

Local Government Better Practice Guide

Planning and Reporting 2017-18



Local Government Victoria, June 2018



Environment,
Land, Water
and Planning

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Acronyms and Abbreviations

CAANZ	Chartered Accountants in Australia and New Zealand
ESC	Essential Services Commission
LGPro	Local Government Professionals
LGV	Local Government Victoria
MAV	Municipal Association of Victoria
VAGO	Victorian Auditor-General's Office

1. Introduction

Local government in Victoria manages approximately \$91.2 billion¹ of community assets and infrastructure and spends around \$8.1 billion² on the provision of services annually. Local government, in partnership with other levels of government, is responsible for aspects of everyday life that people care about deeply – from vibrant and safe public spaces, to accessible libraries, to strong local business and employment opportunities. Effective planning and reporting by councils is essential for ensuring transparency and accountability to the community and other levels of government as to how public money is being spent and the quality of services delivered.

The Local Government Act 1989

The *Local Government Act 1989* (the Act) states the primary objective of a council is to endeavour to achieve the best outcomes for the local community having regard to the long-term and cumulative effects of decisions.³ The Act sets out local government in Victoria:

- is a distinct and essential tier of government⁴, and
- must provide governance and leadership for the local community through advocacy, decision making and action.⁵

The Act also states it is essential there is a legislative framework that provides for councils to be accountable to their local communities in the performance of functions and the exercise of powers and the use of resources.⁶

It is a statutory requirement under the Act that councils prepare and report on medium and short-term plans to discharge their duties of accountability and transparency to their communities.

About this guide

This guide has been developed to assist local government to meet the statutory planning and accountability requirements. The guide is presented in the following three sections.

1. **Planning and accountability framework:** provides an overview of the relationship between the key planning and reporting documents

1. Victorian Auditor-General's Office (2017), Results of 2016-17 Audits: Local Government

2. Victorian Auditor-General's Office (2017), Results of 2016-17 Audits: Local Government

3. Section 3C(1) of the Local Government Act 1989

4. Section 1(1) of the Local Government Act 1989

5. Section 1(4) of the Local Government Act 1989

6. Section 1(5) of the Local Government Act 1989

2. **Planning:** outlines the statutory requirements and better practice guidance for preparing a council plan, strategic resource plan and budget
3. **Reporting:** outlines the statutory requirements and better practice guidance for preparing an annual report including a report of operations, financial statements and performance statement.

This guide is intended for use by specialists in the field of local government planning and reporting. It will also be instructive for senior officers including chief executive officers (CEOs) and councillors. Each council retains the responsibility for meeting their planning and reporting obligations.

Within this guide there are references to related information and further guidance. A full list of resources can be found in the reference section. Endnotes are used to reference legislative provisions and other information. Illustrative information and examples are provided in tables and boxed text.

