



# Ministerial Statement on Local Government

The Hon Natalie Hutchins MP

2015

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# Message from the Minister

Local Government plays an indispensable role within our federated system of government and Victoria's councils already do an outstanding job. They deliver vital and valued local services. They build local economies and, as the government closest to the people, provide meaningful local democracy.

Councils are a key partner with the state in improving the lives of Victorians. Victoria is unique in recognising local government in our state Constitution as a distinct and independent tier of government. Investing in council performance will deliver a substantial return for Victorians.

This statement outlines the Andrews Government's plan to reform local government and help councils to deliver for households and businesses right across our state.

It articulates how our key commitments will be implemented and how we will improve integrity and governance, strengthen capacity and performance and provide the platform for local government to deliver for communities wherever in Victoria they live.

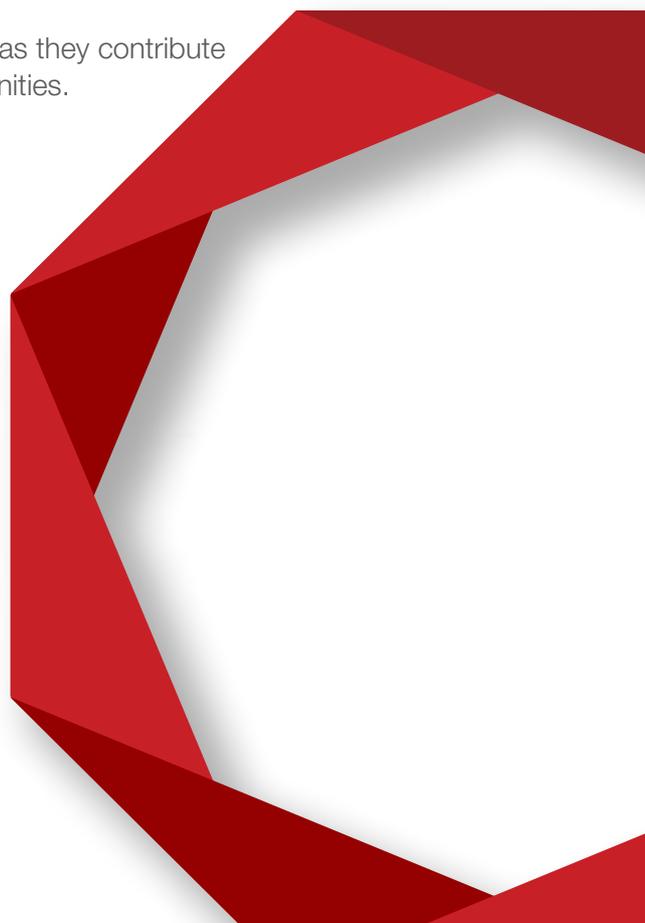
The Local Government Reform Agenda includes:

- Implementation of a Fair Go Rates system, investment to improve the response to growth pressures faced by interface councils and delivery of a modern, new Local Government Act for Victoria;
- Improvements to the integrity, capacity, performance, sustainability and value delivered by local government for Victorian families; and
- A modern, co-productive relationship between the State Government and councils to achieve better outcomes which benefit all Victorians.

I invite you to work with me to strengthen Victorian councils as they contribute to connected, sustainable and prosperous Victorian communities.

**Hon Natalie Hutchins MP**

Minister for Local Government



Local government is central to the achievement of the Government's economic, equity and liveability outcomes. Victoria's councils are a significant contributor to our economy. Each year they employ more than 50,000 people and deliver \$7 billion in services and over \$2 billion in infrastructure. Councils also manage over \$70 billion in vital public assets. Maximising council performance is fundamental to the future prosperity and social cohesion of Victorian communities.

Victoria's local government is a recognised national leader in local governance and service excellence. Our councils foster local democracy and build social and economic participation. Local government in Victoria has many strengths: a demonstrated capacity for innovation, professionalism, technical excellence and service capability.

