

Appendix C:

Sector context

Sector at a glance

- Number of entities** The Victorian local government sector consists of 104 agencies, made up of:
- 79 local councils
 - 11 companies controlled by local councils
 - 8 library corporations
 - 6 associated entities.

Council cohorts Local Government Victoria (LGV) classifies councils into 5 local government groups. These groups are based on size, demographics and funding.

Figure C1: Council cohorts

Cohort	Definition	Number of councils
Metropolitan	A metropolitan council is 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 mainly rural in character.	19
Small shire	A small shire council is a municipality with fewer than 16,000 inhabitants that is mainly rural in character.	19
Total		79

Source: LGV.

Councils' main purpose Councils are area-based representative governments. They have a legislative and electoral mandate to manage local issues and plan for the community's needs.

Councils provide a range of services to their communities. This includes maintaining local roads, managing waste, delivering family services, and running 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 LGV's assistance.

Under the *Local Government Act 2020* (the Act) the Minister for Local Government may:

- appoint a municipal monitor to provide advice to councils and report back to the minister on a range of council structural, operational and governance issues

- appoint a Chief Municipal Inspector to investigate any breach of the Act, misconduct allegations by a councillor or public interest complaint that relates to a councillor's or member of council staff's conduct
 - appoint a person or persons to constitute a Commission of Inquiry to conduct an inquiry into council affairs and report back to the Minister
 - recommend the Governor in Council stand down a councillor
 - recommend the Governor in Council suspend all councillors and appoint an administrator who must perform all functions, powers and duties of the council.
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Local Government Victoria

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 (MAV) is a membership association and the legislated peak body for Victoria's 79 councils. It is a body corporate, incorporated by a state Parliament act. The results of its annual financial audit are included in Appendix E.

Local Government Finance Professionals (FinPro), an incorporated association, is the peak body servicing finance professionals within the local government sector. It represents all Victorian councils, 4 regional library corporations and more than 30 other organisations.

Legislative framework

Governance

The *Constitution Act 1975* (Victorian 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.

The Act

The Governor of Victoria approved the Act on 24 March 2020. It adopts a principle-based approach rather than a rule-based approach.

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

Local Government (Governance and Integrity) Regulations 2020

The *Local Government (Governance and Integrity) Regulations 2020* sets out various governance and integrity matters.

These regulations were amended by the *Local Government (Governance and Integrity) Amendment Regulations 2024*. Effective from 26 October 2024, the amendments:

- are more prescriptive about mayoral training, councillor induction training, councillor professional development training and the internal arbitration process to be followed
 - require a council to adopt the *Model Councillor Code of Conduct* by 1 July 2025.
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Local Government (Planning and Reporting) Regulations 2020

The *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 C2 outlines the legislation underpinning the financial reporting obligations of the local government sector.

Figure C2: Financial reporting legislative obligations

Entity	Legislation	Requirement
Councils	<i>Local Government Act 2020</i> <i>Local Government (Planning and Reporting) Regulations 2020</i>	<p>A council must prepare a financial report and performance statement as soon as practicable after the end of the financial year.</p> <p>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.</p> <p>The annual report must contain a report of operations, the audited financial report, performance statement and associated audit opinions.</p> <p>There is no requirement for councils to lodge their annual report with the Minister for Local Government.</p>
Council-controlled entities	<i>Corporations Act 2001 (Cth)</i>	Prepare a director’s report and financial report.
Library corporations	<i>Local Government Act 1989</i> or the <i>Australian Charities and Not-for-profits Commission Act 2012 (Cth)</i>	<p>The 8 library corporations comprise:</p> <ul style="list-style-type: none"> 6 regional library corporations, established under the <i>Local Government Act 1989</i> 2 library corporations established as an Australian company limited by guarantee under the <i>Corporations Act 2001</i> and registered as a charitable organisation under the <i>Australian Charities and Not-for-profits Commission Act 2012 (Cth)</i>. <p>The 6 regional library corporations continue to prepare annual financial reports in accordance with the requirements of the <i>Local Government Act 1989</i>, given the transitional provisions of the <i>Local Government Act 2020</i>.</p> <p>The 2 companies, limited by guarantee, prepare a financial report in accordance with the requirements of the <i>Australian Charities and Not-for-profits Commission Act 2012 (Cth)</i> 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 <i>agency-specific legislation</i>	Prepare a director’s report and financial report.

