



Jobs,
Precincts
and Regions

Model Accounts and Model Budget Webinar



2020-21 Model Accounts 2021-22 Model Budget

Local Government Victoria
FinPro
Crowe Australasia

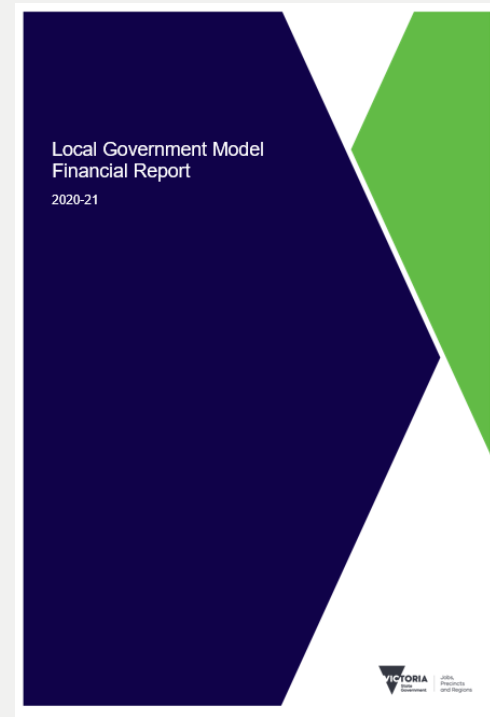
Introduction

Housekeeping:

- Session will be recorded
- Please mute microphones when not speaking

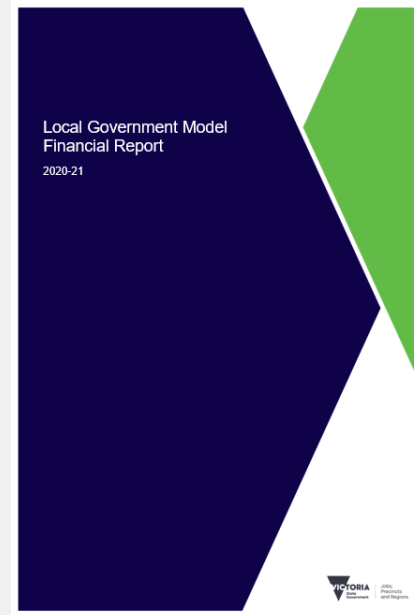
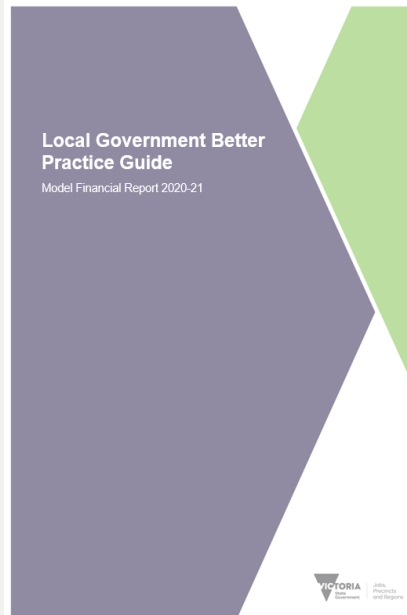
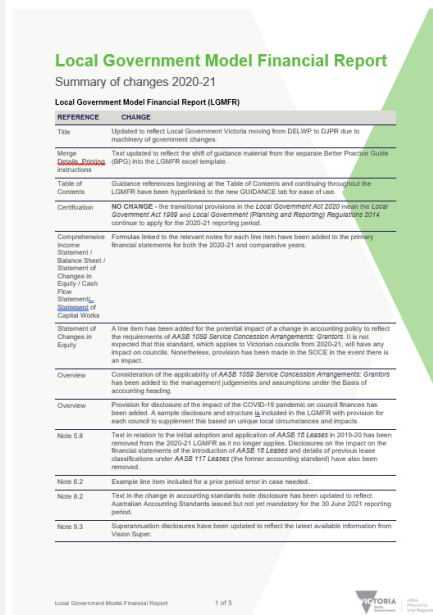
Structure:

- Changes to 2020-21 Model Accounts
- Changes to 2021-22 Model Budget
- Other upcoming events
- Questions



Where to find the publications?

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



2020-21 Model Accounts legislative and regulatory requirements

- *Local Government Act 2020*
 - Royal Assent 24 March 2020
 - Proclaimed in stages
 - Part 4 addresses planning and financial management
 - Part 4 operative from 24 October 2020
 - Includes transitional provisions in section 329(7)
- Transitional Provisions
 - ***Local Government Act 1989 and Local Government (Planning and Reporting) Regulations 2014* continue to apply to 2020-21 Annual Report**

2020-21 Model Accounts

What are the key changes to the 2020-21 Model Accounts?

- Hyperlinked guidance now in Model Accounts excel workbook

Model Council 2020/2021 Financial Report			
Comprehensive Income Statement For the Year Ended 30 June 2021			
	Note	2021 \$'000	2020 \$'000
Income			
Rates and charges	3.1	-	-
Statutory fees and fines	3.2	-	-
User fees	3.3	-	-
Grants - operating	3.4	-	-
Grants - capital	3.4	-	-
Contributions - monetary	3.5	-	-
Contributions - non monetary	3.5	-	-
Net gain (or loss) on disposal of property, infrastructure, plant and equipment	3.6	-	-
Fair value adjustments for investment property	6.4	-	-
Share of net profits (or loss) of associates and joint ventures	6.3	-	-
Other income	3.7	-	-
Total income		-	-
Expenses			
Employee costs	4.1	-	-
Materials and services	4.2	-	-
Depreciation	4.3	-	-
Amortisation - intangible assets	4.4	-	-
Amortisation - right of use assets	4.5	-	-
Bad and doubtful debts	4.6	-	-
Borrowing costs	4.7	-	-
Finance costs - leases	4.8	-	-
Other expenses	4.9	-	-
Total expenses		-	-

Page 1

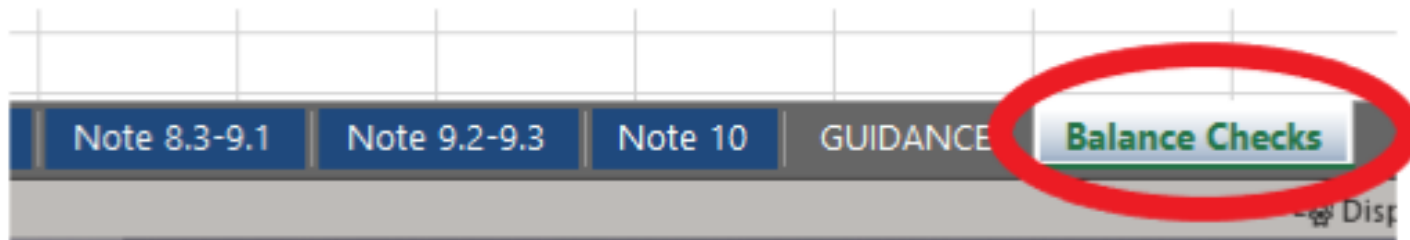
What are the key changes to the 2020-21 Model Accounts?