2. Planning and accountability framework

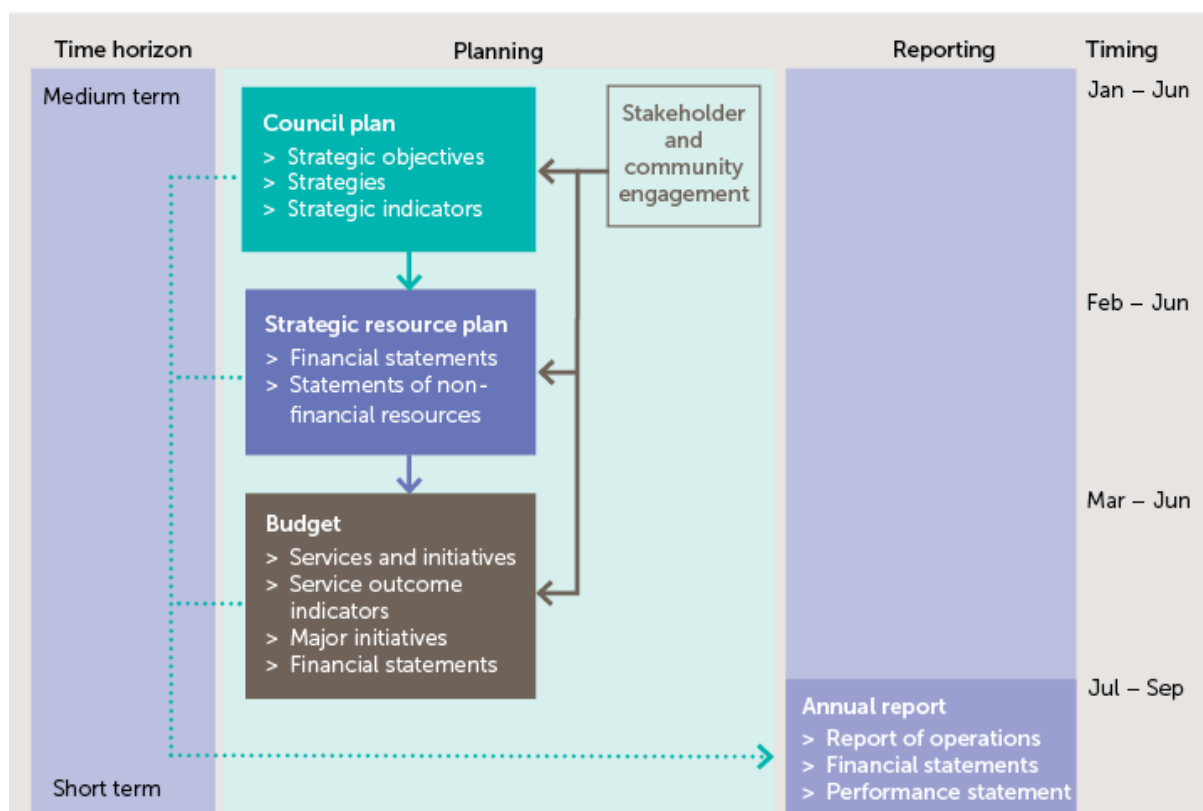
Statutory requirements

The planning and accountability framework is found in part 6 of the Act and in the regulations. The legislation requires councils to prepare the following documents:

- a council plan within the period of six months after each general election or by 30 June, whichever is later⁷
- a strategic resource plan for a period of at least four years and include this in the council plan⁸
- a budget for each financial year⁹
- an annual report for each financial year.¹⁰

The following diagram shows the relationships between the key planning and reporting documents that make up the planning and accountability framework for local government. It also shows that there are opportunities for community and stakeholder input at each stage of the planning and reporting cycle.

Figure 1 - Planning and accountability framework



7. Section 125 of the Local Government Act 1989

8. Section 126 of the Local Government Act 1989

9. Section 127 of the Local Government Act 1989

10. Section 131 of the Local Government Act 1989

Better practice guidance

As the closest level of government to the community, local government is best placed to observe community needs and concerns and respond accordingly. The role of local government is not only one of leadership, but also planning, advocacy and facilitating community participation.

Council planning is about envisioning and making choices that will shape the future. These choices can be based on a range of factors but should fundamentally be informed by local community aspirations, needs, values and priorities. Councils should actively pursue community input into the planning and reporting process.

Council plan: This is council's key medium-term strategic plan and should reflect the outcome of stakeholder and community engagement. The council plan describes the organisation's strategic objectives, strategies for achieving the objectives, strategic indicators for measuring progress and the resources required to implement the council plan for a period of at least four years.

Strategic resource plan: This is a rolling plan of at least four years and forms part of the council plan. The strategic resource plan outlines the financial and non-financial resources that council requires to achieve the strategic objectives described in the council plan and must take into account services and initiatives contained in *any* plan adopted by the council. It must also contain financial statements, statements of non-financial resources and other information such as capital works and human resource requirements as prescribed by the regulations.

Budget: This is a plan which reflects the first year of the strategic resource plan. It describes the services, initiatives and major initiatives to be funded including service performance outcome indicators for monitoring performance. The budget must contain financial statements and other information including capital works, human resources, grants and rating information as prescribed by the regulations.

Annual report: The annual report outlines the council's performance for the year as measured against the council plan and budget. The annual report contains information on what the council has achieved during the financial year in the report of operations including service performance indicator results, achievement of major initiatives and a governance and management checklist. The annual report must also contain financial statements and a performance statement to report performance against service performance, financial performance and sustainable capacity indicators. The financial statements and performance statement included in the annual report are audited at the end of the financial year by VAGO.

Community plan

Councils should take a leadership role in developing and facilitating community engagement and involvement to inform the preparation of their council plan. Although not a legislative requirement, the council plan can also be informed by long-term plans such as a community plan. A community plan typically describes the community's long-term vision and aspirations and is a way of directly involving the community in the lead up to the council plan preparation process.

For further information refer to:

- <https://www.localgovernment.vic.gov.au/strengthening-councils/sector-guidance-planning-and-reporting>

3. Planning

3.1 Council plan

Statutory requirements

“The Act requires councils to prepare a council plan.”

Section 125 of the Act states that:

- council must prepare and approve a council plan within six months after a general election or by 30 June (whichever is later) and submit its council plan to the Minister for Local Government¹¹
- the council plan must include the strategic objectives, strategies for achieving these for at least the next four years, strategic indicators for monitoring achievement of the strategic objectives and a strategic resource plan¹²
- before adopting the plan, a council must give public notice of its intention to adopt the plan and invite public submissions, specifying the date by which submissions are to be submitted that is not less than 28 days after the date on which the public notice is published¹³
- a copy of the proposed plan must be made available for public inspection at the council office and internet website¹⁴
- members of the public may make written submissions and, if they so desire, request to be heard in support of their submission¹⁵
- at least once each financial year a council must consider whether the council plan requires any adjustment in respect to the remaining period of the plan. If a council adjusts the strategic objectives, strategies or strategic indicators it must subject the revised plan to the public submission process¹⁶
- the finalised council plan must be available for public inspection at the council office and internet website as soon as is reasonably practical after its adoption.¹⁷

