

FinPro Local Government Act 2020 – April 2020 Update

Background

After several years of community consultation, drafts, and debate, the new Local Government Act 2020 received Royal Assent on 24 March, and the first phase of reforms was proclaimed on 6 April.

You can read the Act here - <https://www.legislation.vic.gov.au/as-made/acts/local-government-act-2020>

The Act is designed to be more principles-based rather than prescriptive and will improve local government democracy, accountability, and service delivery for all Victorians. It is the most comprehensive reform of local government in Victoria for 30 years.

COVID-19 has meant there has been less focus on the implementation than would have been expected. FinPro have been speaking to LGV about this and they appreciate that the implementation of the new Act at the same time as the dynamic environment that coronavirus (COVID-19) presents will have resource implications on councils. This is front of mind in their plans for implementation with the sector, and FinPro will continue to monitor the situation.

Updates on the implementation plan will be provided over the coming weeks and months; however, at this stage these are the current implementation timeframes that are planned.

Project Control Board (PCB)

Local Government Victoria (LGV) formed a Project Control Board to assist with the planning for the implementation of the new Local Government Act. The Project Control Board (PCB) consists of senior representatives from:

- Local Government Victoria (LGV)
- Municipal Association of Victoria (MAV)
- Local Government Professionals Inc. (LGPro)
- Victorian Local Governance Association (VLGA)
- FinPro
- Rural Councils Victoria

The PCB is working with the local government sector to develop, implement, and support the Local Government Act implementation plan. This involves working directly with the sector through a range of methods, including working groups, information sessions, and surveys.

FinPro has been thrilled to be part of the PCB, and FinPro President Bradley Thomas is acting as our representative.

Implementing the Act

LGV's website provides information on how the Act will be implemented and provides a range of guidance material that will be updated during the implementation process. The website should be continually referred to by officers -

<https://www.localgovernment.vic.gov.au/our-programs/local-government-act-2020>

The Act will be proclaimed in 4 stages and implemented over the next 27 months. The website provides a good summary of the timeframes

<https://www.localgovernment.vic.gov.au/our-programs/council-implementation-timeline> and the detailed transition arrangements.

Current Key Stage Dates

All stages of the Act will be of interest and have some impact on FinPro members; however, Stage 3 will have the most significant impact. Current dates are as of 19 April, and are subject to change, especially in relation to the effects of COVID-19. **Critical items for FinPro members are highlighted.**

Tuesday 1 September 2020

To allow councils to comply with the requirements by the 1 September 2020 time frame, there is a grace period of 4 months.

- Governance rules
- Expenses policy
- Delegated Committees
- Asset Committees
- **Audit & Risk Committee**
- Public Transparency

Thursday 17 September 2020

- Mandatory candidate training

Friday 24 February 2021

- Councillor Code of Conduct

Monday 1 March 2021

- **Community Engagement policy**

Friday 30 April 2021

- Gift policy

Wednesday 30 June 2021

- Councillor Induction Training – within 6 months after the Oath is taken
- Annual budget
- Revenue and Rating Plan

Sunday 31 October 2021

- Financial plan
- Council plan
- Community vision
- Annual report

Friday 31 December 2021

- CEO employment and remuneration policy
- Workforce plan
- Recruitment policy
- Staff Code of Conduct
- Complaints policy
- Procurement policy

Thursday 30 June 2022

- Asset Management plans

Approach to sector-led implementation

There is a strong commitment from LGV for sector-led consultation. The implementation will follow the forms of inform, consult, and co-design, with each part of the new Act being consulted using one of the identified forms.

Inform = Legislation has a fixed position; clarity is required by the sector; provision of an explanation for the purpose of clarity or additional information is required

Consult = There is already commonality within the Local Government Sector; provision of clarification of what has changed may be needed, feedback may be required; the material already exists within the sector but may need improvement

Co-Design = This is a new opportunity for the Local Government Sector, and we will work on the solution together

FinPro is excited about the Co-Design process, which will allow our members an opportunity to have a say on what is included in the guidance documents, and also, to determine what the requirements are for the sector. Importantly for FinPro members, the following items all fall into the co-design form:

- Community Engagement Policy
- Council Plan and Community Vision
- Financial Plan
- Revenue and Rating Plan
- Asset Management plans
- Procurement Policy

How can you get involved?

The EngageVic website needs to become one of your most visited sites over the coming months.

<https://engage.vic.gov.au/local-government-act-2020>

The Engage VIC platform will be used to provide in-depth support through guidance notes, guidelines, supporting material, online forums, online workshops, templates, and publications and will be updated continuously with new information.

There is already information on the site and officers have already started posting questions, reviewing the guidance material, and signing up for workshops.

FinPro will continually review the site and remind you of when new content is available. However, the best way to stay informed is to join up to the LGV mailing list which is on the home page <https://engage.vic.gov.au/local-government-act-2020> - there is already 504 people registered!! Are you one of them?