- Hyperlinked guidance now in Model Accounts excel workbook

	B	C
7	G 5 AASB 101 Presentation of Financial Statements prescribes the basis for presentation of general purpose financial statements and sets out overall requirements for their presentation, guidelines for their structure and minimum requirements for their content. Preparers should refer to specific guidance on the format and inclusions in the comprehensive income statement at AASB 101.81A – 105.	AASB 101 Presentation of Financial Statements
8	The comprehensive income statement is not to include an underlying result, nor is there a need to include a note within the financial statements reconciling a council's result to an underlying result that is used in the calculation of ratios or for any other reporting purposes.	
9	G6 - A limited number of items disclosed in the Comprehensive Income Statement may have a net income or net expense effect. Each of these line items is to be accounted for as income when it is an overall gain and as an expense when it is an overall loss.	
10	If recognised under income these items are:	
11	<input type="checkbox"/> Net gain on disposal of property, infrastructure, plant and equipment;	
12	<input type="checkbox"/> Fair value adjustments for investment property; and	
13	<input type="checkbox"/> Share of net profits of associates and joint ventures.	
14	If recognised under expenses these items are:	
15	<input type="checkbox"/> Net loss on disposal of property, infrastructure, plant and equipment;	
16	<input type="checkbox"/> Fair value adjustments for investment property; and	
17	<input type="checkbox"/> Share of net loss(es) of associates and joint ventures.	Better Practice / AASB 116 Property, Plant and Equipment / AASB 136 Impairment of Assets
18	G6 & G40 This is to be applied to the current and comparative year, which could result in the same line items being disclosed as income in one year and an expense in the comparative.	
19	G40 - As indicated at G6, losses or gains on disposal of assets are to be treated as income or expenses depending on the net impact in a given year. Regardless of the financial impact all items are to be disclosed at note 3.6.	
20	The gain or loss arising from the disposal of property, infrastructure, plant and equipment shall be the difference between the net disposal proceeds, if any, and the carrying amount of the item.	
21	Where a significant level of disposal activity has occurred, or the result of the disposals has a significant impact on council's performance, consideration should be given to breaking down the disposal details by asset class.	
22	Infrastructure is renewed when it comes to the end of its economic life to council and as such it would not be expected that a significant loss on disposal would be incurred. If Council has a significant write-down of infrastructure, it should be treated as other expense and disclosed in note 3.6. Any loss on disposal that is recorded should be taken to the SOCI, not adjusted against the asset revaluation reserve.	
23	Councils need to be careful when measuring the value of specific infrastructure that has been replaced or renewed to ensure that any cost of disposal reflects the value of the actual infrastructure renewed and not an average value of infrastructure across a class or component of infrastructure.	
24	G 7 The fair value of investment properties must be reassessed annually with any movement recognised in the surplus/deficit for the period.	AASB 140 Investment Property
25	A limited number of items disclosed in the Comprehensive Income Statement may have a net income or net expense effect. Each of these line items is to be accounted for as income when it is an overall gain and as an expense when it is an overall loss.	
26	If recognised under income these items are:	
27	<input type="checkbox"/> Net gain on disposal of property, infrastructure, plant and equipment;	
28	<input type="checkbox"/> Fair value adjustments for investment property; and	
29	<input type="checkbox"/> Share of net profits of associates and joint ventures.	Better Practice
30	If recognised under expenses these items are:	
31	<input type="checkbox"/> Net loss on disposal of property, infrastructure, plant and equipment;	
32	<input type="checkbox"/> Fair value adjustments for investment property; and	
33	<input type="checkbox"/> Share of net loss(es) of associates and joint ventures.	
34	This is to be applied to the current and comparative year, which could result in the same line items being disclosed as income in one year and an expense in the comparative.	
35	G 8 Other income should not be a significant portion of total income. Where the other income is greater than 10% of total income councils should consider separate disclosure of any significant item on the face of the financial statements.	Better Practice
36	G 48 Where borrowing costs are directly incurred in the acquisition or construction of a qualifying asset a council may elect to capitalise those costs as part of the asset.	AASB 123 Borrowing Costs (para 8)
37	Borrowing costs - are to be disclosed separately on the face of the comprehensive income statement and typically relate to interest on loans.	
38	G 9 Finance costs - Leases - Following the introduction of AASB 16 Leases an additional line item was included which represents the interest component of capitalised leases and is to be disclosed separately on the face of the comprehensive income statement.	AASB 101.82
39	G 10 Other expenses should not be a significant portion of total expenses. Where the other expenses are greater than 10% of total expenses councils should consider separate disclosure of any significant item on the face of the financial statements.	Better Practice
40	Other comprehensive income (OCI) consists of items of income or expense that are not recognised in the determination of surplus or deficit. In most councils OCI will be limited to movements in asset revaluation reserves. Accordingly, the LGMFR is prepared reflecting this likely outcome. However, councils may need to recognise other items of OCI in some limited circumstances. In these situations, the recognition, measurement and disclosure requirements of AASB 101 Presentation of Financial Statements are to be complied with. Components of other comprehensive income include (but are not limited to):	AASB 101.7 / AASB 116 Property, Plant and Equipment / AASB 138
41	<input type="checkbox"/> changes in revaluation surpluses	

What are the key changes to the 2020-21 Model Accounts?

- Balance checks tab added to aid Model Accounts template integrity



What are the key changes to the 2020-21 Model Accounts?

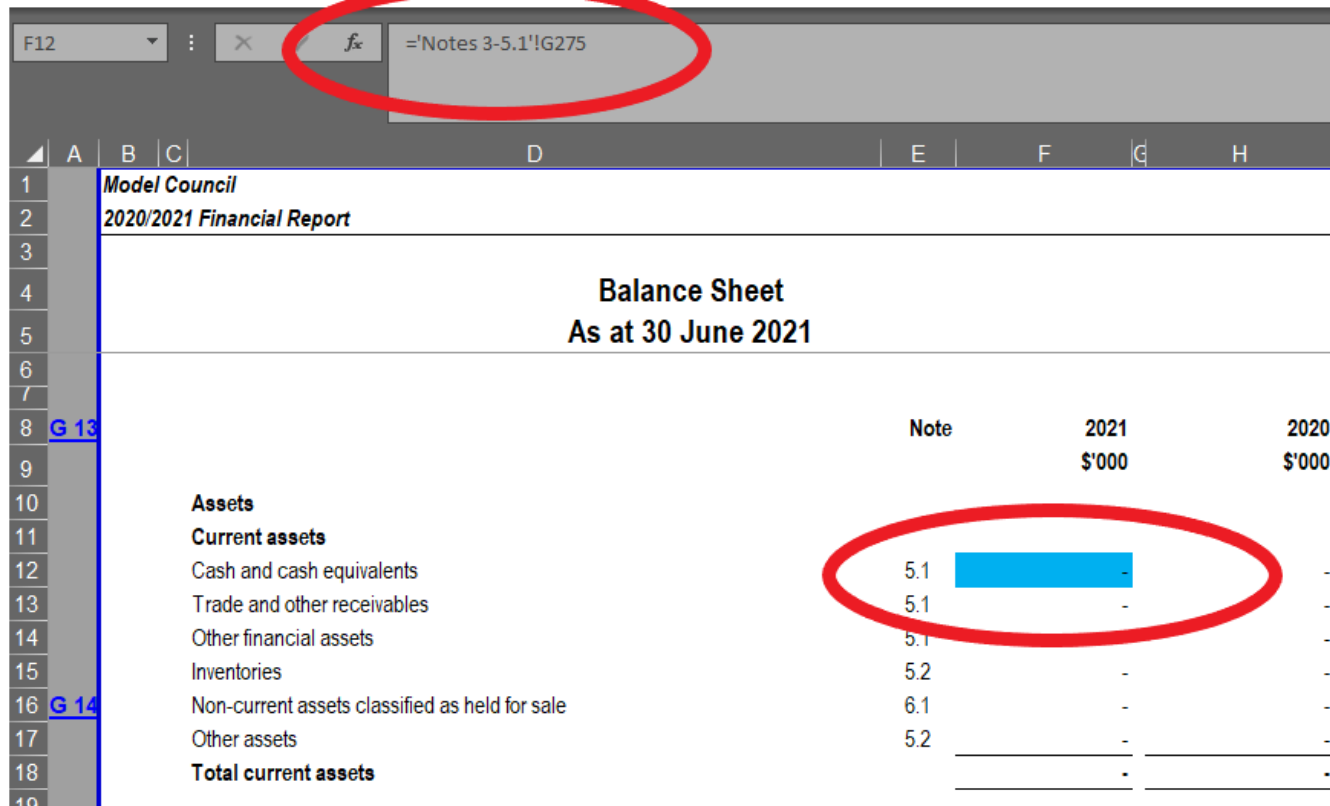
- Balance checks tab added to aid Model Accounts template integrity

