

Official Victorian Government Response

**Victorian Government Response to the Legislative Council Economy and
Infrastructure Committee Inquiry into Local Government Funding and
Services**

June 2025

Table of Contents

Introduction	3
Response to recommendations	5
The financial sustainability of local councils in Victoria	6
Rate Capping	11
Grants	12
Cost shifting	24
Core services	34

Introduction

The Victorian Government thanks the Legislative Council Economy and Infrastructure Committee (the Committee) for their report on the *Inquiry into Local government funding and services* (the Inquiry).

Victorian councils have significant economic responsibilities. They collectively own and manage community assets and infrastructure worth more than \$150.2 billion and spend over \$11.7 billion on the provision of services annually. Councils employ over 50,000 people and are responsible for aspects of daily life that people care about deeply. Local government, in partnership with other levels of government, delivers clean and safe public spaces, accessible services, and strong local businesses and employment opportunities.

Section 74A(1) of the *Constitution Act 1975* provides that local government is a distinct and essential tier of government consisting of democratically elected Councils having the functions and powers that the Parliament considers are necessary to ensure the peace, order and good government of each municipal district. Local government funding comes primarily from dedicated rating powers. Rates as a form of property-based taxation are administratively simple and transparent since title and rating liability records are maintained and readily available. Local government rates and charges are levied on over 3.1 million Victorian properties and are budgeted to raise over \$7 billion in 2024-25.

Councils have broad discretion in how they apply their rates and charges. The *Local Government Act 1989* allows councils to levy uniform or differential rates, declare a municipal charge to cover administrative costs, and levy service rates or charges and special rates or charges. The distribution of the rating burden is apportioned based primarily on annual property valuations.

Since 2016, Victorian councils have been subject to rate capping under the Government's *Fair Go Rates System*. Rate capping limits the increase in the total rate revenue a council may raise. The rate cap is set by the Minister for Local Government following advice from the Essential Services Commission (ESC). Councils that determine they require a higher rate increase can apply to the ESC for a variation to the rate cap.

Councils also receive revenue in the form of government grants, user fees and other charges. The service choices that a council makes directly affects the setting of fees, charges, and rates.

The Victorian Auditor-General tabled the *Results of 2023-24 Audits: Local Government* report in Parliament on 3 April 2025. The report found that council cash reserves declined but remain sufficient to meet short-term obligations and debt levels remain low. Councils' financial positions were influenced by not receiving any Commonwealth financial assistance grants in advance for 2023-24.

Councils collectively budgeted to spend over \$4.15 billion on capital works in 2024-25. This substantial investment in long-lived community infrastructure assets warrants consideration of how best to finance their delivery. Greater use of debt by councils to build infrastructure assets and repaying the debt over time is an option for many councils when considering intergenerational equity.

The State Government carefully considers the contribution of local government to the stability and resilience of the broader Victorian economy. As a distinct and essential tier of government, Victorian councils have choices and options with regard to funding and financing their operations. The Victorian Government will continue to work with councils to ensure they have the resources to deliver vital services and infrastructure to local communities.

Response to recommendations

This response has been prepared in accordance with the *Guidelines for Submissions and Responses to Inquiries* (Guidelines).

The following key sets out the five categories of response, which are consistent with the Guidelines.

Key	
Support in full	All elements of the recommendation are supported
Support in part	Some elements of the recommendation are supported
Support in principle	The Victorian Government generally supports the intent or merit of the policy underlining the recommendation, but does not necessarily support the method for achieving the policy
Under review	Further analysis is required for the Victorian Government to determine its position
Not support	The Victorian Government does not support the recommendation

Recommendation	Responsible agency	Government response
The financial sustainability of local councils in Victoria		
1 That the Committee send a request to the Victorian Auditor-General to investigate and report on the financial impacts of cost-shifting from state and federal governments onto all Victorian councils.	Victorian Auditor-General	N/A. The Victorian Auditor General is an officer of the Parliament of Victoria.
2 That the Victorian Government review the requirements that councils must meet in applying for a higher rate cap, with a view to making the process less administratively burdensome. Any streamlined application process should not impact the Essential Services Commission's assessment of the merits of the applications.	Department of Government Services	<p>Support in principle</p> <p>The Essential Services Commission is responsible for the higher cap application process. It has implemented periodic enhancements to this process since 2016, including the provision of guidance and templates for councils.</p> <p>The ESC periodically assesses the requirements of higher cap applications and the necessary information required for the ESC to conduct their assessment in accordance with the legislated requirements.</p> <p>The way the annual rate cap is calculated is subject to an independent statutory review in 2025 which will seek input from the ESC.</p>