But across the sector, performance remains variable and interface councils and rural councils in particular face some real challenges. They need additional support. Through a more mature, productive partnership between the State and local government, and with stronger support, we can increase the public value councils deliver.

There have been significant economic, demographic and technological changes since the Local Government Act came into effect in 1989. Local government functions have evolved to meet some of these changes. But we can do better. We can achieve further efficiencies, modernise the Act, innovate to harness new knowledge and technologies to continue improving the services Victorians rely on, from libraries to maternal and child health services, from recreation facilities to home care for seniors.

The Government's determination to introduce a fairer rating system, modernise the *Local Government Act* and increase targeted support for councils facing big challenges creates a unique opportunity. We know we can strengthen the roles, responsibilities and approach of local government and build more powerful partnerships between councils, the Government, the community and the private and not-for-profit sectors.

By establishing a smarter policy and legislative framework we will improve governance and services, deliver more sustainable business practices, improve productivity and strengthen the focus on keeping costs down.

This statement provides a plan of action to strengthen local government in Victoria through a collaborative approach which places people at the centre of policy. We believe it will take local government in Victoria to the next stage in its development.

The Government will implement its Local Government Reform Directions focusing on three strategic areas for action:

1. INTEGRITY AND GOOD GOVERNANCE

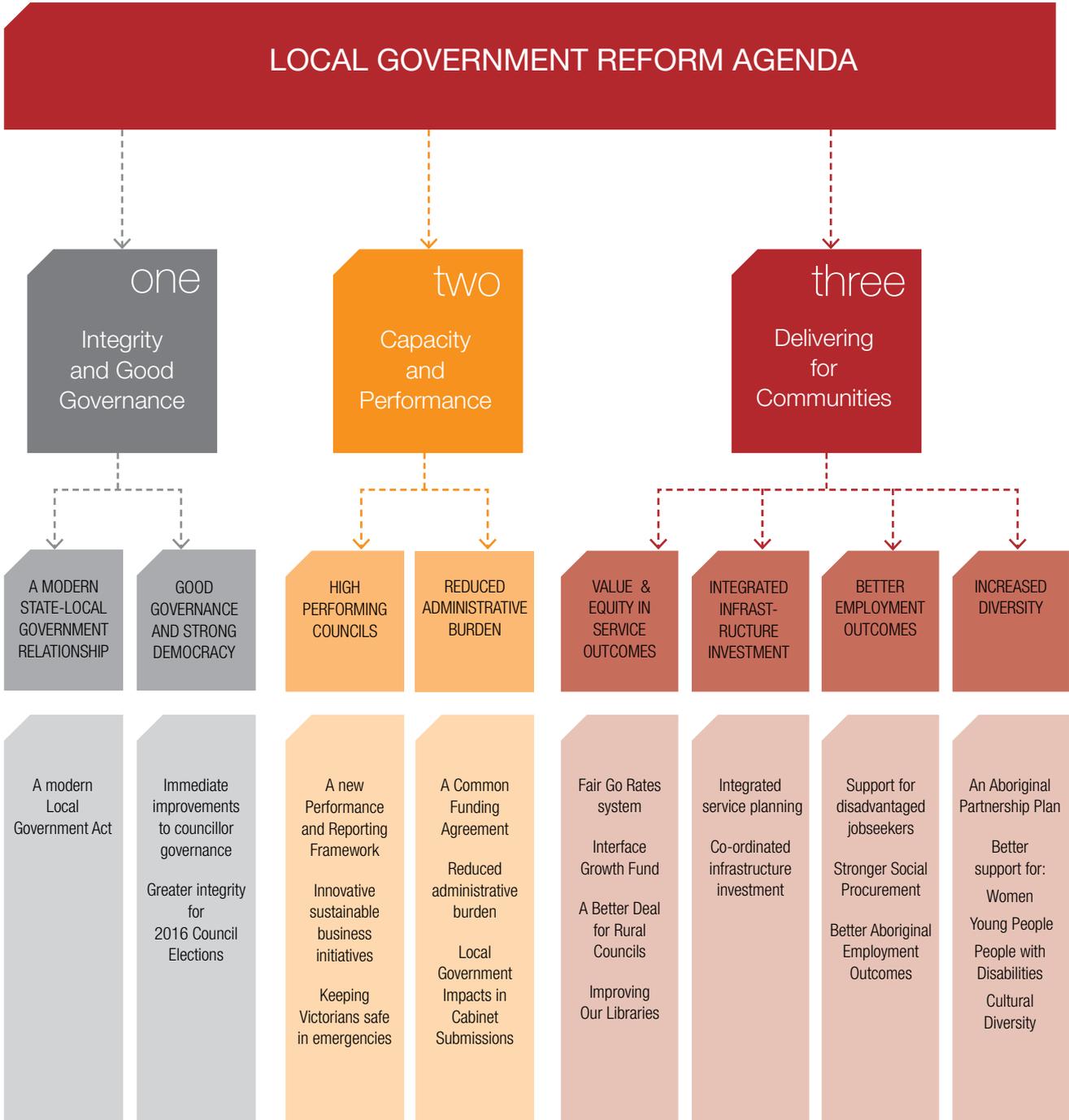
2. CAPACITY AND PERFORMANCE

3. DELIVERING FOR COMMUNITIES

### **Victorian State Local Government Agreement**

The reform program will be implemented within the framework of the Victorian State Local Government Agreement. The Principles of the Agreement will shape our relationship as we work collaboratively to deliver better outcomes for Victorian communities. The organising framework for the reform program is represented by the diagram below.

# Goals



The Strategic Areas for Action are supported by a 17 point action plan. The action plan will be applied strategically and collaboratively working through the Victorian State Local Government Agreement and taking account of local circumstances.

The actions are detailed below. The diagram demonstrates how the actions will assist in delivering the reform directions and our core objectives.

Actions 1-3 contribute to strengthening **Integrity and Good Governance:**

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## Action 1: A Modern Local Government Act