The screenshot shows an Excel spreadsheet with a formula bar at the top containing the formula: `=IF("Notes 3-5.1"!G18="Comprehensive Income Statement"!F11,"In Balance","OUT OF BALANCE")`. Below the formula bar, a note states: "NOTE: This worksheet is not part of the model financial report. It has been provided to assist preparers in identifying what elements of the model should agree. While check formulas are included it should be note that these can be easilty corrupted by changes made to the model and should not be used as a substitute for effective internal quality assurance process". The table below lists various sources and elements, with columns for Source, Element, Link, and Result. A red oval highlights the table, specifically the Link and Result columns.

Source	Element	Link	Result
SOCI	Rates and charges	3.1	OUT OF BALANCE
SOCI	Statutory fees and fines	3.2	In Balance
SOCI	User fees	3.3	In Balance
SOCI	Grants - operating	3.4	In Balance
SOCI	Grants - capital	3.4	In Balance
SOCI	Contributions - monetary	3.5	In Balance
SOCI	Contributions - non monetary	3.5	In Balance
SOCI	Net gain (or loss) on disposal of property, infrastructure, plant and equipment	3.6	In Balance
SOCI	Fair value adjustments for investment property	6.4	In Balance
SOCI	Share of net profits (or loss) of associates and joint ventures	6.3	In Balance
SOCI	Other income	3.7	In Balance
SOCI	Employee costs	4.1	In Balance
SOCI	Materials and services	4.2	In Balance

What are the key changes to the 2020-21 Model Accounts?


- Formulas in Primary Financial Statements linked to notes



The screenshot displays an Excel spreadsheet for the 'Model Council 2020/2021 Financial Report'. The main title is 'Balance Sheet As at 30 June 2021'. The table lists various assets and their corresponding values for 2021 and 2020. The formula bar at the top shows the formula for cell G13: `=Notes 3-5.1!G275`, which is circled in red. In the table, the 'Note' column for 'Cash and cash equivalents' shows '5.1', which is also circled in red.

	Note	2021 \$'000	2020 \$'000
Assets			
Current assets			
Cash and cash equivalents	5.1	-	-
Trade and other receivables	5.1	-	-
Other financial assets	5.1	-	-
Inventories	5.2	-	-
Non-current assets classified as held for sale	6.1	-	-
Other assets	5.2	-	-
Total current assets		-	-

What else has changed?

- New DJPR cover page (previously DELWP) 
- Text in Printing Instructions tab updated to reflect shift of guidance



Guidance Material

To assist users in the compilation of the financial report references are included to guidance material throughout the LGMFR. These references are to the GUIDANCE tab included with the LGMFR and are hyperlinked for ease of use. The references do not form part of the LGMFR and should be deleted or hidden in any final financial report.

PRINTING INSTRUCTIONS

Select the worksheet 'Comprehensive Income Statement' which is page 1.

Right click on the name of this sheet and click 'Select All Sheets'.

Hold down Control key and deselect any worksheets you do not wish to be included in the numbering, this is done by clicking on the tab which displays the name of the worksheet

('Merge Details' - Cover - Table of Contents)

Merge Details_Printing instr

Cover

Table of Contents

Certification

VAGO Report

What else has changed?

- **Certification of the financial statements has NOT CHANGED**
- Still refers to 1989 Act and 2014 Regulations

Model Council

2020/2021 Financial Report

Certification of the Financial Statements

In my opinion, the accompanying financial statements have been prepared in accordance with the *Local Government Act 1989*, the *Local Government (Planning and Reporting) Regulations 2014*, the Australian Accounting Standards and other mandatory professional reporting requirements.

<Principal Accounting Officer Name & Qualifications>

Principal Accounting Officer

Date : *<Date>*

<Location>

In our opinion the accompanying financial statements present fairly the financial transactions of the *<Council name>* for the year ended 30 June 2021 and the financial position of the Council as at that date.

At the date of signing, we are not aware of any circumstances that would render any particulars in the financial statements to be misleading or inaccurate.

We have been authorised by the Council and by the *Local Government (Planning and Reporting) Regulations 2014* to certify the financial statements in their final form.

What else has changed?

- Statement of Changes in Equity (SOCE)
- Line item available for potential impact of *AASB 1059 Service Concession Arrangements: Grantors*.
- Consideration of the applicability of AASB 1059 also added to the management judgments and assumptions

Model Council
2020/2021 Financial Report

Statement of Changes in Equity For the Year Ended 30 June 2021

2021	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
Balance at beginning of the financial year		-	-	-	-
Impact of change in accounting policy -AASB 1059: Service concession arrangements: grantors	10	-	-	-	-
Adjusted Opening balance		-	-	-	-
Surplus/(deficit) for the year		-	-	-	-
Net asset revaluation increment/(decrement)	6.2	-	-	-	-
Transfers to other reserves	9.1	-	-	-	-
Transfers from other reserves	9.1	-	-	-	-
Balance at end of the financial year		-	-	-	-

Significant accounting policies

(a) Basis of accounting

The accrual basis of accounting has been used in the preparation of these financial statements, whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated judgements are based on professional judgement derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AAS's that have significant effects on the financial statements and estimates relate to:

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of employee provisions (refer to Note 5.5)
- the determination of landfill provisions (refer to Note 5.5)
- the determination of whether performance obligations are sufficiently specific so as to determine whether an arrangement is within the scope of AASB 15 *Revenue from Contracts with Customers*, or AASB 1058 *Income of Not-for-Profit Entities* (refer to Note 3)

- the determination, in accordance with AASB 16 *Leases*, of the lease term, the estimation of the discount rate when not implicit in the lease and whether an arrangement is in substance short-term or low value (refer to Note 5.8)

- whether or not AASB 1059 *Service Concession Arrangements: Grantors* is applicable (refer to Note 8.2)

- other areas requiring judgements

What else has changed?

- Sample COVID-19 Impacts disclosures also added to Basis of Accounting section (under Overview tab)



(b) Impact of Covid-19	
<p>On 16 March 2020 a state of emergency was declared in Victoria due to the global pandemic COVID-19 virus, known as coronavirus. A state of disaster was subsequently declared on 2 August 2020. While the impacts of the pandemic have abated somewhat through the 2020-21 year, Council has noted the following significant impacts on its financial operations:</p> <ul style="list-style-type: none">• Additional revenue – add details of grant funding received.• Revenue reductions – add details of significant revenue reductions (user fees and charges)• Revenue foregone – add details where council has forgone revenue in response to the pandemic (parking fees, overdue charges, etc)• Additional costs – add any details (which may relate to grant funding or other initiatives). Include increased provisions for doubtful debts and bad debts here.• Asset valuations – detail any significant impact (if noted)	
Note to be added to the unique circumstances of each council.	
Page 9	

What else has changed?

- AASB 16 Leases initial adoption and application text and details of previous lease classifications removed from Note 5.8

5.8 Leases								
At inception of a contract, all entities would assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To identify whether a contract conveys the right to control the use of an identified asset, it is necessary to assess whether:								
<ul style="list-style-type: none"> - The contract involves the use of an identified asset; - The customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and - The customer has the right to direct the use of the asset. 								
This policy is applied to contracts entered into, or changed, on or after 1 July 2019.								
As a lessee, Council recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for:								
<ul style="list-style-type: none"> - any lease payments made at or before the commencement date less any lease incentives received; plus - any initial direct costs incurred; and - an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. 								
The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain measurements of the lease liability.								

What else has changed?

- Example line item included for a prior period error in Note 6.2

(b) Plant and Equipment						
	Heritage plant and equipment	Plant and machinery and equipment	Fixtures fittings and furniture	Computers and telecomms	Library books	Total plant and equipment
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2020	-	-	-	-	-	-
Accumulated depreciation at 1 July 2020	-	-	-	-	-	-
	-	-	-	-	-	-
Movements in fair value						
Additions	-	-	-	-	-	-
Contributions	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Disposal	-	-	-	-	-	-
Write-off	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Prior period error	-	-	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-	-	-
	-	-	-	-	-	-
Movements in accumulated depreciation						
Depreciation and amortisation	-	-	-	-	-	-
Accumulated depreciation of disposals	-	-	-	-	-	-
Prior period error	-	-	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-	-	-
Transfers	-	-	-	-	-	-

What else has changed?

- Text in change in accounting standards note disclosure has been update to reflect AAS issued but not yet mandatory for 2020-21 in Note 8.2

8.2 Change in accounting standards

Certain new Australian Accounting Standards and interpretations have been published that are not mandatory for the 30 June 2021 reporting period. Council assesses the impact of these new standards. As at 30 June 2021 there were no new accounting standards or interpretations issued by the AASB which are applicable for the year ending 30 June 2022 that are expected to impact Council.

What else has changed?

- Superannuation disclosures in Note 9.3 updated to reflect latest available information from Vision Super

Model Council			Notes to the Financial Report				
2020/2021 Financial Report			For the Year Ended 30 June 2021				
			In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.				
			The 2020 triennial actuarial investigation surplus amounts				
			An actuarial investigation is conducted annually for the Defined Benefit category of which Council is a contributing employer. Generally, a full actuarial investigation is conducted every three years and interim actuarial investigations are conducted for each intervening year. A full investigation was conducted as at 30 June 2020.				
			The Fund's actuarial investigation identified the following for the Defined Benefit category of which Council is a contributing employer:				
					2020	2019	
					(Triennial)	(Interim)	
					\$m	\$m	
			- A VBI Surplus		100.0	151.3	
			- A total service liability surplus		200.0	233.4	
			- A discounted accrued benefits surplus		217.8	256.7	
			The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2020.				

Page 2

What else has changed?

- Change in accounting policies at Note 10 updated to reflect the application of *AASB 1059 Service Concession Arrangements: Grantors* from 2020-21 (no impact expected)
- Yellow highlighting flags parts of the LGMFR where councils should apply professional judgement or local data to populate the LGMFR template.

Model Council	Notes to the Financial Report				
2020/2021 Financial Report	For the Year Ended 30 June 2021				
	10 Change in accounting policy				
	AASB 1059 Service Concession Arrangements: Grantors (AASB 1059) (applies 2020/21 for LG Sector)				
	Council has adopted AASB 1059 Service Concession Arrangements: Grantors , from 1 July 2020. <<This has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.>> (To be described and completed)				
	AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material (applies 2020/21 for LG Sector)				
	Council has adopted AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material, from 1 July 2020 ..(To be described and completed)				
	AASB 2019-1 Amendments to Australian Accounting Standards - References to the Conceptual Framework (applies 2020/21 for LG Sector)				
	Council has adopted AASB 2019-1 Amendments to Australian Accounting Standards - References to the Conceptual Framework from 1 July 2020 (To be described and completed)				
	It is not expected that these standards will have any significant impact on council.				

2020-21 Model Accounts Better Practice Guide

What are the key changes to the Model Accounts Better Practice Guide?

- Guidance material has been shifted from the Better Practice Guide into the Model Accounts template

For the 2020-21 reporting year the detailed guidance previously included in this BPG has been moved to within the LGMFR itself. This change aims to allow users to quickly access any relevant guidance from within the LGMFR template and includes hyperlinks for ease of use.

The detailed guidance in the LGMFR is provided to assist local government finance professionals in preparing the council's annual financial statements. For ease of referencing each piece of guidance

²⁸ Regulation 5 of the Local Government (Planning and Reporting) Regulations 2014

Local Government Better Practice Guide

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has been assigned a unique number. Where applicable, references to the *Local Government Act 2020*, the Local Government (Planning and Reporting) Regulations 2020, the *Local Government Act 1989*, the Local Government (Planning and Reporting) Regulations 2014, Australian Accounting Standards and other authoritative pronouncements are also included.



Local Government Better
Practice Guide
Model Financial Report 2020-21



Jobs,
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and Regions

What are the key changes to the Model Accounts Better Practice Guide?

- Section added on *Local Government Act 2020* transitional provisions

3.1.3 Transitional provisions

Part 4 of the Act addresses planning and financial management. The legislative requirements to develop strategic planning, budgeting and annual reporting documents in Part 4 came into operation on 24 October 2020. The *Local Government (Planning and Reporting) Regulations 2020* (the regulations) also came into operation on 24 October 2020.

However, the Act and regulations also include transitional provisions which effectively mean the requirements under the *Local Government Act 1989* and the *Local Government (Planning and Reporting) Regulations 2014* remain for the 2020-21 reporting period.

Section 329(7) of the Act includes the following:

*“...(7) Despite the commencement of section 362, the **Local Government Act 1989** as in force immediately before that commencement continues to apply to, and in respect of, the following—*

....(b) the preparation of the annual report for the financial year ending 30 June 2021;....”⁷

Part 5 of the regulations includes the following:

16 Local Government (Planning and Reporting) Regulations 2014

*Despite the revocation of the *Local Government (Planning and Reporting) Regulations 2014*, those Regulations as in force immediately before 24 October 2020 continue to apply in relation to the financial year which commenced on 1 July 2020.⁸*

What are the key changes to the Model Accounts Better Practice Guide?

- Section and diagrams added to contextualise new ISPRF under the *Local Government Act 2020*

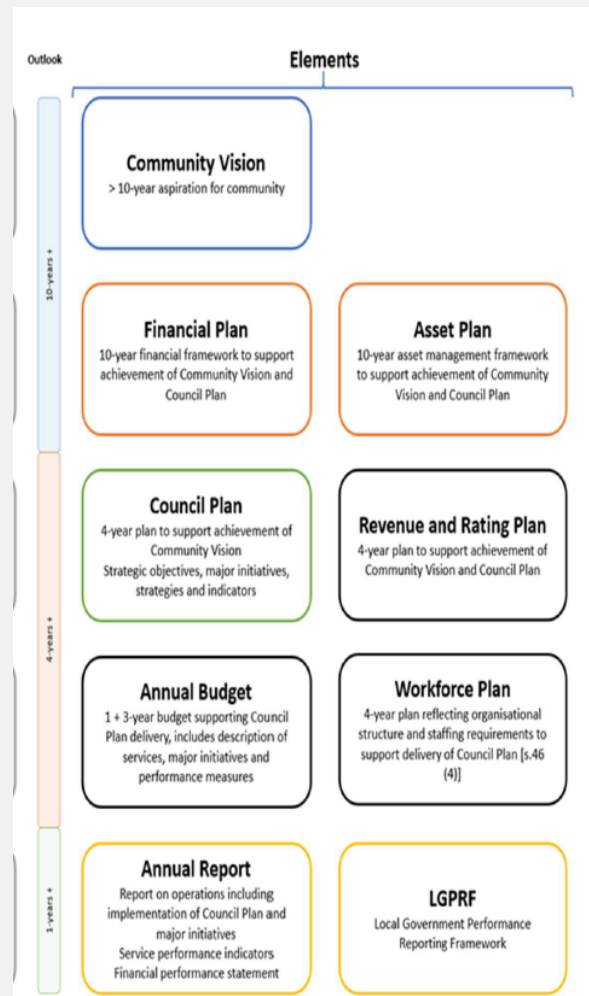
4 Integrated Strategic Planning and Reporting Framework

Part 4 of the *Local Government Act 2020* addresses planning and financial management. The legislative requirements to develop strategic planning, budgeting and annual reporting documents in Part 4 came into operation on 24 October 2020.