FinPro will obviously play an active role in feeding information into LGV with our comments on various topics and we anticipate that we will need to establish some working groups from within our membership base to make this happen.

In the meantime, if you do have any questions, please email Gab gabrielle@finpro.org.au, and we can provide some guidance. We will also provide information in our regular members' updates.

Principles and Fact Sheets

As noted earlier, the new Act is principles-based; removing unnecessary regulatory and legislative prescription. LGV has released a fact sheet on each of the principles, and these are available online <https://www.localgovernment.vic.gov.au/our-programs/local-government-act-2020>:

- [Community Engagement \(DOCX, 1.5 MB\)](#)
- [Strategic Planning \(DOCX, 1.5 MB\)](#)
- [Financial Management \(DOCX, 1.5 MB\)](#)
- [Public Transparency \(DOCX, 1.5 MB\)](#)
- [Service Performance \(DOCX, 1.5 MB\)](#)

The following are the Financial Management Principles. We would be interested to hear any feedback on the principles.

The Local Government Act 2020 is a principles-based Act, removing unnecessary regulatory and legislative prescription.

Financial Management

Councils manage significant finances on behalf of their communities and have an obligation to manage these finances responsibly to ensure the delivery of important services and facilities. A significant percentage of a council's revenue comes from rates, and the community has expectations that these rates will be used to deliver an array of services and significant infrastructure.

The services delivered by councils contribute significantly to the quality of life of residents. Although they vary from council to council, these services often include childcare, primary health care, personal/home care services, sports facilities, public spaces and libraries. This is particularly true in rural and remote areas where the council may be the only provider of some of these services. It is essential for the health and wellbeing of these communities that councils manage their finances responsibly, sustainably and transparently.

Underpinning these expectations is need for financial sustainability. Although the previous Act did include principles for financial management, sustainability was not included. It is, however, vitally important that councils undertake responsible spending and investment that ensures financial, social and environmental sustainability.

The new Local Government Act 2020 is also intended to create a legislative environment that embraces innovation, modern business practices and

microeconomic reform. The Act no longer contains provisions that may be considered to impede collaboration and innovation, particularly those needing elaborate corporate structures for simple service-sharing arrangements between

councils. The new Act is designed to actively encourage collaboration.

What it means

The Act says that a council must prepare and adopt financial policies that give effect to the financial management principles at section 101 of the Act:

- Revenue, expenses, assets, liabilities, investments and financial transactions must be managed in accordance with a Council's financial policies and strategic plans;
- Financial risks must be monitored and managed prudently having regard to economic circumstances;
- Financial policies and strategic plans, including the Revenue and Rating Plan, must seek to provide stability and predictability in the financial impact on the municipal community;
- Accounts and records that explain the financial operations and financial position of the Council must be kept.

Expectation

Councils must apply the financial management principles to their finance policies and planning. Councils should note that these principles must apply to the development of the ten-year Financial Plan, which is to be developed as part of a council's cycle of strategic planning.

When developing and applying financial management policies, councils should have regard for the other principles within the Act. For example, strategic planning documents should be developed in line with financial management policies, should be subject to community engagement and should consider service delivery and public transparency.

Co-Design Workshops

LGV will be commencing the first workshops for co-design of Governance Rules, Public Transparency Policy, Delegated Committees, Asset Committees, and Community Engagement Policy. These workshops will assist in ensuring that where materials are developed, they are fit for purpose, scalable to each council's circumstance, and shared widely.

Each session is a brainstorming session and will be approximately 20 minutes to gather your thoughts and ideas. If you are not able to participate in a scheduled session, all of the ideas will be made available on the site, and you can continue to contribute and help us priorities the types of products and support material required.

To register for one of the workshops listed below, please follow the link:

<https://engage.vic.gov.au/local-government-act-2020/register-for-a-workshop>

Public Transparency Policy

- Tuesday 21 April at 4.00 pm
- Friday 24 April at 11.30 am

Delegated Committees & Community Asset Committees

- Wednesday 22 April at 11.30 am
- Thursday 23 April at 12.00noon

Community Engagement Policy

- Tuesday 21 April 2020 at 11.00 am
- Thursday 23 April 2020 at 2.00 pm

Governance Rules

- Monday 27 April at 11.00 am
- Monday 27 April at 2.00 pm

FinPro strongly encourages our members to attend these Co-Design Workshops.

Audit and Risk Committees

Sections 53 and 54 of the Local Government Act 2020 has expanded the scope of Audit and Risk Committees previously established by councils. New arrangements will need to be in place by 1 September 2020. These new arrangements replace s139 of the Local Government Act 1989.

The website has gone live on 20 April, in relation to the <https://engage.vic.gov.au/local-government-act-2020/risk-audit-committee>

This consultation is a two-part process. The first part seeks to provide example documents, find out what information is most useful and seek good practice. The second part will be a collation of this good practice and delivery of a finished product for any council to use. We encourage you to participate in the engagement, and also to provide any feedback to FinPro.

FinPro

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