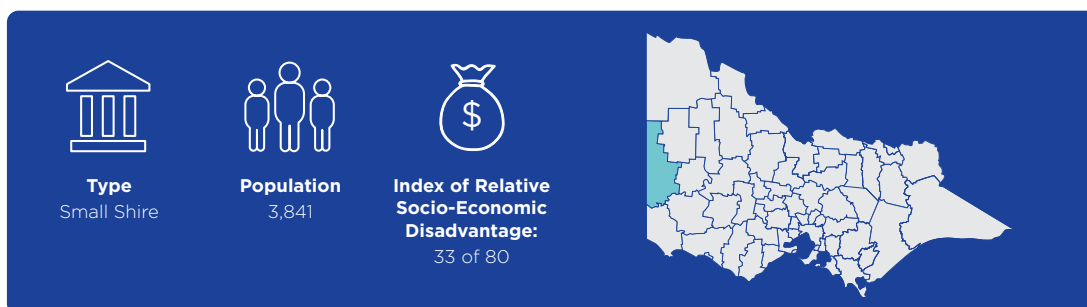
COVID rates help

Interest hold
Zero per cent rate rise for 2020-21

* The Council's records differ slightly from the Magistrates Court's records for this year. The number shown is based on the Council's advice.

West Wimmera Shire Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	4,729 in 2019-20
Average rates:	\$1,545 in 2019-20
Budgeted income from rates:	38 per cent in 2019-20
Extra payment options:	No

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	Yes
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes

Debt recovery – All properties

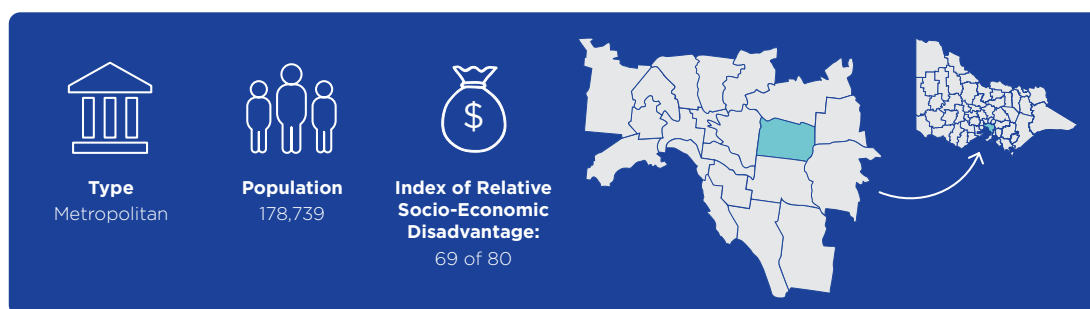
Debt collection agent:	Yes
Number of court actions:	0 in 2018-19 0 in 2019-20
Number of land sales:	3 in 2018-19 0 in 2019-20

COVID rates help

Interest hold
Interest-free deferrals and payment plans
No court action for unpaid rates

Whitehorse City Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	74,341 in 2019-20
Average rates:	\$1,584 in 2019-20
Budgeted income from rates:	60 per cent in 2019-20
Extra payment options:	No

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	No
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	Penalty interest minus five per cent
Interest waiver:	Yes

Debt recovery – All properties

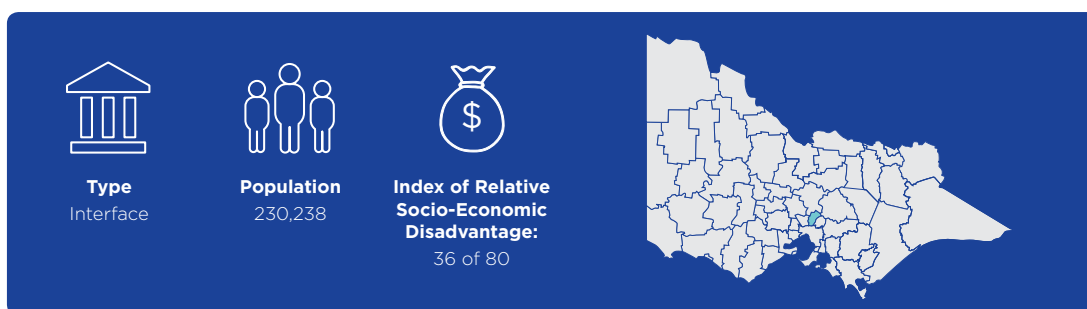
Debt collection agent:	Yes
Number of court actions:	342 in 2018-19 55 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Interest hold and reductions
Due date extension for some rates instalments
Deferrals and payment plans at reduced interest
Online payment calculator (which helps ratepayers work out the minimum payments they need to make to pay their rates in full by 31 May 2021)