The Act introduces strategic planning principles for Victorian councils which include an integrated approach to planning, monitoring and performance reporting.¹⁰ This important shift from a more prescriptive form of legislation to a new Act that is principles-based is explored further in the *Integrated Strategic Planning and Reporting Discussion Paper* which is available at <https://engage.vic.gov.au/local-government-act-2020>.

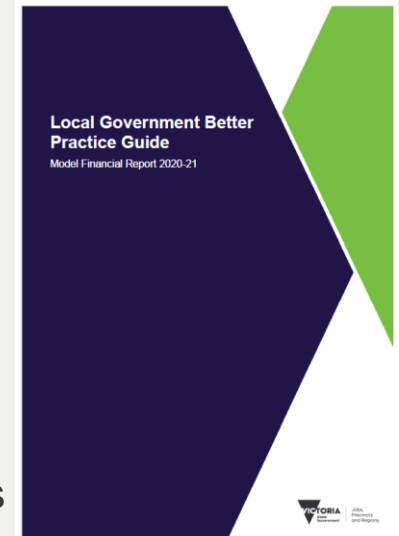
Part 4 of the *Local Government Act 2020* requires councils to prepare the following:

- A Community Vision (for at least the next 10 financial years);¹¹
- A Council Plan (for at least the next 4 financial years);¹²
- A Financial Plan (for at least the next 10 financial years);¹³
- An Asset Plan (for at least the next 10 financial years);¹⁴
- A Revenue and Rating Plan (for at least the next 4 financial years);¹⁵
- An Annual Budget (for the next 4 financial years);¹⁶
- A Quarterly Budget Report;¹⁷
- An Annual Report (for each financial year);¹⁸ and



What else has changed in the Model Accounts Better Practice Guide?

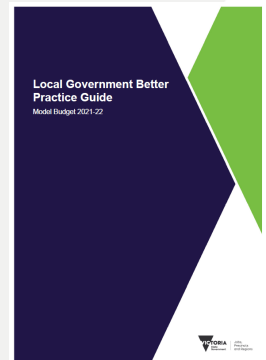
- Message from LGV, Introduction and guidance sections updated to reflect:
 - Local Government Act 2020;
 - Transitional provisions;
 - Shift of guidance to Model Accounts template;
 - Working group membership details;
- Other changes include:
 - Updated Glossary to reflect Local Government Act 2020;
 - Updated References section with latest editions and hyperlinks



2021-22 Model Budget

What are the key changes to the 2021-22 Model Budget?

- Optional tabs added to Model Budget template
 - CFO or Executive Summary
 - Budget Influences
 - Economic Assumptions



What are the key changes to the 2021-22 Model Budget?

- CFO or Executive Summary

1	Chief Financial Officer / Executive Summary (optional)
2	
3	
4	<i>Provide a summary and overview of the budget. Refer to guidance document for an example disclosure (Appendix 1)</i>
5	
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◀	▶	Title	Contents	Mayor & CEO	CFO or Executive Summary	Budget Influences	Economic
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- Budget Influences



Jobs,
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What are the key changes to the 2021-22 Model Budget?

- Economic Assumptions

Economic Assumptions (optional)								
Assumption	Notes	Actual	Forecast	Budget	Projections			Trend
		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	
Rate Cap Increase	1	%	%	%	%	%	%	
Population Growth	2	%	%	%	%	%	%	
Investment Interest Rate	3	%	%	%	%	%	%	
Borrowing Interest Rate	4	%	%	%	%	%	%	
CPI	5	%	%	%	%	%	%	
User Fees	6	%	%	%	%	%	%	
Grants - Recurrent	7	%	%	%	%	%	%	
Grants - Non-Recurrent		%	%	%	%	%	%	
Contributions		%	%	%	%	%	%	
Proceeds from sale of assets		\$	\$	\$	\$	\$	\$	
Finance Costs		\$	\$	\$	\$	\$	\$	
Other Revenue		%	%	%	%	%	%	
Employee Costs	8	%	%	%	%	%	%	
Contractors, consultants and materials		%	%	%	%	%	%	
Utilities		%	%	%	%	%	%	

What are the key changes to the 2021-22 Model Budget?

- Section 1 updated for Integrated Strategic Planning and Reporting Framework (ISPRF)

1. Link to the Integrated Planning and Reporting Framework

This section describes how the Budget links to the achievement of the Community Vision and Council Plan within an overall integrated planning and reporting framework. This framework guides the Council in identifying community needs and aspirations over the long term (Community Vision and Financial Plan), medium term (Council Plan, Workforce Plan, and Revenue and Rating Plan) and short term (Budget) and then holding itself accountable (Annual Report).

G3 1.1 Legislative planning and accountability framework

The Budget is a rolling four-year plan that outlines the financial and non-financial resources that Council requires to achieve the strategic objectives described in the Council Plan. The diagram below depicts the integrated planning and reporting framework that applies to local government in Victoria. At each stage of the integrated planning and reporting framework there are opportunities for community and stakeholder input. This is important to ensure transparency and accountability to both residents and ratepayers.

Could alternative

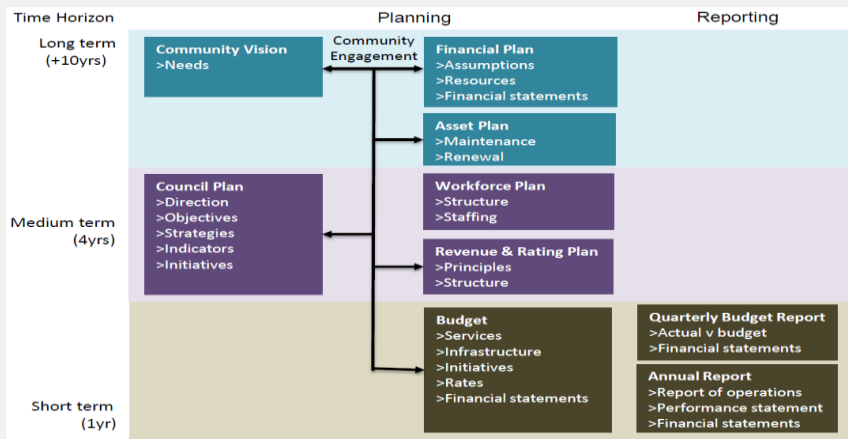
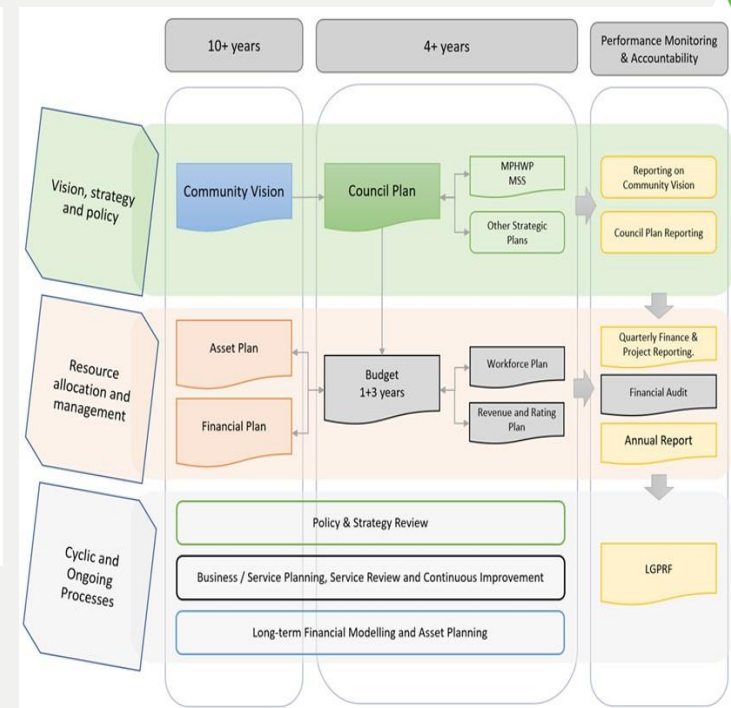
Time Horizon