Since its creation there have been over 90 amending Acts resulting in hundreds of individual amendments to the *Local Government Act 1989*. The result is an Act that is poorly structured and unclear – even contradictory - in some places. It contains historic and redundant clauses which obscure meaning and can be an obstacle to efficient administration by councils. The Government will create a new Act built on logic and coherence to clarify governance and direction to Victorian councils. The new Act will modernise the relationship between the State and local government to better reflect the essential roles and responsibilities of both parties. The new Act will improve the authority of councils to engage, challenge, innovate and deliver.

## Action 2: Improve council governance

The Government will present to parliament legislation to improve governance while the review of the Act is underway. These reforms will abolish ward funds which enable councillors to direct expenditure without proper oversight by council. They will improve the capacity of council's to manage councillor behaviour and reform Councillor Conduct Panels. They will also put the Local Government Compliance and Investigations Inspectorate, including the position of Chief Municipal Inspector, on a proper statutory footing overseen by the Special Minister of State. These reforms will improve how misconduct by elected councillors is dealt with and strengthen the integrity of local governance.

## Action 3: Improve conditions for the 2016 Council Elections

Following an increase in complaints at the most recent council general elections, improvements will be made to strengthen the integrity of elections in time for the next council general elections. These reforms to be presented to the Parliament will mandate the VEC as the statutory election services provider, clarify caretaker requirements, make enforcement of penalties for failure to vote consistent across the state and give returning officers greater powers to reject nominations by candidates who are not enrolled. These reforms will improve integrity, participation rates and the efficient conduct of the 2016 elections.

Actions 4-9 contribute to strengthening **Capacity and Performance:**

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### Action 4: Implement the Performance and Reporting Framework

By November 2015 the Victorian Government will have the most comprehensive overview of the performance of Victorian councils ever assembled through Victoria's local government Performance Reporting Framework. The 'Know Your Council' website will enable members of the community to compare their council's performance and capacity with that of 'like' councils across a broad suite of metrics. This new, transparent data will provide the basis for targeted support to improve all aspects of council business and dramatically improve accountability.