Source: VAGO.

Financial context

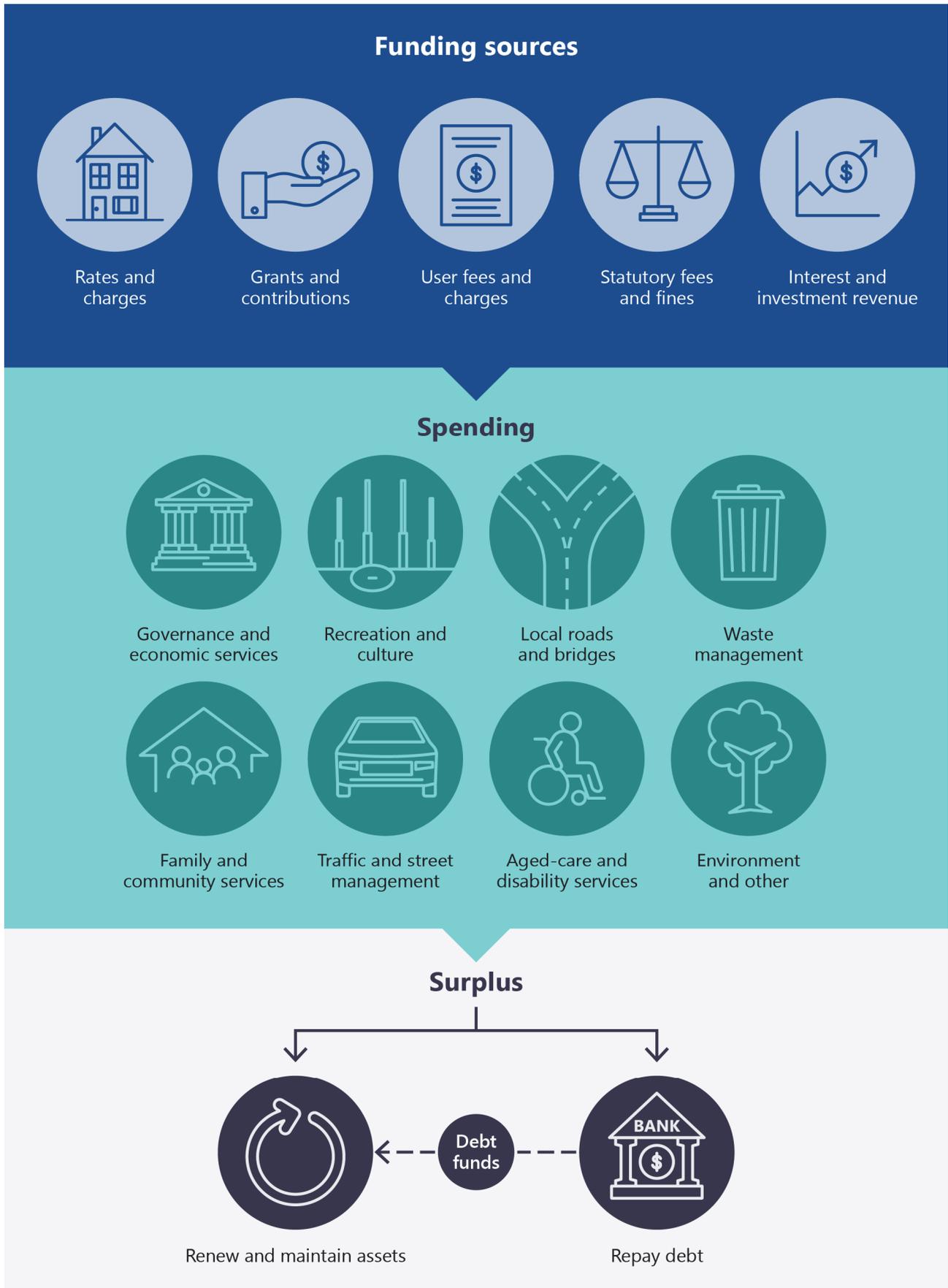
Council funding and spending Council operations are primarily funded through:

- 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, and plant and equipment.

Figure C3 shows how councils are funded, what they spend it on, and how unspent money is used.

Figure C3: Overview of the local government sector funding and spending



Source: VAGO.