Long term (+10yrs)

1

10+ years 4+ years Performance Monitoring & Accountability

Title Contents Mayor&CEO CFO or Executive Summary Budget Influences Economic Assumptions



What are the key changes to the 2021-22 Model Budget?

- Section 2 adjusted to better align with Comprehensive Income Statement format and language

7	Insert introduction on how council will be able to achieve <strategic objective 1>				
8					
9	G6 Services				
10			2019/20	2020/21	2021/22
11			Actual	Forecast	Budget
12	Service area	Description of services provided	\$'000	\$'000	\$'000
13					
14	Service area	Describe the services to be provided <i>Inc</i>	-	-	-
15		(Add quantum of services delivered <i>Exp</i>	-	-	-
16		i.e. measures of activity e.g. number of school crossings) <i>Surplus / (deficit)</i>	0	0	0
17	Service area	Describe the services to be provided <i>Inc</i>	-	-	-
18		(Add quantum of services delivered <i>Exp</i>	-	-	-
19		i.e. measures of activity e.g. number of school crossings) <i>Surplus / (deficit)</i>	0	0	0
20					
21					
22	G6 Major Initiatives				
23	1) List Council initiatives to achieve the Strategic Objective				
<div><div>◀ ▶</div><div>TitleContentsMayor&CEOCFO or Executive SummaryBudget InfluencesEconomic Assumptions</div><div>123</div></div>					

What are the key changes to the 2021-22 Model Budget?

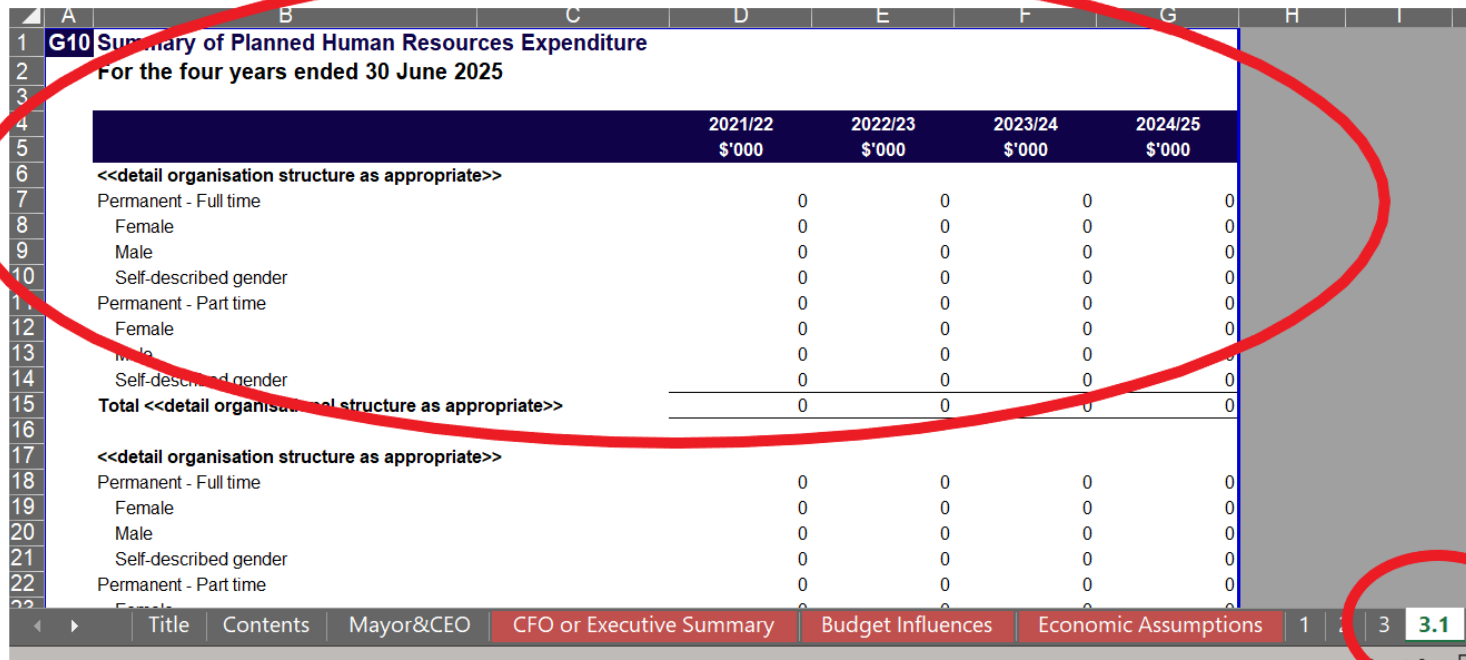
- Section 2 adjusted to better align with Comprehensive Income Statement format and language (continued)

84	G8	2.3 Reconciliation with budgeted operating result			
85					
86			Surplus/ (Deficit)	Expenditure	Revenue
87					
88			\$'000	\$'000	\$'000
89		Strategic Objective 1	-	-	-
90		Strategic Objective 2	-	-	-
91		Strategic Objective 3	-	-	-
92		Total	-	-	-
93					
94		Expenses added in:			
95		Depreciation	-		
96		Finance costs	-		
97		Others	-		
98		Surplus/(Deficit) before funding sources	-		
99		Funding sources added in:			
100		Rates and charges revenue	-		
101		Waste charge revenue	-		
102		Total funding sources	-		
103		Operating surplus/(deficit) for the year	-		
104					

Page 5

What are the key changes to the 2021-22 Model Budget?

- Section 3.1 now includes a 4-Year summary of planned human resources expenditure and FTE by employment type and gender



G10 Summary of Planned Human Resources Expenditure
For the four years ended 30 June 2025

	2021/22 \$'000	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000
<<detail organisation structure as appropriate>>				
Permanent - Full time	0	0	0	0
Female	0	0	0	0
Male	0	0	0	0
Self-described gender	0	0	0	0
Permanent - Part time	0	0	0	0
Female	0	0	0	0
Male	0	0	0	0
Self-described gender	0	0	0	0
Total <<detail organisation structure as appropriate>>	0	0	0	0
<<detail organisation structure as appropriate>>				
Permanent - Full time	0	0	0	0
Female	0	0	0	0
Male	0	0	0	0
Self-described gender	0	0	0	0
Permanent - Part time	0	0	0	0
Female	0	0	0	0
Male	0	0	0	0
Self-described gender	0	0	0	0

Navigation tabs: Title | Contents | Mayor&CEO | CFO or Executive Summary | Budget Influences | Economic Assumptions | 1 | 3 | **3.1**

What are the key changes to the 2021-22 Model Budget?

- Section 4 notes to the financial statements now includes an optional tab for 4-year figures in the notes

Refer to better practice guide for details on disclosing differential rates.