### Action 5: Support innovative sustainable business practices

Innovations in technology, paired with a stronger evidence base will support business system reform to achieve further efficiencies in areas such as procurement, waste management, planning, infrastructure investment and human services. The Government will work with councils to deliver better outcomes for local communities in these and other areas of council business. This will accelerate implementation of collaborative procurement and shared services to reduce performance deficits, link councils to share best practice and raise standards across the sector. Examples where this model has already delivered results include collaborative rating systems, road sealing, landfill closure and IT systems. Support provided by Regional Development Victoria through the Networked Rural Councils program will be one important driver of this work. Working with councils to share and extend effective business practices will deliver efficiencies and reduce the rate burden on households without loss of services or infrastructure.

### Action 6: Keeping Victorian communities safe in emergencies

Climate change and growing security threats are driving higher demand for emergency management. We will review the Municipal Emergency Resourcing Program (MERP) in partnership with the MAV to ensure the program is effective in supporting local government's capacity to manage emergencies. This will strengthen the vital role councils play in operational activities to support critical response agencies, inform local communities, coordinate emergency relief and rebuild affected communities. The Review will identify new opportunities to collaborate and better integrate all of these aspects of emergency management.

### Action 7: Implement the Victorian Common Funding Agreement

The Government will play its part in streamlining the administrative burden. One way we will support this effort will be to implement a Victorian Common Funding Agreement for use by all departments contracting with councils. The Government will work with councils with the aim to achieve a single Common Funding Agreement by 2016.

## Action 8: Reduce avoidable administrative burden

Having established a Common Funding Agreement, we will harmonise and eradicate unnecessary activity reporting wherever possible to free councils to deliver for their communities. Embedding a uniform, outcome based performance and reporting framework will improve strategic intelligence available to the Government on the health of the sector, providing scope to remove unnecessary activity reporting. By reducing avoidable administrative burden we will create efficiencies for local government and improve councils' service capacity.

## Action 9: Consider Local Government Impacts in Cabinet Submissions

The Government will operationalise a major commitment of the Victorian State Local Government Agreement by embedding a local government impact statement in all Cabinet submissions. This initiative provides confidence that all Government policy and legislative proposals will take account of the impacts on councils and local communities in all proposals coming before Cabinet.

Actions 10-17 contribute to **Delivering for Communities:**

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## Action 10: Fair Go Rates System

Over the past 15 years the average increase in rates and charges per assessment across Victorian councils was 6% each year. This is unsustainable and the Government is acting to contain it from the 2016-17 financial year. We will work with councils to strengthen rating discipline and transparency. By implementing an independent regulatory pricing mechanism we will contain escalating costs for all ratepayers, including households facing serious cost of living pressures. The Essential Services Commission will oversee the implementation of a fair and balanced assessment system including a process for councils to seek authority to raise rates above an annual cap. Such applications will only be supported in exceptional circumstances.

## Action 11: Interface Growth Fund

Melbourne's ten interface council areas are facing unprecedented growth. Together, they will accommodate 46 per cent of the state's population growth between now and 2031. The Government's Interface Growth Fund commits \$50 million in 2015-16 as an initial contribution to begin to close the infrastructure gap in the fastest-growing councils in Victoria. It delivers on an election commitment to establish a dedicated fund to help outer-suburban communities build local infrastructure projects, such as family and community centres, town centres, parks and reserves, playgrounds and community facilities. The fund is a vital element in the Government's plan to reduce cost of living pressures for struggling families while maintaining service levels and infrastructure investment in areas of high need.

### Action 12: A better deal for rural councils

Rural councils face significant challenges. The greater dependency of rural councils on Commonwealth and State grants makes them more vulnerable to shifts in policy at higher levels of government. The Government will work with rural councils through programs such as the Networked Rural Councils initiative to explore a range of strategies to address these challenges. We will extend funding for Rural Councils Victoria to innovate and implement sustainable business practices. The Government will also advocate for the Commonwealth Government to reinstate indexation of financial assistance grants and consider options which would allow for redirection of Victorian Grants Commission funds to the most vulnerable rural councils. The Government's \$500 million Regional Jobs and Infrastructure Fund will also provide a vital boost to Victoria's rural and regional councils.