Councils should review section 125 of the Act for further details relating to the preparation of a council plan.¹⁸

Checklist

The council plan must include:

- the strategic objectives of the council

11. Section 125(1) and (5) of the Local Government Act 1989

12. Section 125(2)(a)(b)(c)(d) and (e) of the Local Government Act 1989

13. Section 125(3) and 223(1)(a)(iii) of the Local Government Act 1989

14. Section 125(3A) of the Local Government Act

15. Section 223(1)(a)(iv) of the Local Government Act 1989

16. Section 125(7)(8)(9) and (10) of the Local Government Act 1989

17. Section 125(11) and 82A(2)(ab)(i) of the Local Government Act 1989

18. At the time of writing, there were no other matters prescribed in the regulations

- ☑ strategies for achieving the objectives for at least the next four years
- ☑ strategic indicators for monitoring the achievement of the objectives
- ☑ a strategic resource plan containing the matters specified in section 126
- ☑ any other matters which are prescribed by the regulations.

Better practice guidance

The council plan is the key medium-term strategic plan produced by council for a period of at least four years and should reflect the vision and aspirations of the community and capture the character and identity of the municipality.

There are many different approaches for producing a council plan and it is up to each council to develop their plan in line with their requirements. To comply with the Act the council plan must include strategic objectives, strategies, strategic indicators and the strategic resource plan.

Guidance has been developed by the LGPro Corporate Planners Network on the preparation of the council plan, a summary of which is provided below. An alternative format is provided in the *Council Plan Good Practice Guide* produced by the MAV.

Sample content for the council plan

- | | | |
|------------------------------|---|--|
| ▪ Foreword ◆ | ▪ Organisational structure ◆ | ▪ Strategic indicators for monitoring objectives + |
| ▪ Mayor's introduction ◆ | ▪ Planning framework ◆ | ▪ Council priorities ◆ |
| ▪ Introduction ◆ | ▪ Best value ◆ | ▪ Strategic resource plan + |
| ▪ Council's values ◆ | ▪ Snapshot of council ◆ | ▪ Managing risks ◆ |
| ▪ Council's vision ◆ | ▪ Strategic objectives + | ▪ Supporting strategic plans ◆ |
| ▪ Council's mission ◆ | ▪ Strategies for achieving strategic objectives + | |
| ▪ The Council/ Councillors ◆ | | |
| ▪ CEO's message ◆ | | |

Key ◆ Optional ◆ Commonly adopted + Prescribed

As outlined in the 2012 VAGO report *Performance Reporting by Local Government Victoria*, effective performance reporting requires council's strategic objectives to be well-expressed and measurable so that they clearly articulate the outcomes a council is seeking to achieve. Poor expression of strategic objectives can compromise the effectiveness of performance reporting and diminish accountability to the community. Councils should ensure their strategic objectives and indicators are clearly expressed, measurable and aligned to one another. An example is provided in Table 1.

Table 1 - example strategic objective

Strategic objective	Businesses within our region are supported to grow and diversify.
Strategies	<ol style="list-style-type: none">1. Advocate for business mentoring and facilitation services.2. Work with AusIndustry to link businesses to state and Commonwealth services to support growth and diversification.3. Continue to develop and distribute Business Connect as a business information service.4. Support the growth of the region's manufacturing sector through partnerships, specific projects and infrastructure.
Strategic indicator	Gross regional product shows positive growth that matches or exceeds growth across the state economy.

For further information refer to:

- Municipal Association of Victoria (2012), *Council Plan Good Practice Guide*
- LGPro Corporate Planners Network (2008), *So you want to write a Council Plan?*
- LGPro Corporate Planners Network (2005), *The Council Plan Development Guide*

3.2 Strategic resource plan

Statutory requirements

“The Act requires councils to prepare a strategic resource plan and include this in the council plan.”

Section 126 of the Act states that:

- the strategic resource plan is a plan of the resources required to achieve the council plan strategic objectives¹⁹
- the strategic resource plan must take into account services and initiatives contained in any plan adopted by council and if the council proposes to adopt a plan to provide services or take initiatives, the resources required must be consistent with the strategic resource plan²⁰
- the strategic resource plan must include the financial statements describing the financial resources in respect of at least the next four financial years²¹
- the strategic resource plan must include statements describing the non-financial resources including human resources in respect of at least the next four financial years²²
- council must review their strategic resource plan during the preparation of the council plan²³
- council must adopt the strategic resource plan not later than 30 June each year or such other date fixed by the Minister and a copy must be available for public inspection at the council office and its internet website.²⁴

In preparing the strategic resource plan, councils should comply with the principles of sound financial management as prescribed in the Act²⁵ being to:

- prudently manage financial risks relating to debt, assets and liabilities
- provide reasonable stability in the level of rate burden
- consider the financial effects of council decisions on future generations
- provide full, accurate and timely disclosure of financial information.

In addition to section 126 of the Act, part 2 of the regulations also prescribes further details about the preparation of a strategic resource plan.

