



Local Government Finance Professionals

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29 January 2024

The Hon. Melissa Horne MP  
Minister Local Government  
[Melissa.Horne@minstaff.vic.gov.au](mailto:Melissa.Horne@minstaff.vic.gov.au)

Dear Minister,

**RE: Minister Good Practice Guidelines (Local Government Rates and Services Charges)**

On 22 December 2023 the State Government issued Bulletin 23/2023: 2024-25 Rate Cap and release of your Good Practice Guidelines for service rates and charges. The sector expected the announcement of the rate cap however the issuance of the guidelines, to take effect on the 1 March 2024, was a surprise.

While FinPro was consulted on the proposal of the guidelines, we were unable to engage more broadly with councils due to confidentiality provisions. FinPro made it clear to Local Government Victoria (LGV) during the consultation that we considered some of these provisions were inappropriate, counter-productive and would have significant impact on the financial position of many Councils, potentially reducing essential services, and make it more difficult for the state to reach waste reduction and circular economy targets over coming years.

We made it clear to LGV that we supported and acknowledged that greater guidance in relation to service charges would be appropriate, and would create greater consistency across the sector, however, FinPro strongly objected to some of the inclusions and exclusions proposed, particularly given the material financial impact it will have on many Councils.

We have been contacted by many members, Chief Executive Officers and other peak bodies, raising concern with the changes as outlined in the Guidelines.

Recently FinPro conducted a survey to provide sector-wide data following the released guidelines. In particular, we were interested in determining how many Councils might be impacted by implementing the waste guidelines. Full details of the survey results have been provided to LGV.

Our survey results estimate that there is potential for 80% of Councils to be significantly financially impacted by the new guidelines. This is particularly concerning, especially with a short time frame with many Councils adopting their budgets in the coming months and the new guidelines are required to apply.

We provide the following insights of the survey and make two requests of yourself:

1. We seek an urgent meeting with yourself to discuss the new guidelines and financial impact that is likely to be incurred across the sector; and
2. We request that you consider delaying the implementation of the guidelines by 18 months to allow Local Government Victoria to fully understand the impact of the changes, consult with the sector and work with Councils and the Essential Services Commission to ensure Councils do not lose funding given the changes.

### Survey Results

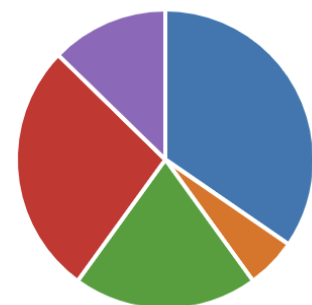
The guidelines state that the following are examples of services that provide a general benefit to the whole municipality and should be funded by the council through revenue sources other than a Service Rate or Charge:

- litter and waste collection from public spaces and the provision of public bins;
- street, footpath and drain cleaning;
- graffiti removal;
- municipal tree planting and maintenance;
- general and/or municipal environmental activities such as park maintenance, public education and advocacy.

### Survey Responses:

- 55 Councils (70% of councils) completed the survey, with representation across all Council types. We note that the response was extremely pleasing given the survey was only open for one week and was distributed during the January holiday period.

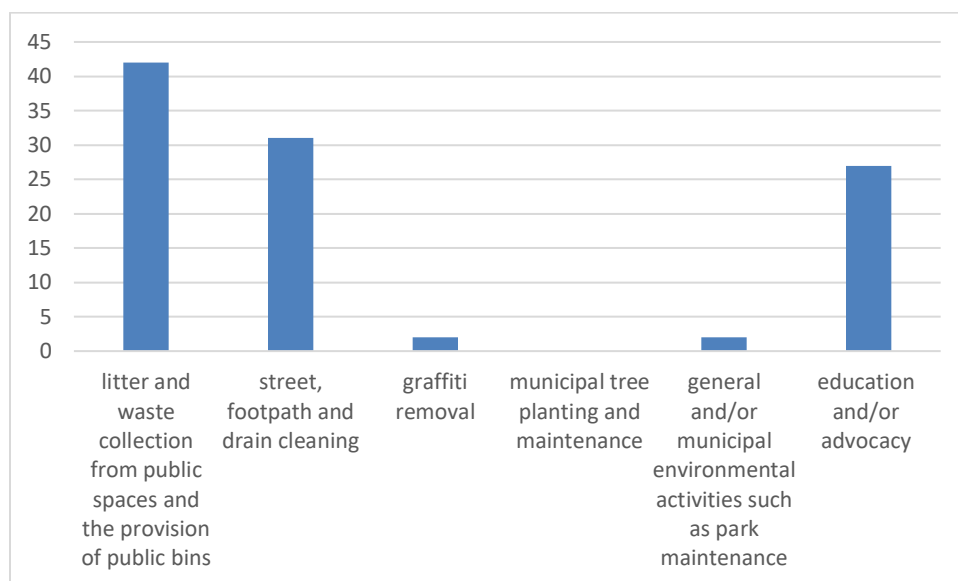
<span style="color: blue;">●</span> Metro	19
<span style="color: orange;">●</span> Interface/Peri Urban	3
<span style="color: green;">●</span> Large Rural	11
<span style="color: red;">●</span> Small Rural	15
<span style="color: purple;">●</span> Regional City	7



