

ESCOSA LG Advice Update

Information Session

5 March 2024

Snapshot

- Mitcham's current and projected financial performance was found to be "sustainable"
- 7 Recommendations were handed down
 - 5 'Continue'
 - 2 'Consider'

OVERVIEW

The Essential Services Commission finds the City of Mitcham's current and projected financial performance **sustainable** taking into account the council's forecast moderate expense growth increase over the next 10 years and the planned average rate increases of 3% p.a. per property over this period

RISKS IMPACTING SUSTAINABILITY

- ⚠ Expansion of services and the building of new assets which increases affordability risk for ratepayers
- ⚠ Cost constraints and savings targets are not met in accordance with its projections

CONTINUE

- ✓ Reviewing the inflation forecasts and other relevant macroeconomic assumptions
- ✓ Monitoring cost growth in the budgeting, including related to the costs of new services and initiatives
- ✓ Reporting any actual and projected cost savings in the annual budget and long-term financial plan
- ✓ Reviewing the estimates of asset useful lives
- ✓ Consulting with the community on its strategic asset management plans

COMMISSION'S RECOMMENDATIONS

- Adhere to the principles underpinning the long-term financial plan projections to continue to fund the renewal of assets
- Review the rationale for rate increase assumptions in its plans
- Consider limiting future average rate increases above inflation

Continue

- Continue to ***review inflation forecasts***
- Continue to ***monitor cost growth***
- Continue the good practice of ***reporting any actual and projected cost savings***
- Continue to review the ***estimates of asset lives (and valuations)***
- Continue the good practice of ***consulting with the community***

Consider

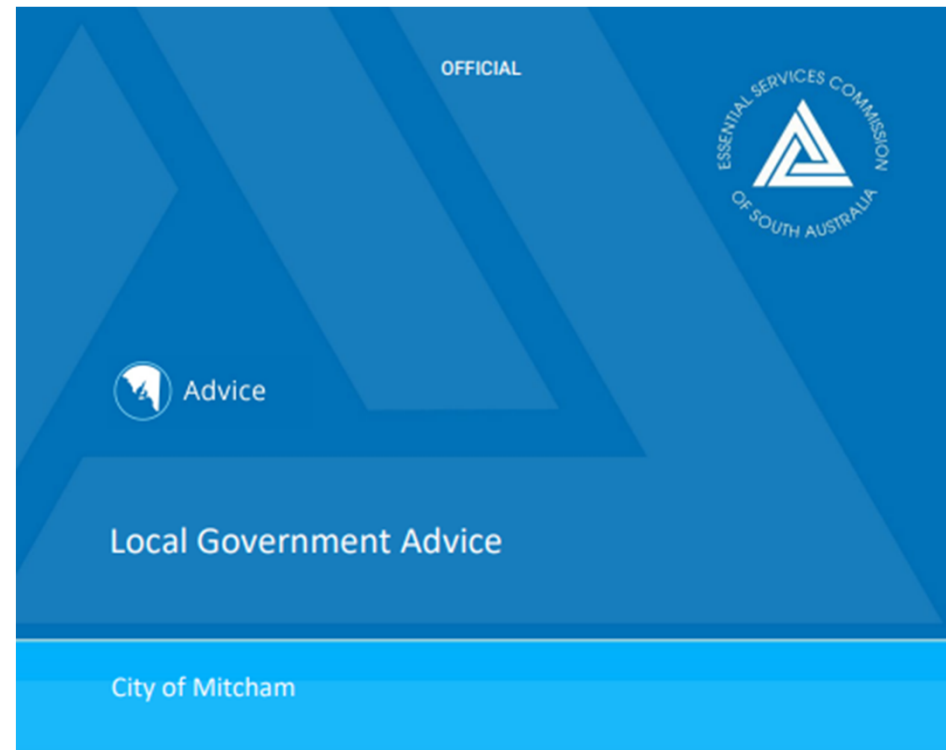
- Adhere to the principles underpinning its long-term financial plan projections to ***continue to fund the renewal of assets*** and to limit future expenditure on new or upgraded infrastructure as required, in consultation with its community about desired service levels and rate contributions.
- Review the ***rationale for rate increase*** assumptions in its plans and ***consider limiting future average rate increases*** above inflation, particularly for residential rates in consultation with its community and in the context of desired service levels.

Key Messages

- 7 recommendations 5 of which are to continue good practice already employed.
- Positive report recognising the strong financial principles and practices employed at Mitcham and the strong commitment to these in the chamber
- Mix of reports issued to other Councils including some as unsustainable
- Only two recommendations and these relate to suggested policy position considerations during Council decisions, and not to financial practice or process.

Next Steps

- Report Scheduled for March
- Response to include in Annual Business Plan



February 2024