19. Section 126(1) of the Local Government Act 1989

20. Section 126(2A) and (2B) of the Local Government Act 1989

21. Section 126(2)(a) of the Local Government Act 1989

22. Section 126(2)(b) of the Local Government Act 1989

23. Section 126(3)(a) of the Local Government Act 1989

24. Section 126(3)(b), 126(4)(a) and 82A (2)(ab)(ii) of the Local Government Act 1989

25. Section 136 of the Local Government Act 1989

Checklist

The strategic resource plan must:

- take into account services and initiatives contained in any plan adopted by council
- include financial statements describing the required financial resources for the next four financial years
- include statements describing the required non-financial resources, including human resources for at least the next four financial years
- include any other information prescribed by the regulations.

Better practice guidance

The strategic resource plan is the key medium-term financial plan produced by council on a rolling basis that summarises the resourcing forecasts of a council for at least four years and forms part of the council plan. Resource planning is important for ensuring that a council remains sustainable in the long term and good practice is to extend forecasting for a ten-year period, to take account of long-lived assets such as road and drainage infrastructure.

The strategic resource plan summarises the financial and non-financial resources required to achieve the strategic objectives and strategies in the council plan and presents these in financial statements and statements of non-financial resources. It also describes the key assumptions underlying the forecasts for income, expenditure, assets, liabilities, equity, cash and capital works. The regulations require that the strategic resource plan must include:

- financial statements including a statement of capital works in the form set out in the *Local Government Model Financial Report*
- a summary of planned capital works expenditure in relation to non-current assets, classified in accordance with the asset classes and asset expenditure types specified in the *Local Government Model Financial Report* and a summary of funding sources in relation to the planned capital works expenditure²⁶
- a statement of human resources
- a summary of planned expenditure in relation to permanent human resources and a summary of the planned number of permanent full time equivalent staff by organisational structure.²⁷

In preparing the strategic resource plan councils must take into account services and initiatives contained in **any** plans adopted or proposed to be adopted by council. The resources required must then be presented in the strategic resource plan on the basis of what is able to be funded over the four year period. This will ensure that there is an integrated approach to financial planning for all council's activities and avoids the risk of committing future resources that are unaffordable and/or place an added burden on future generations.

Modelling the impact of different options by changing the assumptions underlying the forecasts is essential when finalising the strategic resource plan as it enables councils to determine their ability to achieve the council plan strategic objectives while remaining financially sustainable in the long term. The *Local*

26. Regulation 3(2) of the Local Government (Planning and Reporting) Regulations 2014

27. Regulation 6, 7 and 8 of the Local Government (Planning and Reporting) Regulations 2014

Government Better Practice Guide Strategic Resource Plan assists councils in preparing strategic resource plans in accordance with statutory requirements and better practice. A summary is outlined below.

Sample content for a better practice strategic resource plan

- Objectives of the plan
- How the plan was developed
- Key assumptions underlying the forecasts
- The options considered
- Outcomes of the preferred option
- How the plan achieves the strategic objectives in the council plan
- Statutory disclosures required under the Act and regulations.

It is accepted practice to include an extract of the strategic resource plan in the budget to provide readers with information about how it fits within the planning and accountability framework and demonstrate the linkage with the council plan and budget. A model budget is prepared annually by LGV which provides further guidance on including an extract of the strategic resource plan within the budget.

The financial statements must be included in the strategic resource plan, budget and annual report in accordance with the *Local Government Model Financial Report* which is prepared annually by LGV. While the same sets of financial statements are required in each of these reports there are differences. The form of the *Local Government Model Financial Report* should be followed for the purposes of preparing the strategic resource plan and budget. Information supporting the statements should also be customised to reflect the differing purposes of strategy (strategic resource plan), operations (budget) and reporting (annual report) while remaining consistent with each other. For example, information presented in the strategic resource plan such as capital works expenditure should be presented at the summary level so readers can clearly understand the long term impacts of asset investment decisions as opposed to the budget where it should be shown at the detail level so readers can see what projects will be delivered during the year.

For further information refer to:

- Department of Environment, Land, Water and Planning (2018), *Local Government Better Practice Guide Strategic Resource Plan*, State of Victoria
- Department of Environment, Land, Water and Planning (2018), *Local Government Model Financial Report*, State of Victoria
- Department of Victorian Communities (2006), *Local Government: Accounting for non-current physical assets under AASB 116: A Guide*, State of Victoria
- Chartered Accountants in Australia and New Zealand (2017), *Victorian City Council Model Budget 2017-2018*
- Department of Environment, Land, Water and Planning (2018), *Victorian City Council Model Budget 2018-2019*

3.3 Budget

Statutory requirements

“The Act requires councils to prepare a budget for each financial year.”

Sections 127, 128, 129 and 130 of the Act state that:

- a council must prepare a budget for each financial year which contains financial statements²⁸
- the budget must include a description of services and initiatives to be funded and how they will contribute to achieving the strategic objectives as specified in the council plan²⁹
- the budget must contain for services to be funded in the budget, the prescribed indicators of service performance that must be reported against in the performance statement and the prescribed measures relating to those indicators³⁰
- the budget must identify major initiatives which will be undertaken during the financial year and the prescribed indicators and measures of service outcome performance³¹
- the budget must contain the amount which the council intends to raise by general rates, municipal charges, service rates and service charges and whether general rates will be raised by the application of a uniform rate, differential rate or limited differential rate³²
- if the council intends to declare a differential rate for any land, it must include details of the differential rate in the budget³³
- the budget must contain a statement if it intends to apply for a special order to increase the average rate cap, or if it has made an application to the ESC for a special order to increase the average rate cap, or if a special order has been made and a higher cap applies for the financial year³⁴
- before adopting its budget, a council must give public notice and invite public submissions, specifying the date by which submissions must be lodged that is not less than 28 days after the public notice is published³⁵
- a copy of the proposed budget must be made available for public inspection at the council office and internet website³⁶
- the proposed budget may be prepared on the basis of an average rate cap, or a higher proposed cap, or both an average rate cap and a proposed higher cap³⁷

28. Section 127(1) and 127(2)(a) of the Local Government Act 1989

29. Section 127(2)(b) and (c) of the Local Government Act 1989

30. Section 127(2)(da) and (db) of the Local Government Act 1989

31. Section 127(2)(d)(da) and (db) of the Local Government Act 1989

32. Section 127(3)(a) and 158(1)(a) and (b) of the Local Government Act 1989

33. Sections 127(3)(b)(c) and 161(2) of the Local Government Act 1989

34. Section 127(4)(a)(b) and (c) of the Local Government Act 1989

35. Section 129(1)(2)(3) and 223(1)(a)(iii) of the Local Government Act 1989

36. Section 129(4) of the Local Government Act 1989

37. Section 129(5) of the Local Government Act 1989

- members of the public may make written submissions and, if they so desire, request to be heard in support of their submission³⁸
- a council must adopt and submit a copy of the budget to the Minister by 30 June each year or such other date fixed by the Minister and a copy must be available for public inspection at the council office and internet website.³⁹

In addition to sections 127, 128, 129 and 130 of the Act, councils should review part 3 of the regulations for further details relating to the preparation of the budget or revised budget.⁴⁰

Checklist

The budget must include:

- financial statements describing the required financial resources for the next twelve months
- a description of the services and initiatives to be funded in the budget
- a statement as to how the services and initiatives will contribute to achieving the strategic objectives specified in the council plan
- the prescribed indicators and measures of service performance to be reported against in the performance statement
- major initiatives identified as priorities to be undertaken during the financial year
- the prescribed outcome indicators and measures of service performance for services funded in the budget
- the amount to be raised by rates and charges
- a statement if applicable regarding the status of an application for a higher rate cap
- any other information prescribed by the regulations.

Better practice guidance

The budget is a short-term plan which specifies the resources required to fund a council's services and initiatives over the next 12 months and should be consistent with the first year of the strategic resource plan.

The budget includes both strategic and operational information. At the strategic level, the budget details how the services and initiatives to be funded will contribute to the achievement of the strategic objectives in the council plan as well as the indicators and measures to monitor service performance outcomes. It must also contain major initiatives which have been identified by council as priorities. At the operational level it should express the funding of services and initiatives through financial statements describing in detail the income, expenditure, assets, liabilities, equity, cash and capital works required. At a minimum the budget must include:

38. Section 223(1)(a)(iv) of the Local Government Act 1989

39. Section 130 and 82A(2)(ab)(iii) of the Local Government Act 1989

40. For information on revised budgets see Section 128 of the Local Government Act 1989

- financial statements including a statement of capital works
- a detailed list of planned capital works expenditure in relation to non-current assets, classified in accordance with the asset classes and asset expenditure types specified in the *Local Government Model Financial Report* and a summary of funding sources in relation to the planned capital works expenditure
- a statement of human resources
- a summary of planned expenditure in relation to permanent human resources and a summary of the planned number of permanent full time equivalent staff by organisational structure
- a list of grants by type and source classified separately as to recurrent operating, recurrent capital, non-recurrent operating and non-recurrent capital
- details about borrowings, including the amount to be borrowed, the amount to be redeemed and total borrowings
- details about rates and charges, including the types of rates and charges to be levied, the value of land, number of assessments and the amount of rates and charges to be raised.⁴¹

A key consideration of the budget preparation process is setting the rates and charges to be paid by each of the properties within the municipal district. From the 2016-17 financial year, all councils are subject to an average rate cap set by the Minister. An individual council may apply for a higher cap by making an application to the ESC. The application amongst other things must specify how the views of ratepayers and the community have been taken into account in proposing the higher cap.⁴² While, the public submission process is the main opportunity for ratepayers to voice their opinion about the budget, a separate community consultation process will need to be undertaken to support an application for a higher cap. The budget should therefore include a separate section on rates and charges including the proposed increase in the total amount of rates and charges to be raised (including justification) and the rating structure to be used for allocating the burden to the different types or classes of land. It is good practice to underpin decisions about rates and charges with a rating strategy.⁴³ A model budget is prepared annually by LGV which provides further guidance on the preparation of the budget. A summary is outlined below.

The budget is required to be adopted and a copy forwarded to the Minister by 30 June each year or such other date fixed by the Minister.⁴⁴ Allocating sufficient time to each stage of the budget process is important for ensuring that the final budget is delivered on time and is the product of a robust collaborative process. Typically the budget process should commence in January each year with the setting of budget targets based on the strategic resource plan. Officers then prepare their individual draft budgets in February and March followed by intensive briefings with the council during April. The proposed budget is then made available for public inspection and comment in May with the final budget adopted by council in June.

Sample content for a better practice budget

- Mayor's introduction and chief executive officer summary
- Explanation of the budget process

41. Regulation 9 and 10 of the Local Government (Planning and Reporting) Regulations 2014

42. Section 185E(3)(c) of the Local Government Act 1989

43. Further guidance on preparing rating strategies can be found in Department of Transport, Planning and Local Infrastructure (2014), Good Practice Guide to Revenue and Rating for Local Government State of Victoria

44. Section 130(3) of the Local Government Act 1989 and Section 2(2) of the Local Government (Performance Reporting and Accountability) Act 2014

- Linkages to the council plan, strategic resource plan and other long-term strategies
- Overview of services, initiatives, service performance indicators and budget influences
- Analysis of the key financial statements (operating, cash, balance sheet and capital works)
- Financial statements including a statement of capital works and human resources
- Statutory disclosures required under the Act and regulations.

Revised budget

A council must prepare a revised budget if circumstances arise which cause a material change in the budget and which affect the financial operations and position of council. Material change is not defined in the Act and therefore it is a matter of judgement by a council as to when a revised budget is required. A typical example would be where borrowings are required during a financial year, which was not proposed in the adopted budget. If a council decides to prepare a revised budget, it must follow the same preparation and public consultation process as for the original budget.

For further information refer to:

- Chartered Accountants in Australia and New Zealand (2017), *Victorian City Council Model Budget 2017-2018*
- Department of Environment, Land, Water and Planning (2018), *Victorian City Council Model Budget 2018-2019*

4. Reporting

4.1 Annual report

Statutory requirements

“The Act requires councils to prepare an annual report for each financial year.”

Sections 131, 132, 133 and 134 of the Act state that:

- a council must prepare an annual report containing a report of operations and audited financial statements and performance statement⁴⁵
- the report of operations must contain a statement of progress in relation to the major initiatives identified in the budget, the results of council’s assessment against the governance and management checklist, service performance indicator results and general information on the activities of the council⁴⁶
- the performance statement must contain the results of the service performance outcome indicators, financial performance indicators and sustainable capacity indicators and the prescribed measures for each indicator⁴⁷
- the financial statements and notes must be prepared in accordance with Australian Accounting Standards⁴⁸
- the financial statements and performance statement must be submitted to the auditor as soon as possible after the end of the financial year and certified in their final form by two councillors, chief executive officer and principal accounting officer⁴⁹
- the auditor must prepare a report on the performance statement and financial statements to be included in the annual report⁵⁰
- the annual report must be submitted to the Minister within three months of the end of each financial year (30 September)⁵¹
- after the annual report has been submitted to the Minister, the council must give public notice that the annual report has been prepared and can be inspected at the council office and internet website⁵²
- a council must consider the annual report at an open meeting of the council after providing the annual report to the Minister⁵³

45. Section 131(1) and (2) of the Local Government Act 1989

46. Section 131(3) of the Local Government Act 1989

47. Section 131(4) of the Local Government Act 1989

48. Section 3 and 131(5) of the Local Government Act 1989

49. Section 132(1)(2) and (5) of the Local Government Act 1989

50. Section 132(3) and (4) of the Local Government Act 1989

51. Section 133(1) of the Local Government Act 1989

52. Section 133(2) of the Local Government Act 1989

53. Section 134 of the Local Government Act 1989

- a copy of the current annual report must be available for public inspection at the council office and internet website.⁵⁴

In addition to sections 131, 132, 133 and 134 of the Act, councils should review part four of the regulations for further information required in the annual report.

Checklist

The annual report must include:

- a report of operations
- an audited performance statement
- audited financial statements
- a copy of the audit report on the performance statement
- a copy of the audit report on the financial statements
- any other matter required by the regulations.

Better practice guidance

The annual report is the key documents by which the council makes itself accountable to the community and contains information about the operations of the council and its performance for the financial year. Each council should determine the appropriate design, format and length of the annual report in order to effectively communicate with stakeholders and the community.

To comply with the Act, the annual report must include a report of operations containing information concerning the operations of the council, audited financial statements and notes prepared in accordance Australian Accounting Standards and an audited performance statement containing the results for the prescribed performance indicators and measures.