### Direct impact of implementation of guidelines

- 43 Councils (or 78% of those that responded) noted that they currently include at least one of the costs that would be impacted by the new guidelines, that is, for Councils to fund the item through revenue sources other than a Service Rate or Charge.

- Of the Councils that completed the survey, only one council did not have a service charge. Only 11 Councils (20% of those that responded) believe they would currently be compliant with the guidelines.
- The majority of those that responded noted that they currently include the following costs –
  - litter and waste collection from public spaces and the provision of public bins;
  - street, footpath and drain cleaning; and
  - education and advocacy.



- We asked Councils to estimate the value of costs currently included in Councils waste service charges that would be excluded based on the new guidelines. 39 Councils provided early estimates of the costs. The estimates varied between \$63,000 (small rural) through to \$14 million (metro).
  - The total across the 39 Councils who responded to this particular question amounted to \$103.2 million, with a median across the Councils of \$1.50 million.
- The guidelines are not as clear on the net costs of the operations of transfer stations, and whether they are appropriate to include in a service charge/rate. If the costs of operating transfer stations are not eligible to include, as in many cases they do not have direct relationship to kerbside collection, the financial impact to Councils will be even greater.

#### The anticipated impact on Councils –

- The vast majority of Councils are likely to not be in a financial position to absorb these changes (especially rural or small councils, and those with a lower rate revenue per assessment).

- Councils are currently limited in the approaches they can undertake to comply with the guidelines and be financial sustainable, especially in a short period of time (pre the 2024/25 budget). Options available to Council would appear to be as follows –
  - i) Advocate to yourself for changes and/or delays to the guidelines.
  - ii) Not adhere to the guidelines and continue charges as they currently stand. We believe Ministerial Guidelines are not legally binding, and therefore the service charge would remain valid and payable. This action would not be positive for both Local and Governments.
  - iii) Reduce the service charges to be in line with the guidelines and absorb the lost revenue – most councils will not have the financial capacity to do this.
  - iv) Transfer the relevant costs from service charges to general rates. The Essential Service Commission (ESC) has yet to release a guideline on how to do that under the rate cap scheme, in a cost effective and simple process. This could be resource intensive for both Councils and the ESC, and rate cap variation requests in a Council election year are likely to be politically problematic. The rate cap variation could have a net zero impact in the first year, but consideration of longer-term impacts will need to be considered if waste costs continue to increase at a rate higher than the adopted rate cap. Councils will also need to model the impact of the service charge becoming part of general rates, both of rating differential categories and the impact at various valuation levels.

This is a matter that is causing great unrest within the sector. FinPro would appreciate, and indeed welcome the opportunity to work with your government to ensure the principles of the guidelines are achieved in a manner that does not undermine the financial sustainability of the sector. A copy of this letter will be provided to members, Councils and peak bodies.

Please feel free to contact us with any further questions via myself via 0419 634 128 or our Executive Officer, Gabrielle Gordon [gabrielle@finpro.org.au](mailto:gabrielle@finpro.org.au).

Regards,



**Bradley Thomas**  
**President – FinPro**

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CC: Mike Gooley – Executive Director Local Government Victoria



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