



The Hon Melissa Horne MP

Minister for Casino, Gaming and Liquor Regulation
Minister for Local Government
Minister for Ports and Freight
Minister for Roads and Road Safety

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Melbourne, Victoria 3000 Australia

Ref: CMIN-2-24-23088

Bradley Thomas
President
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Dear Mr Thomas

Thank you for your three letters of 29 January 2024, regarding the Minister's Good Practice Guidelines Relating to Service Rates and Charges, worker's compensation insurance and local government financial sustainability. I appreciate you taking the time and effort to write to me about these matters and have responded to each in turn below.

The Minister's Good Practice Guidelines Relating to Service Rates and Charges

The Good Practice Guidelines, published under section 87 of the *Local Government Act 2020*, provide clarity on the utilisation of service rates and charges for the collection of kerbside waste and recycling from properties. The Guidelines take effect from 1 March 2024 and are expected to be applied by councils' 2024-25 annual budgets and onwards.

The Guidelines set out my clear expectations for the use of service rates and charges under section 162 of the *Local Government Act 1989* and are a response to the identification of a number of councils incorporating various additional costs to their service rates and charges that do not accord with good practice, consequently eroding public transparency and trust in local government.

I note that your correspondence has identified that many more councils may be currently engaged in such practices. I expect that councils, supported by peak bodies such as FinPro, will endeavor to promptly address these issues. Failure to adopt good practice as per the Guidelines may necessitate further action. I have requested Local Government Victoria to continue to monitor practices and advise me accordingly.

Worker's Compensation Insurance

I acknowledge that Workcover premiums have increased, which is an increase that has impacted employers statewide. Councils are expected to address this challenge similar to all other affected employers. While noting the increases cited in your correspondence of \$24 million, I also note that costs of worker's compensation insurance are one of many components that comprise local government expenditure which totalled \$11.24 billion in 2022-23.

Local Government Financial Sustainability

The *Local Government Act 2020* requires that councils ensure their ongoing financial viability along with the other overarching governance principles set out in S.9 of the same Act.

Continued generalist advocacy and claims by the local government sector of widespread financial unsustainability are difficult to reconcile with facts. From the recently completed annual reporting period it is evident that the local government sector has emerged from the COVID-19 pandemic in good financial shape, with low debt and record levels of cash, while acknowledging that some councils - primarily small rural shires - face some challenges. Further, widespread capital underspend by the sector (averaging 26 per cent in 2022-23 equating to \$1.13 billion unspent) continues, a trend preceding the COVID-19 pandemic. In this context, the local government sector, led by FinPro, must specify how it plans to leverage its sound financial position to benefit residents and ratepayers and commit to concrete actions.

The Government expects councils to exercise prudence in expenditure, avoiding unnecessary financial burdens on their ratepayers. This is an intention of the rate cap mechanism implemented in 2016 in response to annual rate increases in the decade prior that averaged 6 per cent per annum statewide, which was clearly financially unsustainable for Victorian ratepayers. It is acknowledged that it may be appropriate for a council to seek additional revenue by applying to the Essential Services Commission (ESC) for a higher rate cap for general rates. Yet, despite this avenue being open to councils, none have chosen to do so since 2019. If a council has identified the need for additional revenue in consultation with their community, the proper course of action is to apply to the ESC for a higher rate cap.

The reforms of the *Local Government Act 2020* provided councils with the power and autonomy to ensure peace, order and good government of their municipal district. As Minister for Local Government, I wish to see the sector thrive. However, this can only occur when the sector fully assumes the responsibilities befitting its status as a third tier of government.

I trust this information has been of assistance.

Yours sincerely



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