In 2012, VAGO recommended that all councils should critically review the performance information in their annual reports to ensure it is relevant, balanced, appropriate and clearly aligned with their council plan strategic objectives to ensure performance reporting is meaningful to the community.⁵⁵ In response, the Victorian Government introduced a mandatory system of performance in 2014-15 which prescribes performance information to be included in councils annual reports. Further guidance to assist councils report against the prescribed performance indicators and measures can be found in the *Local Government Performance Reporting Framework Indicator Workbook*.

Report of operations

While councils have flexibility in deciding what should be included in the report of operations, to comply with the statutory requirements it must include:

- a statement of progress in relation to the major initiatives identified in the budget
- the results of council's assessment against the governance and management checklist

54. Section 133(3) and 82(A)(2)(ab)(iv) of the Local Government Act 1989

55. Victorian Auditor-General's Office (2012), Performance Reporting by Local Government

- the results against the prescribed service performance indicators and measures for the financial year and three preceding years along with an explanation of material variances⁵⁶
- a statement which reviews the performance of the council against the council plan including outcomes in relation to the strategic indicators in the council plan
- economic or other factors which have had an impact on the council's performance
- major capital works expenditure
- major changes which have taken place during the financial year and the reasons for those changes
- other major achievements
- the services funded in the budget and the persons or sections of the community who are provided the services
- a list of contracts entered into with a value at \$150,000 or more without engaging in a competitive process
- information about the councillors, senior management, organisational structure and contact details
- information about councillor allowances and expenses including reimbursements
- a list of any special committees
- a summary of the number, gender and employment classification of council staff including details of any equal opportunity program
- a list of documents to be made available for public inspection.⁵⁷

The *Local Government Better Practice Guide Report of Operations* can assist councils to prepare a report of operations in accordance with statutory requirements and better practice.

Financial statements

The financial statements are to be prepared in accordance with the *Local Government Model Financial Report* and current Australian Accounting Standards and must include a statement of capital works.⁵⁸ In addition to the notes to the financial statements, the following other information must also be included:

- the amounts of money and assets held in trust and purposes for which they are held
- a list of grants by type and source classified separately as to recurrent operating, recurrent capital, non-recurrent operating and non-recurrent capital
- assets and liabilities committed to joint ventures
- actual versus budgeted income and expenditure including an explanation of major variations
- actual versus budgeted capital works expenditure including an explanation of major variations.⁵⁹

Performance statement

The performance statement to be included in the annual report must include the results achieved in relation to the prescribed service performance outcome, financial performance and sustainable capacity indicators

56. Regulation 13 of the Local Government (Planning and Reporting) Regulations 2014

57. Regulation 14 of the Local Government (Planning and Reporting) Regulations 2014

58. Regulation 19 of the Local Government (Planning and Reporting) Regulations 2014

59. Regulation 20 of the Local Government (Planning and Reporting) Regulations 2014

and measures for the financial year and three preceding years.⁶⁰ For the financial performance indicators and measures in the performance statement it must also include the forecast results for the following four years based on the financial statements included in the strategic resource plan.⁶¹ In addition, the regulations also require the following information to be included:

- a description of the municipal district, including the size, location and population
- an explanation of any material variations in the results of the indicators and measures between the current year and other years disclosed.⁶²

Additional performance indicators can be included by councils in the performance statement noting that they will be subject to audit by the VAGO and must pass the test of relevance and appropriateness as defined by VAGO.

The *Local Government Better Practice Guide Performance Statement* can assist councils prepare a performance statement in accordance with statutory requirements and better practice.

Results of local government audits

VAGO has powers under Section 16 of the *Audit Act 1994* to prepare and table a report to the Victorian Parliament outlining the result of the local government audits. This report provides a summary of audit opinions for each of Victoria's 79 councils, addressing the timeliness of their financial and performance reports, their financial sustainability and aspects of how they manage their budget processes and outsourced arrangements. This closes the loop in the accountability framework by ensuring councils are subject to independent scrutiny about their performance.

For further information refer to:

- Department of Environment, Land, Water and Planning (2018), *Local Government Better Practice Guide Report of Operations*, State of Victoria
- Department of Environment, Land, Water and Planning (2018), *Local Government Model Financial Report*, State of Victoria
- Department of Environment, Land, Water and Planning (2018), *Local Government Better Practice Guide Performance Statement*, State of Victoria

60. The provisions relating to results achieved in relation to the performance indicators and measures and explanation of variances for the three preceding years come into effect in a staged approach: 2014/15 - results for that year only; 2015/16 - results for that year and the preceding year; 2016/17 - results for that year and the two preceding years; 2017/18 - results for that year and the three preceding years.

61. Regulation 16 of the Local Government (Planning and Reporting) Regulations 2014

62. Regulation 17 of the Local Government (Planning and Reporting) Regulations 2014. Note that the requirement to explain material variations between the current year and three preceding year's results will be phased in over a three year period.

5. Glossary

Act	means the Local Government Act 1989
Annual report	means a report of the council's operations of the previous financial year and contains a report of operations, audited financial statements and an audited performance statement
Appropriateness	means indicators or measures that provide users with sufficient information to assess the extent to which an entity has achieved a pre-determined target, goal or outcome
Asset expenditure type	means capital works expenditure in relation to asset renewal, new assets, asset upgrade and asset expansion
Australian Accounting Standards	means the accounting standards published by the Australian Accounting Standards Board
Average rate cap	means an amount expressed as a percentage amount, based on the change to CPI over the financial year to which the cap relates, plus or minus any adjustment
Budget	means a plan setting out the services and initiatives to be funded for the financial year and how they will contribute to achieving the strategic objectives specified in the council plan
Capital works expenditure	means expenditure on non-current assets and includes new assets, asset renewal, asset expansion and asset upgrade
Council plan	means a plan setting out the medium-term strategic objectives, strategies, strategic indicators and resources reflecting vision and aspirations of the community for the next four years
Details list of planned capital works expenditure	means a list of projects in relation to the non-current assets by class, expenditure type and funding source
Financial performance indicators	means a prescribed set of indicators and measures that assess the effectiveness of financial management in a council covering operating position, liquidity, obligations, stability and efficiency
Financial resources	means income, expenditure, assets, liabilities, equity, cash and capital works required to deliver the services and initiatives in the budget
Financial statements	means the financial statements and notes prepared in accordance with the <i>Local Government Model Financial Report</i> , Australian Accounting Standards and other applicable standards as they apply to the general purpose financial reports and statement of capital works, included in the annual report
Financial year	means the period of 12 months ending on 30 June each year
General order	means an order made by the Minister under section 185D of the Act
Governance and	means a prescribed checklist of policies, plans and documents that councils must report the status of in the report of operations, covering engagement,

management checklist	planning, monitoring, reporting and decision making
Higher cap	means an amount expressed as the average rate cap specified in a general Order plus an additional percentage amount in respect of that financial year
Human resources	means the staff employed by a council
Indicator	means what will be measured to assess performance
Initiatives	means actions that are one-off in nature and/or lead to improvements in service
Local Government Model Financial Report	means the model report published by the Department of Environment, Land, Water and Planning
Major initiatives	means significant initiatives that will directly contribute to the achievement of the council plan during the current year and have a major focus in the budget
Measure	means how an indicator will be measured and takes the form of a computation, typically including a numerator and denominator
Minister	means the Minister for Local Government
Model budget	means the <i>Victorian City Council Model Budget</i> prepared annually by Local Government Victoria
Non-financial resources	means the resources other than financial resources required to deliver the services and initiatives in the budget
Performance statement	means a statement including the results of the prescribed service outcome indicators, financial performance indicators and sustainable capacity indicators for the financial year and included in the annual report
Planning and accountability framework	means the key statutory planning and reporting documents that must be prepared by councils to ensure accountability to local communities in the performance of functions and exercise of powers under the Act
Public notice	means a notice published in a newspaper generally circulating in the municipal district of the council
Public submission	means a response to a matter in writing that is the subject of a public submission process
Regulations	means the Local Government (Planning and Reporting) Regulations 2014
Relevance	means indicators or measures that have a logical and consistent relationship to an entity's objectives and are linked to the outcomes to be achieved
Report of operations	means a report containing a description of the operations of the council during the financial year and included in the annual report
Revised budget	means a budget prepared during the financial year where circumstances have arisen which have caused a material change in the adopted budget for that year and which affects the financial operations and position of council

Services	means assistance, support, advice and other actions undertaken by a council for the benefit of the local community
Service outcome indicators	means the prescribed service performance indicators to be included in the performance statement which measure whether the stated service objective has been achieved
Service performance indicators	means a prescribed set of indicators measuring the effectiveness and efficiency of council services covering appropriateness, quality, cost and service outcomes
Special order	means an order made by the ESC under section 185E of the Act
Statement of capital works	means a statement which shows all capital expenditure of a council in relation to non-current assets and asset expenditure type prepared in accordance with the model statement of capital works in the <i>Local Government Financial Report</i>
Statement of human resources	means a statement which shows all council staff expenditure and numbers of full time equivalent council staff
Statements of non-financial resources	means statements which describes the non-financial resources including human resources
Strategic indicators	means indicators developed for monitoring the achievement of strategic objectives in the council plan
Strategic objectives	means the outcomes a council is seeking to achieve over the next four years and included in the council plan
Strategic resource plan	means a plan of the financial and non-financial resources for at least the next four years required to achieve the strategic objectives in the council plan
Strategies	means high level actions directed at achieving the strategic objectives in the council plan
Summary of planned capital works expenditure	means a summary of capital works expenditure in relation to non-current assets classified according to the model statement of capital works in the <i>Local Government Financial Report</i> , by asset expenditure type and funding source
Summary of planned human resources	means a summary of permanent council staff expenditure and numbers of full time equivalent council staff categorised according to the organisational structure of the council
Sustainable capacity indicators	means a prescribed set of indicators measuring whether councils have the capacity to meet the agreed service and infrastructure needs of the local community and absorb foreseeable changes and unexpected shocks into the future covering financial performance, capacity and governance and management

6. References

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