Recommendation	Responsible agency	Government response
<p>3 That the Victorian Government should provide councils with adequate funding for capital expenditure, rather than generating revenue through interest payments from financially strained councils.</p>	<p>Department of Government Services</p>	<p>Not support</p> <p>It is the responsibility of each local government to plan for and manage their assets.</p> <p>Borrowings are an option for local governments to support their asset management responsibilities. Borrowings can spread the cost of long-lived assets over time, thereby allowing a more equitable impact across generations of ratepayers.</p> <p>The decision to borrow – from the Treasury Corporation of Victoria or commercial lenders – to finance the construction of new assets is for councils to determine in consultation with their communities and in accordance with the financial management principles of the <i>Local Government Act 2020</i>.</p>
<p>4 That the Victorian Government act expeditiously and not delay funding for projects out of Growth Areas Infrastructure Contributions or development contributions due to the risk of escalating project costs.</p>	<p>Department of Transport and Planning</p>	<p>Support in principle</p> <p>Since the commencement of the Growth Area Infrastructure Contribution (GAIC) in 2010, a total of \$1.4 billion of contributions has been received and \$1.04 billion committed across 154 projects.</p> <p>On 22 October 2024, the Premier, the Hon Jacinta Allan MP and the Minister for Planning, the Hon Sonya Kilkeny MP, jointly announced a \$150 million 2025 GAIC funding round, focused primarily on transport projects, such as bike paths, bus services, interchanges, stations, intersections, roads, and walking paths.</p> <p>To be considered eligible for GAIC funding, a project must be ready to commence within 12-18 months from the time funding is committed.</p> <p>Projects which are successful in receiving funding have funding agreements put in place to ensure that financial contributions are provided efficiently and when needed.</p> <p>GAIC is administered by the Department of Transport and Planning.</p>

Recommendation	Responsible agency	Government response
<p>5 That the Victorian Government consult with the local government sector to establish financial reporting requirements for infrastructure assets, whilst considering the New South Wales Office of Local Government <i>Local Government Code of Accounting Practice and -Financial Reporting – Section 4 – Special Schedules</i></p>	<p>Department of Government Services</p>	<p>Support in principle</p> <p>Councils are required to report on their infrastructure assets in accordance with Australian Accounting Standards, and this reporting is subject to audit by the Victorian Auditor-General.</p> <p>Regulation 14(1)(a) of the <i>Local Government (Planning and Reporting) Regulations 2020</i> requires the inclusion of a Statement of Capital Works in every Victorian council's annual financial report. The Statement of Capital Works must include specific asset classes and a breakdown of capital works expenditure type categorised as new, renewal, upgrade and expansion. The regulations also require inclusion of a comparison of the Council's actual capital expenditure with the budgeted capital expenditure with explanations of material variations.</p> <p>These requirements are similar to the requirements for NSW local governments.</p>

Recommendation	Responsible agency	Government response
<p>6 That the Victorian Government should reinstate the Council Planning Flying Squad for its 48 regional and rural councils, an initiative to provide short-term expertise and assistance to ease the backlog of planning requests. This will enhance the capacity of councils to address planning challenges effectively and ensure timely project approvals.</p>	<p>Department of Transport and Planning</p>	<p>Support in full (noting this initiative is already in place as the 'Regional Planning Hub').</p> <p>The Regional Planning Hub is an ongoing program that was established in 2021 and supports rural and regional councils plan and develop their municipal areas.</p> <p>The program is managed by the Department of Transport and Planning and provides statutory and strategic planning support and resources to:</p> <ul style="list-style-type: none"> • assist councils with peak workloads and priority developments • build land use planning capacity and capability within councils • improve planning schemes to simplify processes and approvals • help with significant regional planning projects. <p>The Hub Program has also established a mentoring program for regional planners and a regional planner cadetship program with matching funding provided by the Commonwealth Government's Housing support program.</p> <p>Since July 2021, the Hub program has received 705 requests for assistance and as of March 2025, 561 of these have been completed.</p>
<p>7 That where possible, councils should partner with TAFE's and universities and offer traineeships or apprenticeships in professions with skills shortages.</p>	<p>Local Government Sector</p>	<p>Support in full</p> <p>The Victorian Government has committed \$6.3 million to an Earn and Learn pilot program aimed at addressing critical skills shortages in councils.</p> <p>The program will support a pipeline of workers into areas of need, improving retention and progression for staff within the local government sector.</p> <p>RMIT University is leading the program in partnership with Federation University, Swinburne University of Technology, and Victoria University. The consortium of education providers is collaborating with the local government sector to identify skills shortages and co-design tailored training opportunities for prospective participants.</p>

Recommendation	Responsible agency	Government response
<p>8 That the Victorian Government work with the sector, including councils and peak bodies, to establish a local government sustainability framework. The elements of this framework should incorporate:</p> <ul style="list-style-type: none"> • a risk-based approach to financial sustainability • different financial criteria for different council groups; and • the inclusion of adjusted underlying result, unrestricted cash, and asset renewal indicators in addition to the financial indicators outlined in the Local Government Performance Reporting framework. 	<p>Department of Government Services</p>	<p>Support in principle</p> <p>The Victorian Government's Local Government Performance Reporting Framework includes indicators on councils' underlying result, unrestricted cash, and asset renewal performance.</p> <p>The Victorian Auditor-General maintains a data dashboard with audited council financial results for the past eight years. The dashboard is updated annually when VAGO table their results of council audits report. The dashboard includes financial sustainability indicators including the adjusted underlying result, liquidity ratio, and renewal gap ratio.</p> <p>It is the responsibility of each elected council, its Audit and Risk Committee, and the council's administration to assess and review their own financial sustainability based on economic circumstances, risks and obligations. This includes the legislative requirement for councils to prepare a 10-year Financial Plan which is the centrepiece of each council's financial sustainability framework.</p>

Recommendation	Responsible agency	Government response
Rate Capping		
9 That the Victorian Government instigate a review of the ratings system to ensure no particular category is carrying an unfair burden of the rates levied, with particular reference to farmers, small businesses and rural property owners.	Department of Government Services	<p>Not support</p> <p>The local government rating system was subject to a review in 2019. The review was led by an independent Ministerial Panel and made 56 recommendations with 36 supported by Government.</p> <p>Councils have broad discretion in applying rates and charges. Councils can levy uniform or differential rates; declare a municipal charge to cover administrative costs; and levy service rates or charges and special rates or charges.</p>
10 That the Victorian Government should provide local councils with timely and clear information regarding the annual rate cap, enabling them to plan and budget more effectively for the coming financial year.	Department of Government Services	<p>Support in full</p> <p>The local government rate cap is set by 31 December each year in accordance with the <i>Local Government Act 1989</i>. This provides sufficient time for councils to determine if they can raise sufficient rate revenue within the rate cap or seek a higher cap via application to the ESC.</p> <p>Councils' ability to effectively plan and budget is determined most of all by the adequacy of their 10-year long term financial plans and 10-year asset plans; both are requirements of the <i>Local Government Act 2020</i>.</p>

Recommendation	Responsible agency	Government response
11 That the Essential Services Commission conduct a review of the rate cap formula. Such a review should consider whether a local government cost index should be used that would give weighting to the Wage Price Index and construction costs and have regard for the capacity of ratepayers to bear higher rates.	Department of Government Services/ Department of Treasury and Finance	Support in part The local government rate cap is subject to regular statutory reviews. The rate cap mechanism was reviewed in 2021 and will be reviewed again in 2025. The review will be undertaken independently, with the ESC being consulted as part of the review.

Grants

12 That the Victorian Government should increase untied funding to councils within specific categories, such as roads, to allow councils greater flexibility in addressing local needs and to reduce the costs and administrative burden of applying for competitive, tied grants.	Whole of Government	Support in principle Grants to local government form part of many programs and projects delivered by Victorian Government departments and agencies. These may be tied or untied as appropriate, noting that tying grants to specific expenditure can be an important accountability requirement.
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Recommendation	Responsible agency	Government response
13 That the Victorian Government should ensure it consults the local government sector before releasing new grant programs to ensure it aligns with current community needs and strategic priorities.	Whole of Government	<p>Support in principle</p> <p>Grants to local government form part of many programs and projects delivered by Victorian Government departments and agencies.</p> <p>Consultation occurs as appropriate for the specific grant program prior to release.</p> <p>Grant programs to local government are often designed to target and support specific priorities or issues. Particular needs for eligible councils are considered prior to the release of grant programs.</p>
14 That the Victorian Government should look to provide grant programs wherever possible that support asset renewal and maintenance to address growing asset renewal backlogs and the needs of local communities	Whole of Government	<p>Support in principle</p> <p>Grants to local government form part of many programs and projects delivered by Victorian Government departments and agencies.</p> <p>Grants can supplement local government asset renewal expenditure which remains a core responsibility of local governments in consultation with their communities.</p>
15 That the Victorian Government review the grant application process with a view to simplifying it.	Whole of Government	<p>Support in principle</p> <p>Grants to local government form part of many programs and projects delivered by Victorian Government departments and agencies.</p> <p>The Government strives to ensure grant application processes are simple while noting that the application process for grants will vary as appropriate in accordance with size, complexity, risk and total value.</p>

Recommendation	Responsible agency	Government response
16 That the Victorian Government provide additional grant writing support for smaller councils.	Whole of Government	<p>Support in principle</p> <p>There are many existing published resources for grant writing available, including some produced by Victorian Government departments and agencies.</p> <p>Local government peak bodies are best placed to provide specific grant writing support to their local government members.</p> <p>Grant program areas that deliver programs for the Victorian government often provide guidance for councils to assist with the completion of applications.</p>
17 That the Victorian Government ensure grant programs take account of council financial capacity with respect to co-contribution requirements.	Whole of Government	<p>Support in principle</p> <p>Grants to local government form part of many programs and projects delivered by Victorian Government departments and agencies.</p> <p>Many provide different co-contribution requirements based on criteria appropriate for the program and location.</p>
18 That the Victorian Government respond to grant applications within advertised timeframes to avoid creating delivery challenges and cost escalations.	Whole of Government	<p>Support in full</p> <p>Grants to local government form part of many programs and projects delivered by Victorian Government departments and agencies.</p> <p>The response times for grant applications will vary as appropriate in accordance with size, complexity, risk, total value and application completeness.</p> <p>Victorian Government departments and agencies will always strive to respond to grant applications within advertised timeframes.</p>

Recommendation	Responsible agency	Government response
<p>19 That the Victorian Government review the auditing and reporting requirements of its grant programs to ensure that compliance is not so onerous that it deters smaller or less-resourced councils from participation, particularly those in rural and regional areas.</p>	<p>Whole of Government</p>	<p>Support in principle</p> <p>Grants to local government form part of many programs and projects delivered by Victorian Government departments and agencies.</p> <p>The auditing and reporting requirements for grant programs will vary as appropriate in accordance with size, complexity, risk, total value and application completeness.</p>

20	That the Victorian Government should not take money out of Commonwealth Government grants allocated to local councils.	Department of Transport and Planning	<p>Not support</p> <p>DTP administers a range of programs on behalf of the Commonwealth Government. DTP seeks to ensure that the level of administration is appropriate to deliver the objectives of the Commonwealth program and regularly reviews administration practices to ensure efficient service delivery.</p> <p>The DTP administration costs of the Federal Blackspot program, added in addition to council project costs, include activities which are required when the council nominate and deliver the program, such as:</p> <ul style="list-style-type: none"> • Provision and administration of grant nomination system (used by councils and DTP to nominate projects for funding consideration) • Provision of advice and information (such as crash and road safety data for their local government area) by DTP to councils to support project development and application process. • Review and assessment of submissions by councils to ensure alignment with DTP standards and requirements and to ensure treatments are fit for purpose and will address road safety risks. • Preparation and management of the funding agreement/contracts with councils to enable transfer of funds • Program reporting and management, including review and assessment of project variations. <p>Councils are informed each year when the program launches that they should include it in their cost estimates. DTP is currently reviewing the level of administration costs for the program to ensure they are minimised as far as is practical.</p> <p>The administration costs charged by DTP are commensurate with the level of effort undertaken by the Department. There are other grant processes such as Safer Local Roads and Infrastructure Program where DTP does not actively review local government projects and therefore does not collect any administration costs, despite incurring costs for the administration of payments to local government.</p>
21	That the Victorian Local Government Grants	Victorian Local Government	Support in full

Recommendation	Responsible agency	Government response
<p>Commission work with councils to ensure it is clearly understood how its methodology has determined the allocation of Commonwealth Financial Assistance Grants, to ensure greater transparency in the allocation of these grants.</p>	<p>Grants Commission</p>	<p>The VLGGC conducts regular statewide information sessions to provide an overview of the methodology used in preparing its recommended allocations. These sessions are conducted virtually to allow attendance of councillors and council staff from all parts of the state, providing consistent messaging across the state.</p> <p>The VLGGC also visits and meets with Victorian councils individually over a four-year cycle. The VLGGC strives to meet councils in person where possible. During 2023-24, the VLGGC held individual council meetings with 17 councils.</p> <p>The VLGGC Annual Report, available on the Department of Government Services webpage, provides details of the allocation methodology used each year, any changes to the methodology and all of the data used in preparing the recommendations.</p>
<p>22 That the Local Government Grants Commission continue to review and refine the methodology it uses to allocate Commonwealth Financial Assistance Grants in meaningful consultation with councils.</p>	<p>Victorian Local Government Grants Commission</p>	<p>Support in full</p> <p>All Victorian councils can provide written submissions to the VLGGC regarding changes to the methodology. Submissions are accepted throughout the year and provide valuable input on both the general purpose and local roads grants allocation methodologies. This includes the construction and application of the cost adjustors and cost modifiers used to reflect the local characteristics of individual councils. This, in turn, allows the VLGGC to consider modification of the allocation methodologies to ensure that they continue to be relevant to the needs of councils. Often, submissions are discussed at a meeting with the applicant council.</p> <p>In addition to this, the VLGGC visits and meets with Victorian councils individually over a four-year cycle. The VLGGC strives to meet councils in person where possible and councils have to opportunity to raise and discuss any aspects of the methodology.</p>

Recommendation	Responsible agency	Government response
23 That the Local Government Act should specify a fixed month each year for the payment of Commonwealth Financial Assistance Grants to councils, ensuring accurate management and planning of council budgets.	Victorian Local Government Grants Commission	<p>Support in principle</p> <p>The timing of the payment of Financial Assistance Grants is determined by the Commonwealth Government and payments are made in accordance with the <i>Local Government (Financial Assistance) Act 1995</i> (Cwth).</p> <p>The Victorian Local Government Grants Commission will continue to advocate to the Commonwealth for grant payments to be made on a predictable and consistent basis.</p>
24 That the Victorian Government advocate to the Commonwealth Government that Financial Assistance Grants be raised to 1 per cent of Commonwealth taxation revenue.	Victorian Local Government Grants Commission	<p>Support in principle</p> <p>The Victorian Government notes the importance of Financial Assistance Grants in maintaining the financial sustainability of Victorian councils, particularly in rural and regional areas of the state.</p> <p>The Minister for Local Government participates in the Local Government Minister's Forum where the Financial Assistance Grant Program is discussed on a regular basis.</p>

Recommendation	Responsible agency	Government response
<p>25 That the Victorian Government streamline as far as practicable the evidentiary requirements of the Disaster Recovery Funding Arrangements process to make it more accessible to smaller, rural and regional councils.</p>	<p>Department of Justice and Community Safety</p>	<p>Support in principle</p> <p>The Department of Justice and Community Safety (Emergency Recovery Victoria) established a dedicated strategic team to look for enhancements into how Victoria can apply the Disaster Recovery Funding Arrangements (DRFA). A dedicated team is working across departments, councils and agencies with disaster recovery accountabilities to identify and implement DRFA improvements. This team will review Victorian DRFA processes to streamline these where possible, including reviewing documentation, supporting capability uplift across the sector, and working with the Commonwealth on its DRFA reforms. The DRFA Strategic Review will be conducted over two years with improvement opportunities delivered during this time to provide immediate and longer-term solutions by June 2026.</p> <p>The Department of Justice and Community Safety (Emergency Recovery Victoria) also contributed to the review undertaken by the National Emergency Management Agency's (NEMA) on Recovery Funding Arrangements. Input provided was based on insights gained through application of the Disaster Recovery Funding Arrangements within Victoria</p> <p>In addition, the Commonwealth is preparing its responses to various internal and external reviews of the DRFA and disaster recovery funding, including:</p> <ul style="list-style-type: none"> • the DRFA Review; • the Independent Review of National Natural Disaster Governance Arrangements; • the Independent Review of Commonwealth Disaster Funding (the Colvin Review). <p>The Commonwealth's responses to the various reviews and recommendations will inform delivery timeframes, which still need to be confirmed.</p>

<p>26 That the Victorian Government ensure rapid mobilisation of funding from the Disaster Recovery Funding Arrangements, with the Victorian government aiming to process claims within three months.</p>	<p>Department of Justice and Community Safety</p>	<p>Support in principle</p> <p>Council DRFA claim assessment timeframes are influenced by a number of factors including:</p> <ul style="list-style-type: none"> • the number of active events • when claims are lodged. While councils are encouraged to lodge claims throughout the financial year the majority are lodged after the end of the financial year, and • the correct documentation being provided. <p>Expenditure may be incurred 24 months after an event, with multiple claims submitted by councils.</p> <p>Councils can find the DRFA process challenging. This is particularly the case for small regional/rural councils, councils with repeated impacts across events, councils going through the DRFA process for the first time in a while, and those unable to attract staff. Emergency Recovery Victoria has been working with councils individually to address issues.</p> <p>Trained claim assessors from the Department of Transport and Planning support councils in determining eligibility and documentation needed to support claims to maximise reimbursement. Assessors have also been providing DRFA training across councils throughout the year. Resources for the assessor function have been doubled to address the increased number of claims following recent significant events.</p> <p>Emergency Recovery Victoria has also engaged a third party with specialist DRFA skills to work directly with several councils to support them streamline their DRFA applications and certified estimates packages.</p> <p>A new Claim Management System went live in July 2023 which is supported by short, on-demand videos. Victorian DRFA Guidelines continue to be updated and capture feedback from a User Reference Group which includes representation from councils.</p> <p>The Commonwealth Government is currently reviewing the DRFA and disaster funding more broadly. It is expected any reforms will occur in the medium to longer-term. Victoria continues to advocate for short-term reforms including in relation to the level of evidentiary</p>
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Recommendation	Responsible agency	Government response
		requirements, administrative burden in the audit and assurance arrangements, and expanded betterment opportunities.
27 That the Victorian State Government update Commonwealth Government Disaster Recovery Funding Arrangements to allow betterment to build the resilience of local council infrastructure.	Department of Justice and Community Safety	<p>Support in principle</p> <p>The Commonwealth Government is currently reviewing its administration of disaster funding. Any reforms are expected to occur in the medium to longer-term. Victoria continues to advocate for short-term reforms related to the level of evidentiary requirements, the administrative burden in the audit and assurance arrangements and for expanded betterment opportunities.</p> <p>Victoria has also contributed to the Commonwealth's Infrastructure Betterment Program guidelines which seek to ensure rebuilt infrastructure delivers essential services to the community in a way that minimises future damage.</p> <p>Investments in betterment projects are considered by the Victorian Government alongside other recovery programs necessary for addressing all recovery needs identified after an event, and investment is determined based on the cumulative demand for government support.</p> <p>The Victorian Government also seeks investment in improved and resilience-building supports through the Commonwealth's Disaster Ready Fund which seeks to increase the resilience, adaptability, and preparedness of governments, community groups, and affected communities to reduce impact of natural hazards and disasters.</p>

Recommendation	Responsible agency	Government response
<p>28 That the Victorian Government should reinstate a program similar to the Country Roads and Bridges Program that existed between 2011–12 and 2014–15 that is untied funding to Local Government.</p>	<p>Department of Transport of Planning</p>	<p>Not support</p> <p>Funding for local roads is the responsibility of the Commonwealth Government and local government sector, as set out in the <i>1991 Special Premiers’ Conference Intergovernmental Agreement</i>.</p> <p>The Country Roads and Bridges Program was a one-off funding program established by the Victorian Government between 2010 and 2014.</p> <p>Due to rapid population growth in some regional and peri-urban areas, the State does - via Growth Areas Infrastructure Contributions (GAIC) – provide for some funding to local government to construct its local road network.</p> <p>Victoria has consistency called on the Commonwealth to increase its funding contribution to Victoria’s road network, including greater Commonwealth funding to be directed to investment in more resilient road networks, including regions that are at an outsized risk of being impacted by future severe weather events.</p> <p>Victoria also supports advocacy by the local government sector to the Commonwealth for higher levels of Commonwealth funding to local government for local roads.</p>

Recommendation	Responsible agency	Government response
<p>29 That the Victorian Government consider creating growth funds to support infrastructure delivery for different groups of councils experiencing rapid growth, including interface, peri-urban, and regional councils and consider greater use of works in kind agreements and deliver infrastructure in a timely manner.</p>	<p>Department of Transport and Planning</p>	<p>Support in full</p> <p>The Victorian Government has a range of grants programs and funding mechanisms in place that support councils and regions experiencing high growth. These include:</p> <ul style="list-style-type: none"> • Growth Areas Infrastructure Contribution (GAIC): Since the commencement of GAIC in 2010, a total of \$1.4 billion of contributions has been received and \$1.04 billion committed across 154 projects. • Tiny Towns fund: Supports projects in communities with fewer than 5000 people as well as the Alpine Resorts and Melbourne's 10 interface councils. • Pick My Park fund: The new government initiative, announced in October 2024, will launch in 2025 and help create and upgrade green and open spaces in growing and established suburbs. <p>Infrastructure contributions reform</p> <p>The Victorian Government is investigating opportunities to improve the way infrastructure contributions are collected and essential infrastructure is funded, to ensure developers contribute their fair share, and demand for infrastructure associated with growth is supported and accommodated.</p> <p>A Working Group with peak industry representatives and local governments provided valuable feedback to the government and will inform the next steps to support councils across Victoria plan for, fund and deliver the works and services their communities need.</p> <p>42 of Victoria's councils currently have a tool in place to collect revenue from development contributions, with over \$580 million collected between them last financial year.</p>

Recommendation	Responsible agency	Government response
Cost shifting		
30 The Victorian Government should restore a shared funding agreement of 50/50 with local councils for the operation of public libraries.	Department of Government Services	<p>Not support</p> <p>The Victorian Government has maintained or increased its investment in public library services each year.</p> <p>In 2024-25 the Victorian Government has made a total investment of \$53.379 million in public library services.</p> <p>As councils have expanded the breadth and depth of library services over time in consultation with their communities the proportion of library funding met by local government has increased.</p> <p>Libraries have had a changing role over time, and now not only provide the community with information and technology but access to a broad range of local and Victorian Government information and services, offer a range of wellness programs, mental health resources and community services.</p>

Recommendation	Responsible agency	Government response
31 That the Victorian Government ensure that funding for the School Crossing Supervisor program is reinstated at a 50–50 funding split with Victorian local councils.	Department of Transport and Planning	<p>Under review</p> <p>The Victorian Government has a long-standing partnership with councils to fund school crossing supervisors, who play an important role in keeping children safe on our roads on their journey to and from school. Victoria has the most extensive school crossing supervisor program in the country, with more than 3,000 supervisors located at primary and secondary schools around the state.</p> <p>Road safety, especially the safety of school children, is paramount. This is why the Victorian Government remains committed to the School Crossing Supervisor Program with a total of \$57.4 million allocated across 2024-25 and 2025-26.</p> <p>In 2023, in response to concerns raised by councils, the Department of Transport and Planning established the School Crossing Reference Group to collaboratively develop a Program Improvement Plan that will deliver recommendations to the Minister in 2025, including advice around subsidy allocation and the current operating model.</p>
32 That the Essential Services Commission and Local Government Victoria engage with the local government sector, including individual councils, to discuss the best way to fund the provision of much needed community services such as public bin collection, street sweeping, and graffiti removal.	Department of Government Services	<p>Support in principle</p> <p>The Minister for Local Government and the Department of Government Services provide extensive guidance to councils on revenue and rating practices, further updated since the passage of the <i>Local Government Act 2020</i>.</p> <p>Decisions on rating and revenue allocations and levels – including the funding of specific services – are for democratically elected councils to determine in consultation with their local community.</p>

Recommendation	Responsible agency	Government response
<p>33 That the Victorian Government establish a fair and just funding arrangement with local councils regarding the management of legacy contaminated land sites, particularly those that have historically serviced wider local government areas.</p>	<p>Department of Energy, Environment and Climate Action</p>	<p>Support in principle</p> <p>The identification, management and remediation of contaminated land is complex, expensive and frequently impacts a range of land users and managers. The Environment Protection Act 2017 (EP Act) and related regulations and standards establish “duties” that impose obligations to minimise the risks of harm to human health and the environment (General Environment Duty) and contain specific duties to manage contaminated land.</p> <p>It should be noted that these duties proactively apply to all those who are in management and control of the land and therefore apply beyond council obligations.</p>

Recommendation	Responsible agency	Government response
<p>34 The Victorian Government should reverse the annual immunisation tax of \$6,000 and the \$2 fee per immunisation administered by local governments, and instead provide sufficient funding for this responsibility, which falls under the purview of the Victorian Government.</p>	<p>Department of Health</p>	<p>Not support</p> <p>The Victorian Government recognises the importance of Central Immunisation Records Victoria (CIRV) platform and partnership with local governments and public health services in delivering immunisation services.</p> <p>The Victorian Government appreciates the crucial efforts of local government in managing and implementing Victoria's immunisation program. Council / health service immunisation services receive funding for National Immunisation Program (NIP) service delivery from both the Australian Government and the department for eligible cohorts.</p> <p>Immunisation encounters for children aged less than 7 years reported to the Australian Immunisation Register (AIR) are subject to an AIR notification payment from the Australian Government (issued by Services Australia). Subsidy payments by the Victorian Government additionally remunerate council / health service immunisation services for delivering immunisation services to NIP eligible target cohorts.</p> <p>The Victorian Government supports an economically sustainable cost sharing model for the CIRV platform, and the Department of Health has consulted with all councils and the Municipal Association of Victoria (MAV) on this model</p> <p>The model, shared with all councils and health services on 24 December 2024, incorporates feedback from many councils and MAV and enables continuous improvements to the CIRV platform for better user experience and improved service delivery.</p>

Recommendation	Responsible agency	Government response
35 That the Victorian Government should consider Crown Land and associated assets that are currently managed by a Committee of Management to be formally transferred to local government ownership, where requested.	Department of Energy, Environment and Climate Action	<p>Support in principle</p> <p>The Victorian Government acknowledges the challenges of managing and maintaining community assets. In some municipalities there is the opportunity to review and potentially consolidate and/or assign responsibility for management of community assets (regardless of land tenure) to enable a more effective and sustainable provision of assets for the community.</p> <p>Councils are encouraged to support investment in community facilities that support their own communities, regardless of the underlying land tenure.</p>
36 That the Victorian Government ensure funding is provided to support agreements to maintain State Government assets or Crown Land.	Department of Energy, Environment and Climate Action	<p>Support in principle</p> <p>The Victorian Government acknowledges the challenges of managing and maintaining community assets.</p> <p>The Victorian Government provides support to Committees of Management through diverse grants and through enabling retention of revenue from leases and licenses on their respective Crown land reserve, for example from Telecommunication towers.</p> <p>Coastal Crown land, for example, is highly valued and sensitive to coastal hazards. DEECA supports coastal land managers to manage hazard risk through knowledge sharing, capacity building, a statewide monitoring program, and grants for adaptation planning and on-ground works.</p>

Recommendation	Responsible agency	Government response
37 That the Victorian Government move towards re-instating a 50–50 funding split with Victorian local councils for maternal and child health services.	Department of Health	<p>Not support</p> <p>The Victorian Government funds local governments to deliver a range of Maternal and Child Health (MCH) services in the community. Local governments are expected to contribute 50:50 funding for core Universal MCH services. All other MCH services are fully funded by the Victorian Government.</p> <p>The Victorian Government acknowledges the challenges identified by some councils regarding financial pressures; however, does not agree that the current funding model is insufficient to support the efficient delivery of MCH services. Funding is tied to unit prices that are subject to annual indexation increases, in line with methodologies used for other health services.</p> <p>Immunisation services do not fall within the domain of MCH services.</p>