G12 4.1.2 Statutory fees and fines

	Actual 2019/20 \$'000	Forecast Actual 2020/21 \$'000	Budget 2021/22 \$'000	Change \$'000	%	Projections 2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	Trend +/-
Infringements and costs	-	-	-	-	#DIV/0!	-	-	-	-
Court recoveries	-	-	-	-	#DIV/0!	-	-	-	-
Town planning fees	-	-	-	-	#DIV/0!	-	-	-	-
List other components - agree to Model Accounts	-	-	-	-	#DIV/0!	-	-	-	-
Total statutory fees and fines	-	-	-	-	#DIV/0!	-	-	-	-

<Add comments here>

G12 4.1.3 User fees

	Actual	Forecast Actual	Budget	Change	Projections	Trend
--	--------	--------------------	--------	--------	-------------	-------

Page 4

Mayor&CEO CFO or Executive Summary Budget Influences Economic Assumptions 1 2 3 3.1 4.1.2 4.5 **4.1.2.3.4.5 (optional)**

What are the key changes to the 2021-22 Model Budget?

- Section 4.6 now includes a 4-Year summary of planned capital works expenditure by asset expenditure type and funding source

Summary of Planned Capital Works Expenditure For the four years ended 30 June 2025									
2022/23	Asset Expenditure Types					Funding Sources			
	Total \$'000	New \$'000	Renewal \$'000	Expansion \$'000	Upgrade \$'000	Total \$'000	Grants \$'000	Contributions \$'000	Council
Property									
Land	0	0	0	0	0	0	0	0	
Land improvements	0	0	0	0	0	0	0	0	
Total Land	0	0	0	0	0	0	0	0	
Buildings	0	0	0	0	0	0	0	0	
Heritage Buildings	0	0	0	0	0	0	0	0	
Building improvements	0	0	0	0	0	0	0	0	
Leasehold improvements	0	0	0	0	0	0	0	0	
Total Buildings	0	0	0	0	0	0	0	0	
Total Property	0	0	0	0	0	0	0	0	
Plant and Equipment									

What are the key changes to the 2021-22 Model Budget?

- Section 5 changes include:
 - additional text to reference the Local Government (Planning and Reporting) Regulations 2020
 - Removal of references to the Strategic Resource Plan
 - The LGPRF Sustainability Indicators are included in the Model Budget template as optional

Page 2

Indicator	Measure	Notes	Actual 2019/20	Forecast 2020/21	Budget 2021/22	Projections 2022/23 2023/24 2024/25	Trend +/o/-
Sustainability Capacity							
Population	Total expenses / Municipal population		\$0	\$0	\$0	\$0 \$0 \$0	o (optional)
Population	Value of infrastructure / Municipal population		\$0	\$0	\$0	\$0 \$0 \$0	o (optional)
Population	Municipal population / Kilometres of local roads		\$0	\$0	\$0	\$0 \$0 \$0	o (optional)
Own-source revenue	Own source revenue / Municipal population		\$0	\$0	\$0	\$0 \$0 \$0	o (optional)
Recurrent grants	Recurrent grants / Municipal population		\$0	\$0	\$0	\$0 \$0 \$0	o (optional)
Key to Forecast Trend: + Forecasts improvement in Council's financial performance/financial position indicator o Forecasts that Council's financial performance/financial position indicator will be steady - Forecasts deterioration in Council's financial performance/financial position indicator							
Notes to indicators 1. Adjusted underlying result <add commentaries as appropriate> 2. Working Capital <add commentaries as appropriate>							
CFO or Executive Summary			1	2	3	3.1 4.1.2.3.4.5	4.1.2.3.4.5 (optional) 4.5 4.6 5 6

What are the key changes to the 2021-22 Model Budget?

- Section 6 (schedule of fees and charges) now includes alternative introductory text

G17 6. Schedule of Fees and Charges

This appendix presents the fees and charges of a statutory/non-statutory nature which will be charged in respect to various goods and services during the financial year 2021/22.

Fees and charges are based on information available at the time of publishing and may vary during the financial year subject to any changes in Council's policy or legislation.

Alternatively:

This appendix presents the fees and charges which will be charged in respect to various goods and services during the financial year 2021/22.

Note that this schedule only includes fees set by Council. There are other fees that are set by statute and charged by Council in addition to this listing. These are statutory fees, and are made in accordance with legislative requirements. These fees are updated as of 1 July 2021 and will be reflected on Council's website.

Description of Fees and Charges	Unit of Measure	GST Status	2020/21 Fee	2021/22 Fee	Fee	Fee	Basis of Fee
			Inc GST	Inc GST	Increase / (Decrease)	Increase / (Decrease)	
			\$	\$	\$	%	

Freedom of Information

CFO or Executive Summary

Budget Influences

Economic Assumptions

1

2

3

3.1

4.1

2.3

3.4

4.5

4.1.2.3.4.5 (optional)

4.5

4.5

5

6

What else has changed in the 2021-22 Model Budget?

- Other changes include:
 - Updated references throughout the Model Budget to reflect the Local Government Act 2020 and the Local Government (Planning and Reporting) Regulations 2020
 - Language and terminology updates throughout
 - Optional information for inclusion by councils, at their discretion (flagged in red text or red tabs)
 - Updated the rate cap to 1.5% for 2021-22
 - Rolled forward the budget years
 - Removed text on Pending Accounting Standards (AASB 16, 15 and 1058)
 - Included linkage in Section 4 to the Revenue and Rating Plan

2021-22 Model Budget Better Practice Guide

What are the key changes to the Model Budget Better Practice Guide?

- Guide format updated to DJPR style
- Introduction and Message from LGV sections updated to reflect Local Government Act 2020 and Local Government (Planning and Reporting) Regulations 2020



3 Introduction

Local government in Victoria manages approximately \$103.3 billion of community assets and infrastructure and spends around \$9 billion on the provision of services annually.¹ 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.

3.1 Local Government Act 2020

3.1.1 Objectives and purpose

The *Local Government Act 2020* (the Act) received Royal Assent on 24 March 2020 with proclamation to occur in stages. The Act is a principles-based Act, removing unnecessary regulatory and legislative prescription.

The objectives of the Act are as follows:

The objectives of this Act are to ensure that –

- local government continues to be constituted as a democratically elected tier of Government in Victoria; and*
- Councils are constituted as representative bodies that are accountable, transparent, collaborative, efficient and engaged with their communities; and*
- Councils have the functions and powers necessary to enable Councils to perform their role.²*

The purpose of the Act is as follows:

*The purpose of this Act is to give effect to section 74A(1) of the **Constitution Act 1975** which provides that local government is a distinct and essential tier of government consisting of democratically elected Councils having the functions and powers that the Parliament considers are necessary to ensure the peace, order and good government of each municipal district.³*

3.1.2 Role of a council

The Act specifies the role of a council is:

Local Government Better Practice Guide

Model Budget 2021-22



Jobs,
Precincts
and Regions

What are the key changes to the Model Budget Better Practice Guide?

- Better Practice Guide updated to reflect the new Integrated Strategic Planning and Reporting Framework (ISPRF)

4 Integrated Strategic Planning and Reporting Framework

Part 4 of the *Local Government Act 2020* addresses planning and financial management. The legislative requirements to develop strategic planning, budgeting and annual reporting documents in Part 4 came into operation on 24 October 2020.

The Act introduces strategic planning principles for Victorian councils which include an integrated approach to planning, monitoring and performance reporting.⁸ This important shift from a more prescriptive form of legislation to a new Act that is principles-based is explored further in the *Integrated Strategic Planning and Reporting Discussion Paper* which is available at <https://engage.vic.gov.au/local-government-act-2020>.

Part 4 of the *Local Government Act 2020* requires councils to prepare the following:

- A Community Vision (for at least the next 10 financial years);⁹
- A Council Plan (for at least the next 4 financial years);¹⁰
- A Financial Plan (for at least the next 10 financial years);¹¹
- An Asset Plan (for at least the next 10 financial years);¹²
- A Revenue and Rating Plan (for at least the next 4 financial years);¹³
- A Budget (for at least the next 4 financial years);¹⁴
- A Quarterly Budget Report;¹⁵
- An Annual Report (for each financial year);¹⁶ and
- Financial Policies.¹⁷

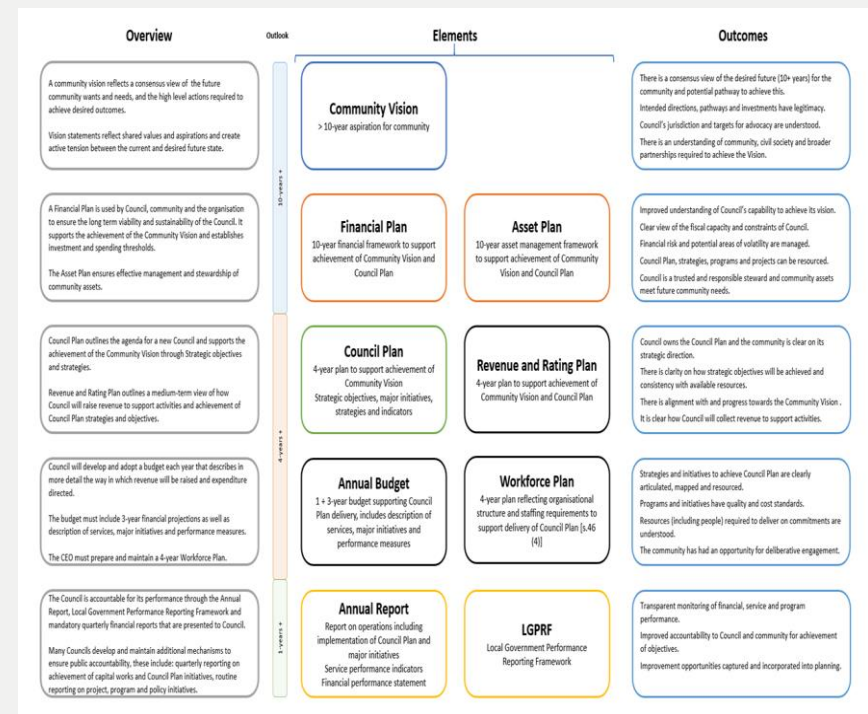
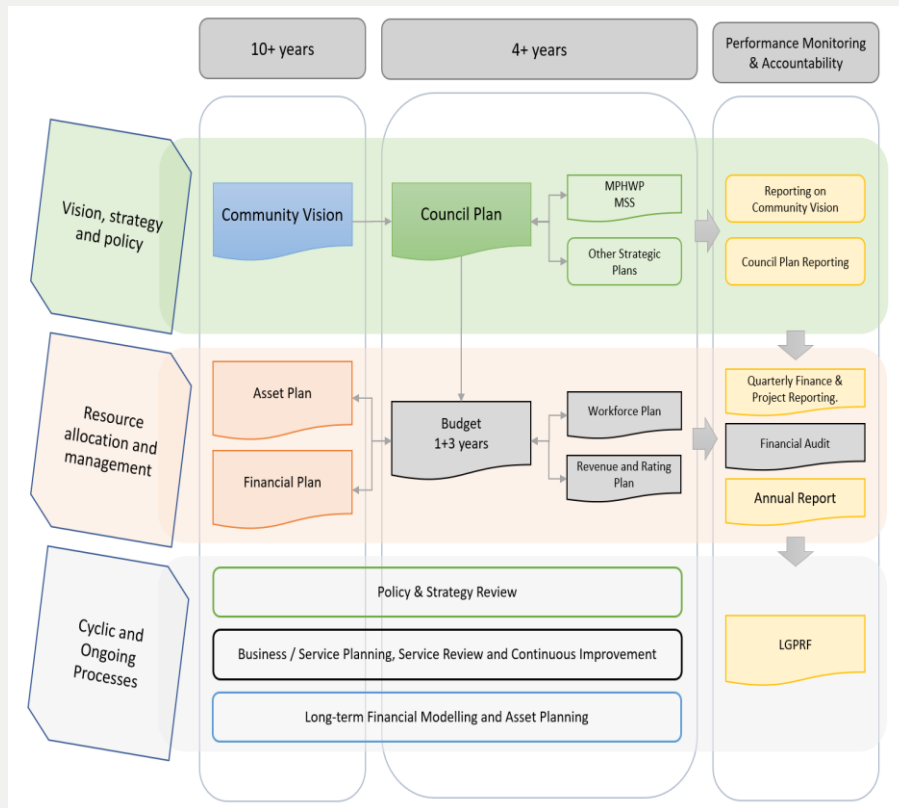
The Act also requires councils to prepare:

- A Workforce Plan (including projected staffing requirements for at least 4 years);¹⁸

The legislative timeframes for development, review and adoption of the elements of the Integrated Strategic Planning and Reporting Framework (ISPRF) and the time horizons for each element vary. However, there are also many linkages, including the central importance of community engagement. It is therefore vital to recognise the relationships and degrees of integration between different elements. To aid this process, visual representations of the ISPRF have been developed.

What are the key changes to the Model Budget Better Practice Guide?

- Better Practice Guide updated to reflect the new Integrated Strategic Planning and Reporting Framework (ISPRF)



What are the key changes to the Model Budget Better Practice Guide?

- Overview and Guidance sections updated to reflect new legislative and regulatory requirements

5 Local Government Model Budget (Overview)

5.1 Statutory requirements

"The Act requires councils to prepare a budget for each financial year and the three subsequent financial years."

Section 94 of the Act states that:

- a Council must prepare and adopt a budget for each financial year and the subsequent 3 financial years.¹⁹
- the budget must include a description of services and initiatives to be funded²⁰
- the budget must contain for services to be funded in the budget, the prescribed indicators and measures of service performance that must be reported against in the performance statement and the prescribed measures relating to those indicators²¹
- the budget must identify major initiatives identified by the council as priorities in the Council Plan to be undertaken during each financial year²²
- 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 rate²³
- if the council intends to declare a differential rate for any land, it must include details of the differential rate in the budget²⁴
- the budget must contain a statement if council 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 year²⁵

the proposed budget may be prepared on the basis of an average rate cap, or a proposed higher rate cap, or both an average rate cap and a proposed higher cap²⁶ In addition to section 94 of the Act, councils should review part 3 of the *Local Government (Planning and Reporting Regulations 2020* for further details relating to the preparation of the budget²⁷

What else has changed in the 2021-22 Model Budget Better Practice Guide?

- Other changes include:
 - Compliance checklist and Glossary sections updated to reflect the Local Government Act 2020 and the Local Government (Planning and Reporting) Regulations 2020
 - Appendices included which provide optional example disclosures for councils to consider including in their Budget
 - Updated links to other publications in reference section
 - Language and terminology updates throughout

Other upcoming events

Other upcoming events

- Wednesday 10 March from 2.00 – 3.00pm - Budget Preparation Progress
- Friday 12 March 2021 from 12.30 – 2.00pm Financial Plan Webinar
- Thursday 18 March 2021 from 9.30 – 10.30am - Fraud Awareness
- Friday 19 March 2021 from 12.30 – 2.00pm - Revenue and Rating Plan Webinar

REGISTER at www.finpro.org.au

Questions?

Contact details

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- Hannah White, Management Accounting Coordinator, Mitchell Shire Council, hannah.white@mitchellshire.vic.gov.au