Whittlesea City Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	87,075 in 2019-20
Average rates:	\$1,674 in 2019-20
Budgeted income from rates:	70 per cent in 2019-20
Extra payment options:	18 fortnightly or nine monthly instalments Monthly instalments on set dates by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	Yes (in exceptional circumstances)*
Deferrals:	Yes (capped at three rating years)**
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes

Debt recovery – All properties

Debt collection agent:	Yes
Number of court actions:	533 in 2018-19 39 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

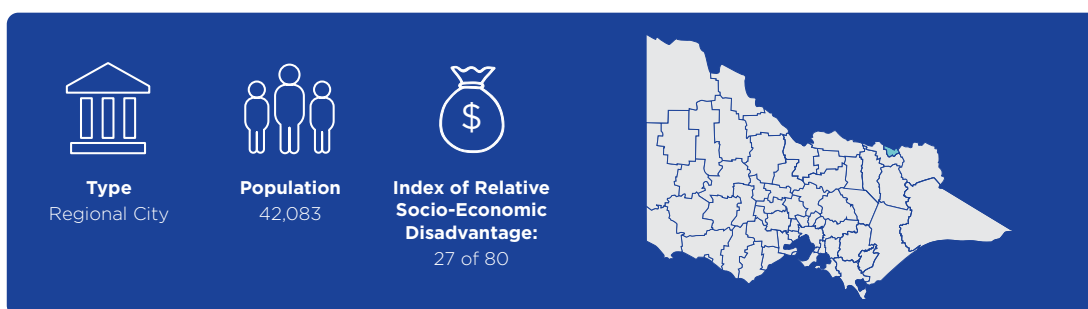
Interest hold
Interest-free deferrals and payment plans

* When this report was drafted, Council's Financial Hardship Policy for Residential Property Owners (Municipal Rates & Charges) stated 'Council will only consider the waiving of rates and charges (partial or whole) in exceptional circumstances and only by way of Council resolution.' The Council advised that waivers are assessed on application.

** When this report was drafted, Council's Policy stated 'A deferral (partial or whole) may be for a defined period of up to three rating years only by way of Council resolution.' The Council advised that deferrals are also assessed on application.

Wodonga City Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	19,669 in 2019-20
Average rates:	\$1,991 in 2019-20
Budgeted income from rates:	72 per cent in 2019-20
Extra payment options:	Nine monthly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	Yes (in extreme circumstances)
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes

Debt recovery – All properties

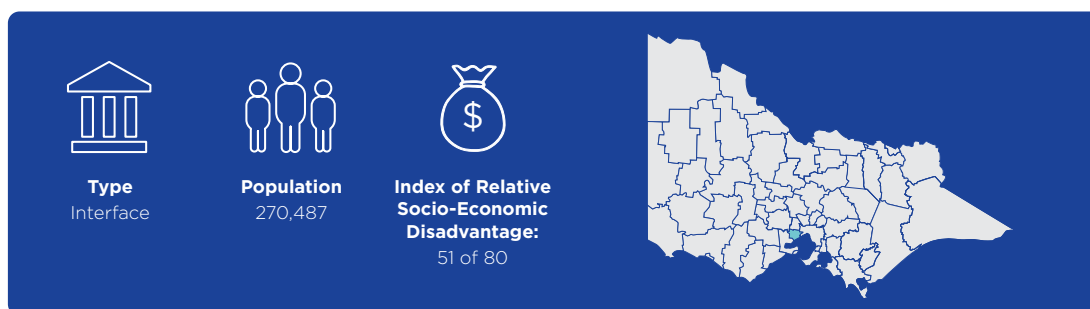
Debt collection agent:	Yes
Number of court actions:	27 in 2018-19 18 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Interest hold
Interest-free payment plans
No debt recovery for unpaid rates
Zero per cent rate rise for 2020-21

Wyndham City Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	101,208 in 2019-20
Average rates:	\$1,789 in 2019-20
Budgeted income from rates:	61 per cent in 2019-20
Extra payment options:	Monthly or fortnightly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	Yes (in extreme hardship situations)
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes

Debt recovery – All properties

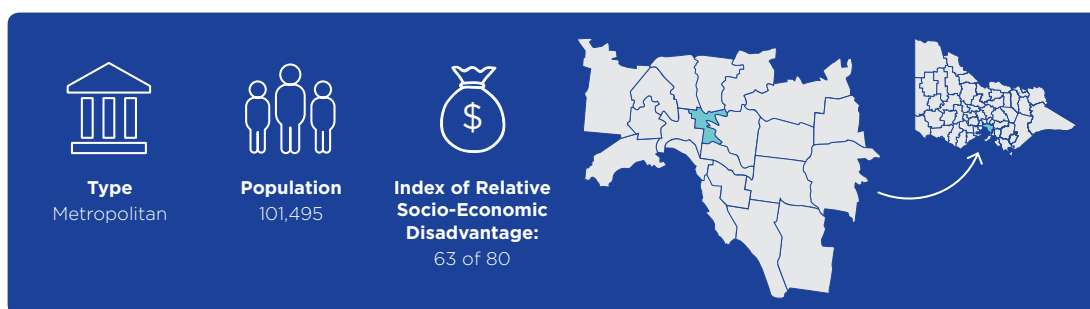
Debt collection agent:	Yes
Number of court actions:	664 in 2018-19 541 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Interest-free deferrals and payment plans
Extra rebates for pensioners and people receiving JobSeeker
No court action for unpaid rates

Yarra City Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	54,579 in 2019-20
Average rates:	\$2,031 in 2019-20
Budgeted income from rates:	60 per cent in 2019-20
Extra payment options:	Ten monthly instalment by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	Yes
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	Usually penalty interest but depends on recommendation from ratepayer's financial counsellor
Interest waiver:	Yes

Debt recovery – All properties

Debt collection agent:	Yes
Number of court actions:*	168 in 2018-19 23 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

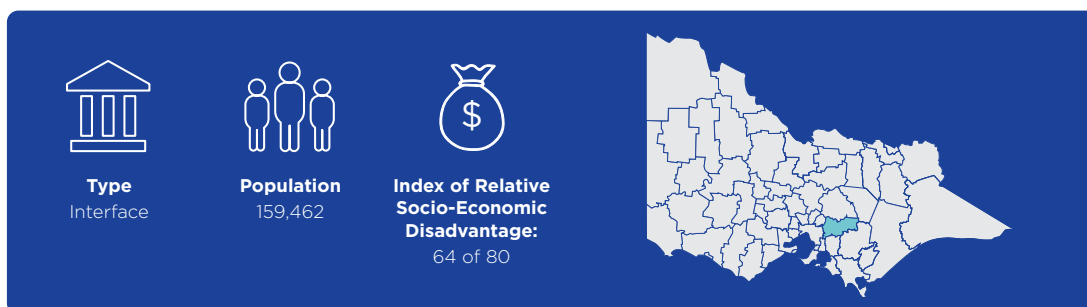
COVID rates help

Interest-free deferrals and payment plans
Extra rebate for people with a Pensioner Concession Card or Veterans' Affairs Gold Card
No court action for unpaid rates

* See paragraph 248 of the report. The Council advised the investigation that its records differ from the Magistrate Court data but it could not provide its own data in the time available.

Yarra Ranges Shire Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	65,693 in 2019-20
Average rates:	\$1,907 in 2019-20
Budgeted income from rates:	75 per cent in 2019-20
Extra payment options:	Fortnightly or monthly instalments by direct debit

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	No*
Deferrals:	Yes
Payment plans:	Yes
Interest rate:	No penalty interest for 12 months where ratepayer has rates deferred under a financial hardship agreement (ratepayer can reapply after 12 months) Penalty interest in other cases
Interest waiver:	Yes

Debt recovery – All properties

Debt collection agent:	Yes
Number of court actions:	378 in 2018-19 75 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

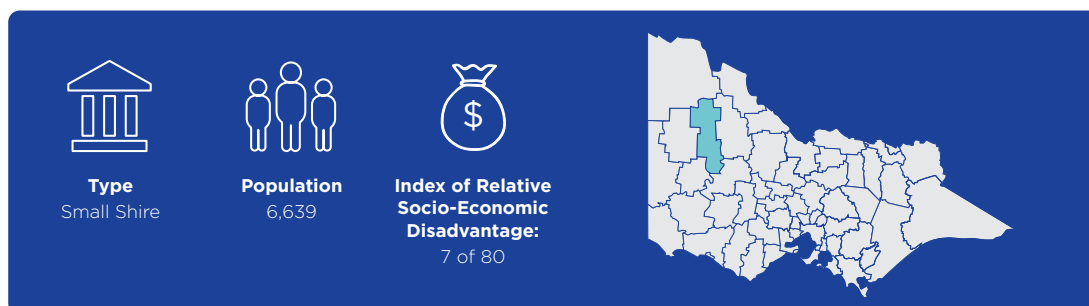
COVID rates help

Interest hold
Interest-free deferrals and payment plans
No court action for unpaid rates
Waivers to maintain rates at 2019-20 level

* When this report was drafted, the Council's Rates Recovery and Financial Hardship Policy stated 'Where Ratepayers are unable to make their rate payments on time or at all, they can make application for deferral or waiver. If Council is satisfied that any applicant will suffer financial hardship, consideration will be given to deferral or waiver (or a combination of both).' Council advised it offered waivers as part of its COVID rates assistance but does not offer rates waivers in other circumstances.

Yarriambiack Shire Council

Rates and hardship practices



Council rates – All properties

Rateable properties (assessments):	6,939 in 2019-20
Average rates:	\$1,634 in 2019-20
Budgeted income from rates:	50 per cent in 2019-20
Extra payment options:	Centrepay

Hardship relief – Primary residences

Hardship policy:	Yes
Rates waivers:	Yes (in exceptional circumstances)
Deferrals:	Yes (if ratepayer enters a payment plan)
Payment plans:	Yes
Interest rate:	Penalty interest
Interest waiver:	Yes

Debt recovery – All properties

Debt collection agent:	Yes
Number of court actions:	0 in 2018-19 2 in 2019-20
Number of land sales:	0 in 2018-19 0 in 2019-20

COVID rates help

Interest hold
Due date extension for 2019-20 rates
Interest-free deferrals and payment plans
No court action for unpaid rates

Victorian Ombudsman's Parliamentary Reports tabled since April 2014

2021

Investigation into the Department of Jobs, Precincts and Regions' administration of the Business Support Fund

April 2021

Outsourcing of parking fine internal reviews – a follow-up report

March 2021

Investigation of protected disclosure complaints regarding the former Principal of a Victorian public school

February 2021

2020

Investigation into the detention and treatment of public housing residents arising from a COVID-19 'hard lockdown' in July 2020

December 2020

Investigation into complaints about assaults of five children living in Child Protection residential care units.

October 2020

Investigation into corporate credit card misuse at Warrnambool City Council

October 2020

Investigation into review of parking fines by the City of Melbourne.

September 2020

Investigation into the planning and delivery of the Western Highway duplication project

July 2020

Ombudsman's recommendations – third report

June 2020

Investigations into allegations of nepotism in government schools

May 2020

Investigation of alleged improper conduct by Executive Officers at Ballarat City Council

May 2020

Investigation into three councils' outsourcing of parking fine internal reviews

February 2020

2019

Investigation of matters referred from the Legislative Assembly on 8 August 2018

December 2019

WorkSafe 2: Follow-up investigation into the management of complex workers compensation claims

December 2019

Investigation into improper conduct by a Council employee at the Mildura Cemetery Trust

November 2019

Revisiting councils and complaints

October 2019

OPCAT in Victoria: A thematic investigation of practices related to solitary confinement of children and young people

September 2019

Investigation into Wellington Shire Council's handling of Ninety Mile Beach subdivisions

August 2019

Investigation into State Trustees

June 2019

Investigation of a complaint about Ambulance Victoria

May 2019

Fines Victoria complaints

April 2019

VicRoads complaints

February 2019

2018

Investigation into the imprisonment of a woman found unfit to stand trial

October 2018

Investigation into allegations of improper conduct by officers at Goulburn Murray Water

October 2018

Investigation of three protected disclosure complaints regarding Bendigo South East College

September 2018

Investigation of allegations referred by Parliament's Legal and Social Issues Committee, arising from its inquiry into youth justice centres in Victoria

September 2018

Complaints to the Ombudsman: resolving them early

July 2018

Ombudsman's recommendations - second report

July 2018

Investigation into child sex offender Robert Whitehead's involvement with Puffing Billy and other railway bodies

June 2018

Investigation into the administration of the Fairness Fund for taxi and hire car licence holders

June 2018

Investigation into Maribyrnong City Council's internal review practices for disability parking infringements

April 2018

Investigation into Wodonga City Council's overcharging of a waste management levy

April 2018

Investigation of a matter referred from the Legislative Council on 25 November 2015

March 2018

Victorian Ombudsman's Parliamentary Reports tabled since April 2014

2017

Investigation into the financial support provided to kinship carers

December 2017

Implementing OPCAT in Victoria: report and inspection of the Dame Phyllis Frost Centre

November 2017

Investigation into the management of maintenance claims against public housing tenants

October 2017

Investigation into the management and protection of disability group home residents by the Department of Health and Human Services and Autism Plus

September 2017

Enquiry into the provision of alcohol and drug rehabilitation services following contact with the criminal justice system

September 2017

Investigation into Victorian government school expulsions

August 2017

Report into allegations of conflict of interest of an officer at the Metropolitan Fire and Emergency Services Board

June 2017

Apologies

April 2017

Investigation into allegations of improper conduct by officers at the Mount Buller and Mount Stirling Resort Management Board

March 2017

Report on youth justice facilities at the Grevillea unit of Barwon Prison, Malmsbury and Parkville

February 2017

Investigation into the Registry of Births, Deaths and Marriages' handling of a complaint

January 2017

2016

Investigation into the transparency of local government decision making

December 2016

Ombudsman enquiries: Resolving complaints informally

October 2016

Investigation into the management of complex workers compensation claims and WorkSafe oversight

September 2016

Report on recommendations

June 2016

Investigation into Casey City Council's Special Charge Scheme for Market Lane

June 2016

Investigation into the misuse of council resources

June 2016

Investigation into public transport fare evasion enforcement

May 2016

2015

Reporting and investigation of allegations of abuse in the disability sector: Phase 2 – incident reporting

December 2015

Investigation of a protected disclosure complaint regarding allegations of improper conduct by councillors associated with political donations

November 2015

Investigation into the rehabilitation and reintegration of prisoners in Victoria

September 2015

Conflict of interest by an Executive Officer in the Department of Education and Training

September 2015

Reporting and investigation of allegations of abuse in the disability sector: Phase 1 – the effectiveness of statutory oversight

June 2015

Investigation into allegations of improper conduct by officers of VicRoads

June 2015

Investigation into Department of Health oversight of Mentone Gardens, a Supported Residential Service

April 2015

Councils and complaints – A report on current practice and issues

February 2015

Investigation into an incident of alleged excessive force used by authorised officers

February 2015

2014

Investigation following concerns raised by Community Visitors about a mental health facility

October 2014

Investigation into allegations of improper conduct in the Office of Living Victoria

August 2014

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10 Next Meeting

Next meeting is scheduled to be held on Wednesday 15 September 2021.
Virtual Meeting – to be confirmed.

11 Close

The meeting closed at 11.00am.

Liana Thompson
Chief Executive Officer