### Action 13: Improving our libraries

Public libraries are the heart of the community. In this information age they provide a non judgmental, safe space to support strong and connected communities. That is why we are undertaking a critical review to establish optimum future funding arrangements. The review will specifically examine options for shared service delivery to provide Victorians with accessible, modern libraries that meet their needs now and into the future.

### Action 14: Integrate service planning and co-ordinate infrastructure investment programs

Victorian Councils invest over \$2B in infrastructure annually and articulate their four year investment strategies through their Strategic Resource Plans (SRPs). The Government will use the platform provided by SRPs to better integrate State and local government investments and improve outcomes for local communities. This is especially critical in growth areas and regional cities where we can connect new transport to services, co-locate related services and make assets work to full capacity. Systematically applying this knowledge to investment decisions will improve outcomes, protect liveability and stimulate local economies. A 'protocol' under the auspices of the Victorian State Local Government Agreement (VSLGA) will be explored to facilitate exchange of asset investment plans and shape future integrated investment across the state.

### Action 15: Support disadvantaged jobseekers and strengthen social procurement

Victorian councils are the largest employer in many areas of regional Victoria and employ over 50,000 Victorians across our state. They provide training and work experience which equips workers with skills to transition into the wider economy. We will establish a strategic partnership with the sector to support key employment objectives. Government employment programs for young, entry-level jobseekers linked to structured vocational training and accreditation through TAFE and ACFE providers will be enhanced. We will also work with councils to give priority access through procurement policies to suppliers who provide local jobs. This will support local economies and boost local employment, particularly in areas of high unemployment.

## Action 16: Implement an Aboriginal Local Government Action Plan

The Government will direct Local Government Victoria and the Office of Aboriginal Affairs Victoria to work with the Municipal Association of Victoria, Reconciliation Victoria and the Victorian Local Governance Association to implement an Aboriginal Local Government Action Plan. The Plan will target improvements in Aboriginal employment and help meet the Government's closing the gap targets. The Plan will be developed and implemented in consultation with the Aboriginal community applying models which work in councils already demonstrating best practice in engagement, partnership and employment opportunities with their Aboriginal communities.

## Action 17: Strengthen local support for social inclusion

As the level of government closest to communities, local governments should reflect the make-up of the communities they serve including women, young people, people with disabilities and people from culturally and linguistically diverse backgrounds.

**Women** continue to be under-represented as councillors. Diversity in local government ensures a greater mix of insights and experiences shape more relevant policy and effective programs. The Government will back efforts by peak organisations to increase the diversity of candidates standing for council elections through promotional and mentoring programs.

Councils provide critical services and exposure to meaningful local democratic expression for **young people** through funding for generic youth workers and support for youth councils. Councils often provide the most immediate and primary experience of being part of a democratic process and deliver the support services which allow young people opportunities to participate socially and economically in their communities. This work is vital for the future health of civil society and will be strongly supported.

Councils make an important contribution to the inclusion of **people with disabilities** in their local communities. As the National Disability Insurance Scheme is rolled out, harmonising the reforms with programs delivered by councils, such as home and community care and support for children with disabilities, is critical. The Government will work with councils to improve the autonomy, independence and social inclusion of Victorians with disabilities.

Councils play an important role in promoting and supporting **multiculturalism** in Victoria. They have a strong track record in partnering with the Victorian Government to achieve social inclusion of culturally and linguistically diverse Victorians. The Government will support council leadership in fostering integration of multi-faith groups, building community harmony and minimising risks of extremism. We will strengthen collaboration through the Office of Multicultural Affairs and Citizenship as part of the Government's wider strategic approach.



# Implementation Timetable

An indicative timetable for the major stages in this reform program is outlined here:



