

Report to the Future Melbourne Committee

Agenda item 6.4

Participation in upcoming local government forums

Presenter: Kirsty Pearce, Acting Director Governance

7 March 2023

Purpose and background

1. The purpose of this report is to provide for City of Melbourne (CoM) participation in upcoming local government forums, namely;
 - 1.1. Municipal Association of Victoria's (MAV) meeting of State Council which is held twice each year. Councillor Rohan Leppert is the CoM representative on the MAV.
 - 1.2. Australian Local Government Association's (ALGA) National General Assembly (NGA) which is held annually in June in Canberra.
2. These forums provide councils the opportunity to discuss and advance issues of state and national significance to local government.

Key issues

MAV State Council

3. The first of two MAV State Council meetings for 2023 will be held on 19 May. The meeting will be hosted at the Melbourne Town Hall as part of CoM support towards the staging of one State Council meeting each year over a five year period. CoM's support is provided through financial support of \$10,000 (annually) towards venue and associated costs with the arrangement commencing in 2022.
4. Following consideration by Councillors and management, it is proposed that motions on the following subjects be considered for submission on behalf of the CoM:
 - 4.1. Rate capping
 - 4.2. Fines Victoria
5. Details of the proposed motions and supporting rationale are included as Attachment 2 to the report.

ALGA NGA

6. The 2023 NGA will be held between 13 and 16 June and incorporates the theme *Our Communities, Our Future*. It will provide local government representatives from across Australia an opportunity to consider issues for engagement with the Federal Government on national policy in areas that influence the direction of councils and their communities. The Discussion Paper supporting the 2023 NGA theme can be found on ALGA's website www.alga.com.au. Following consideration by Councillors, it is proposed that CoM be represented at the NGA by Councillors Jamal Hakim and Rohan Leppert at an estimated cost per person of \$3,800 to cover airfare, accommodation, registration and incidental costs.

Recommendation from management

7. That the Future Melbourne Committee approves:
 - 7.1. The motions outlined in Attachment 2 of the report from management for consideration at the Municipal Association of Victoria State Council meeting on 19 May 2023.
 - 7.2. Councillor participation in the Australian Local Government Association's National General Assembly through Councillors Jamal Hakim and Rohan Leppert at an estimated cost of \$3,800 per Councillor.

Attachments:

1. Supporting Attachment (Page 2 of 4)
2. Proposed motions for MAV State Council meeting, May 2023 (Page 3 of 4)

Supporting Attachment

Legal

1. There are no direct legal implications arising from the recommendation contained in this report.

Finance

2. The cost associated with representation at the NGA in Canberra is estimated at \$3,800 per Councillor. This includes conference registration and associated activities, accommodation for three nights, airfare and incidental costs.

Conflict of interest

3. No member of Council staff, or other person engaged under a contract, involved in advising on or preparing this report has declared a material or general conflict of interest in relation to the matter of the report.

Health and Safety

4. Councillors travelling to Canberra will undertake standard personal safety and awareness precautionary steps which apply to interstate travel.

Stakeholder consultation

5. The topics covered in the proposed motions for the MAV State Council meeting have featured in dialogue amongst councils. This is particularly the case with the financial challenges being experienced by a number of councils with performance levels of Fines Victoria.

Relation to Council policy

6. Forums such as the MAV State Council and ALGA NGA provide Council with the opportunity of demonstrating leadership by advancing issues of state and national interest to local government.

Environmental sustainability

7. The carbon emissions resulting from air travel to attend the NGA will be offset with the purchase of credits.

PROPOSED CITY OF MELBOURNE MOTIONS FOR MAV STATE COUNCIL, MAY 2023

Topic	Motion	Rationale
<p>FINES VICTORIA</p>	<p>That the MAV State Council calls on the State Government to:</p> <ol style="list-style-type: none"> 1. Note: <ol style="list-style-type: none"> 1.1. That technical and system integration problems led to significant backlog and delay when Fines Victoria was charged with managing collections in 2017/18. 1.2. The disbursements per fee are only now reaching similar levels of collections that existed pre Fines Victoria. 1.3. Significant collection issues in the early years has compounded and led to a significant increase in the provision for doubtful debts. This has also led to a greater number of fines being determined to be uncollectable bad debts. 2. Provide: <ol style="list-style-type: none"> 2.1. Significant compensation by allowing the responsible Minister to write-off bad debts held by Fines Victoria on behalf of Councils (anticipated to include any amounts exceeding 24 months) and provide compensation to each Council for an equivalent value. 2.2. Changes to the methodology and agreed service performance levels that Fines Victoria operates within. 	<p>In 2018, Fines Victoria (FV) commenced operation with the purpose of providing one collection agency for all outstanding state and local government debt including Parking Infringement Notices (PINs) issued by councils.</p> <p>The implementation of this service has suffered from major system and data issues and has resulted in significantly lower debt collection of outstanding fines and a greater number being classified as doubtful fines. This has created cash flow challenges for a number of councils across the state.</p> <p>A slight improvement in fine recovery has been seen in recent years but has not returned to the rate experienced pre-2018 when the function was the responsibility of the Magistrates' Court. During this period, new accounting standards have also been introduced for recognising anticipated loss at the time of revenue creation.</p> <p>Calls by a number of impacted councils for action and substantial reform have not proven successful. The Fines Reform Advisory Board established by the Attorney-General in 2019 and disbanded in 2020 saw the State Government accept its recommendations that minimised financial burdens on fine recipients, and did not fully accept any recommendations that increased efficacy of fine collection or debt collection.</p> <p>The City of Melbourne (CoM) experience is offered to demonstrate the magnitude of the problem.</p> <p>FV currently holds approximately \$78m of debt owed to CoM from outstanding fines. The majority of which is provided for as doubtful debt.</p> <p>While CoM now recovers more money than it spends with Fines Victoria, it has never returned to the rates experienced with the Magistrates' Court. For every \$1 CoM pays to register a fine with FV, it gets back \$1.58. Pre-FV, it was \$2.10 under the Magistrates Court.</p> <p>Although FV advises it is working to address the problems which have plagued the system, it is considered that significant intervention is required from the State Government to provide a reset on the issue and alleviate the burden being experienced by councils. This can be achieved by providing clarity moving forward with a focus on methodology, agreed service performance levels and provision of financial compensation.</p>

Topic	Motion	Rationale
RATE CAPPING	<p>That the MAV State Council:</p> <ol style="list-style-type: none"> 1. Notes that its resolution of June 2022 has not been addressed by the State Government. 2. Notes that State Government taxation revenue is estimated to have increased at an average of 7.67% per year since rate capping was imposed on the Local Government sector. 3. Declares that the current methodology the Essential Services Commission follows to calculate the rate cap is flawed and has led to a reduction of services and infrastructure for local communities. 4. Declares that the Minister's decision to mandate a rate cap 0.5% lower than the Essential Services Commission recommendation has compounded this problem. 5. Calls for an emergency once off untied grant from State consolidated revenue to Councils equivalent to 0.5% of each Council's general rates revenue, being the difference between the rate cap and the recommendation of the Essential Services Commission. 6. Calls on the Minister for Local Government and Treasurer to commit to a formal review of the rate capping methodology that takes into account the volatility of CPI and the financial pressure faced by Councils, directly involving the MAV and a representative selection of CEOs or finance officers of Councils of varying locations and sizes in that review. 	<p>In June 2022, the State Council called on the Minister for Local Government to take into account the volatility in CPI when setting rates and to seek engagement with the sector prior to the next setting of the rate cap. This did not occur.</p> <p>The MAV, in conjunction with Local Government Finance Professionals (FinPro) has developed a data set to demonstrate the financial sustainability of Victorian councils. One of the main factors posing serious risks to sustainability and requiring immediate action related to the compounding effect of a rate cap which has consistently been set below the cost increases experienced by councils.</p> <p>The report made the following observation and conclusion:</p> <ul style="list-style-type: none"> • “The local government cost base for the sector measured in terms of gross expenses, expenses excluding depreciation/amortisation and expenses per assessment have all exceeded the rate cap in all years since rate capping was introduced in 2016-17. On a cumulative basis for the four years following 2016-17 and using expenses per assessment as the measure, the gap between the cost base increase and the rate cap was 4.0% for the sector with the gap for interface councils and small rural councils being 11.1% and 9.0% respectively”. • “Based on actual per actual financial performance from 2016-17 to 2020-21, it's evident that Councils have remained viable by reducing investment in asset renewal expenditure relative to depreciation. With CPI currently sitting at 6.1% for the 12 months to June 2022, the revised 2022-2031 financial plans are expected to show underlying deficits over the long term as the gap between the rate cap and cost base increases, widen. This will be exacerbated as enterprise agreements are renegotiated and predicted wage growth impacts flow through to the cost base. A Victorian local government cost index is required to ensure that the rate cap is properly based”. <p>The findings and sector outlook under the current framework guided by the Essential Services Commission reaffirms the need for urgent State Government review and action. The current process is flawed and volatility of economic conditions necessitates a new approach and one that is underpinned by strong sector engagement.</p>