

Appendix B:

Sector context

Sector at a glance

- Number of entities** The Victorian local government sector consists of 105 agencies, comprising:
- 79 local councils
 - 11 companies controlled by local councils
 - 9 library corporations
 - 6 associated entities.

Council cohorts LGV classifies councils into 5 local government comparator groups. These cohorts, which Figure B1 summarises, are based on size, demographics and funding.

Figure B1: Council cohorts

Cohort	Definition	Number of councils
Metropolitan	A metropolitan council is predominantly urban in character and located within Melbourne's densely populated urban core.	22
Interface	An interface council is one of the 9 municipalities that form a ring around metropolitan Melbourne.	9
Regional	A regional council is urban and partly rural in character.	10
Large shire	A large shire is a municipality with more than 16,000 inhabitants that is predominantly rural in character.	19
Small shire	A small shire council is a municipality with fewer than 16,000 inhabitants that is predominantly rural in character.	19
Total		79

Source: VAGO.

Councils' main purpose A council's primary purpose is to maintain the peace, order and good government of its municipal district.

Councils also provide a range of services to their communities, including maintaining local roads, managing waste, delivering family services, and operating aquatic and library facilities.

Responsible minister The Minister for Local Government is the minister responsible for overseeing the system of local government in Victoria. The minister acts as an advocate for local government issues within state government and supports and monitors the system of local government with the assistance of LGV.

The Minister for Local Government may appoint independent bodies under the *Local Government Act 2020* (the Act) to provide advice to councils and report back to the minister on a range of council structural, operational and governance issues.

Local Government Victoria (LGV)

LGV provides policy advice, oversees legislation and works with Victoria's 79 councils to support responsive and accountable local government services.

LGV provides advice and support to councils, the Department of Government Services and the Minister for Local Government.

Peak bodies

The Municipal Association of Victoria is a membership association and the legislated peak body for Victoria's 79 councils.

Local Government Finance Professionals, an incorporated association, is the peak body servicing finance professionals representing all Victorian councils, 5 regional library corporations and more than 20 other organisations.

Legislative framework

Governance

Victoria's Constitution recognises local government as a tier of government. Democratically elected councillors govern each council, and a council-appointed chief executive officer manages each council's operations.

Local Government Act 2020

The *Local Government Act 2020* was approved by the Governor of Victoria on 24 March 2020. The Act adopts a principle-based approach rather than a rule-based approach. This is a fundamental change from the *Local Government Act 1989*.

Part 4, Division 3 of the new Act details a council's annual report obligations. It requires the financial report and performance statement to be prepared in accordance with the Local Government (Planning and Reporting) Regulations 2020.

The *Local Government Act 1989* allowed councils to form regional library corporations. The Act revokes this arrangement. Councils have until 30 June 2031 to create a new entity or bring library services under their administration. This change in the legal structure is not anticipated to affect library services offered by councils to the community.

Local Government (Planning and Reporting) Regulations 2020

The Regulations prescribe the content of a council's financial report and performance statement.

The Regulations require the financial report to be prepared in accordance with the Local Government Model Financial Report, as issued by LGV.

Annual reporting obligations

Legislative obligation

Figure B2 outlines the legislation underpinning the financial reporting obligations of the local government sector.

Figure B2: Financial reporting legislative obligations

Entity	Legislation	Requirement
Councils	<i>Local Government Act 2020</i>	A council must prepare a financial report and performance statement as soon as practicable after the end of the financial year.
	Local Government (Planning and Reporting) Regulations 2020	A council must hold a meeting, open to the public, to consider the annual report within 4 months of the end of the financial year. In a general election year, it must be held before the day of election. The annual report must contain a report of operations, the audited financial report, performance statement and associated audit opinions. There is no requirement for councils to lodge their annual report with the Minister for Local Government.
	<i>Corporations Act 2001 (Cth)</i>	Prepare a director's report and financial report as directed by parent entity.
Library corporations	<i>Local Government Act 1989</i> or the <i>Australian Charities and Not-for-profits Commission Act 2012 (Cth)</i>	The 9 library corporations comprise: <ul style="list-style-type: none"> • 8 regional library corporations, established under the Local Government Act 1989 • one library corporation established as an Australian company limited by guarantee under the Corporations Act 2001 and registered as a charitable organisation under the Australian Charities and Not-for-profits Commission Act 2012 (Cth). <p>The 8 regional library corporations continue to prepare annual financial reports in accordance with the requirements of the Local Government Act 1989, given the transitional provisions of the Local Government Act 2020. The Minister for Local Government extended the timeframe for submission of 2022–23 annual reports by one month to 31 October 2023.</p> <p>The company limited by guarantee prepares a financial report in accordance with the requirements of the Australian Charities and Not-for-profits Commission Act 2012 (Cth) and is required to lodge its annual report with the Australian Charities and Not-for-profits Commission by 31 December each year.</p>
Associated entities	<i>Corporations Act 2001 (Cth)</i> or agency-specific legislation	Prepare a director's report and financial report.

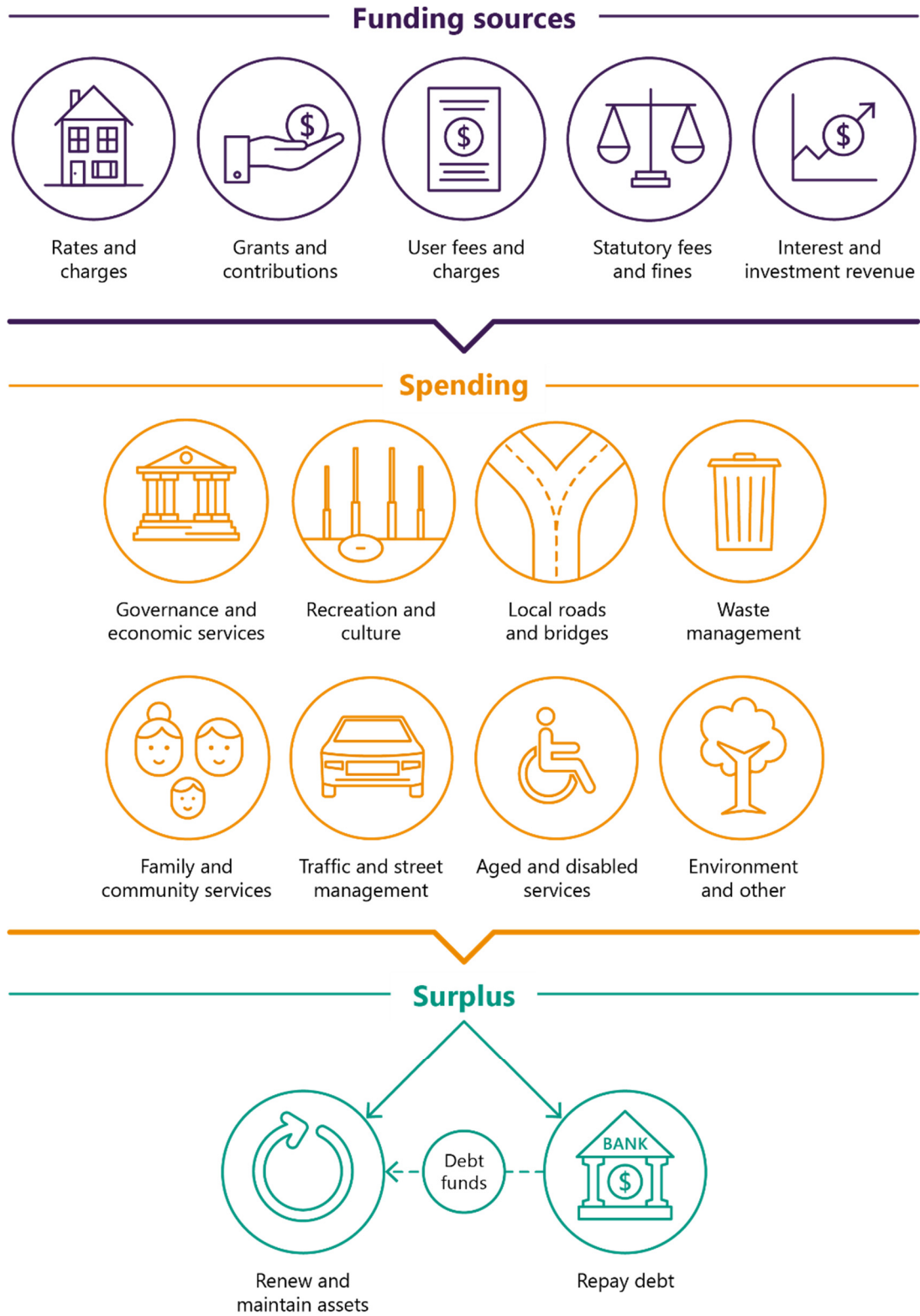
Source: VAGO.

Financial context

Council funding and spending Council operations are primarily funded through rates and charges, government grants, developer contributions and user fees and charges. Most of the sector's assets are property (comprising land and buildings), infrastructure assets, plant and equipment that councils need to deliver community services.

Figure B3 shows the services that councils spend most of their funding on and what they apply their operating surpluses to.

Figure B3: Overview of the local government sector funding and spending



Source: VAGO.