38 The Victorian Government should honour its commitment to fund 100% of its 'Free Kinder' program and the three- and four-year-old kinder programs, and not cost-shift to local government enormous capital and recurrent costs.	Department of Education	<p>Support in full</p> <p>The Victorian Government has made significant funding commitments to ensure the successful delivery of Best Start, Best Life reforms.</p> <p>The Victorian Government fully meets the cost of Free Kinder. Local governments delivering sessional kindergarten receive a Free Kinder rate that is over 40% higher than the average parent fees they previously charged.</p> <p>The Victorian Government has committed over \$2.7 billion to kindergarten infrastructure through the Best Start, Best Life reforms. The Victorian Government works collaboratively with local government through Kindergarten Infrastructure and Service Planning agreements to ensure infrastructure funding responds to the areas of need. The Government's investment includes:</p> <ul style="list-style-type: none"> • 17 Building Blocks Partnerships with local governments have been announced agreeing in-principle 97 new and expanded kindergartens, providing up to 11,591 kindergarten places with state contributions of approximately \$380 million. • Funding of more than \$148 million to over 7,700 infrastructure and equipment grants to local governments across the state. <p>The Victorian Government's support for local government includes funding for local governments to support early childhood education programs, including:</p> <ul style="list-style-type: none"> • A 45% boost in Early Years Management funding for local governments operating sessional services, compared to 2021 funding rates. • \$4.8 million annually for the Kindergarten Central Registration and Enrolment Scheme grants program for local government, which is a significant increase compared to \$1.6 million in 2022. • \$7.5 million for 26 local governments to operate the Culturally and Linguistically Diverse Outreach program to June 2027, on top of significant funding previously provided for this program.
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Recommendation	Responsible agency	Government response
39 That Local Government Victoria work with the sector to develop a co-design process to ensure that the impacts of legislation on local government are considered.	Department of Government Services	Support in part State Government and local governments interact across many portfolios via many Acts of Parliament. No single process can accommodate the span of portfolio issues and the implications that may arise for councils. The Victorian Government will continue to consult with local government and undertake impact assessments with the sector in the development of all legislation.

Recommendation	Responsible agency	Government response
<p>40 That the Victorian Government should provide increased support and funding for weed and roadside management of State Government owned areas to assist local councils in maintaining safe and accessible road networks.</p>	<p>Department of Transport and Planning</p>	<p>Not support</p> <p>Victorian road maintenance is delivered under a 10-year \$6.6 billion funding model, which is designed to provide clarity and certainty to routine maintenance programming and delivery.</p> <p>Vegetation control is one of many routine maintenance activities required to be delivered from the Victorian road maintenance budget. Other priorities include:</p> <ul style="list-style-type: none"> • Safety inspections, hazard management and defect remediation – for example fixing potholes, cleaning debris, unblocking drains, replacing damaged signs, and providing electricity to operate traffic signals and street lighting • Asset preservation works to prevent deterioration of road assets, for example replacing road surfaces and corrosion protection for bridges • Rehabilitation works to restore road assets that have deteriorated to a point where they provide a reduced level of service compared to the original design, for example replacing road pavements and strengthening bridges. • Data collection and analysis of asset condition to inform future investment decisions. <p>Councils can decide to fund a higher standard of roadside maintenance on State roads using Municipal Maintenance Agreements, but are under no obligation to do so.</p>

Recommendation	Responsible agency	Government response
41 That the Victorian Government work with the sector to develop a co-design process to ensure that the impacts of regulation on local government are considered.	Department of Government Services	Support in full The current Regulatory Impact Statement requirements of the <i>Subordinate Legislation Act 1994</i> cover the impact of proposed or amended regulations on local governments.
42 That Local Government Victoria take a more prominent role in promoting knowledge of the Victorian State-Local Government Agreement amongst Victorian Government departments and agencies.	Department of Government Services	Support in full LGV will support the Minister for Local Government to meet the existing evaluation and review clauses of the Victorian State-Local Government Agreement (section 5, provisions 15ii.-iv). LGV will continue to provide advice to government departments and agencies on engaging with the local government sector on policies, regulations and legislation that may have implications for councils. This will continue through regular and ongoing interactions, including the Cabinet coordination process.
43 Local Government Victoria should report annually on the compliance of the Victorian departments and agencies in fulfilling their role as part of the <i>Victorian State-Local Government Agreement</i> .	Department of Government Services	Not support As noted above (42), LGV will support the Minister for Local Government to meet the existing evaluation and review clauses of the Victorian State-Local Government Agreement (section 5, provisions 15ii.-iv). While there are no compliance mechanisms or measures outlined in the Victorian State-Local Government Agreement to enable Local Government Victoria to undertake annual compliance reporting, the current evaluation and monitoring provisions in section 5 provide regular opportunities for local government peak bodies to discuss the implementation of the Agreement directly with the Minister for Local Government.

Recommendation	Responsible agency	Government response
44 That Local Government Victoria work with local councils and government departments and agencies to conduct a review to determine the nature and extent of cost shifting faced by Victorian councils.	Department of Government Services	Support in principle As noted above (42), LGV will continue to provide advice to government departments and agencies on engaging with the local government sector on policies, regulations and legislation that may have implications for councils. In addition, LGV will continue to work with State and Commonwealth portfolios regarding program design and delivery where councils are involved.
Core services		
45 That the Victorian Independent Remuneration Tribunal review the base allowances of Councillors to ensure it is not barring good candidates from stepping forward to represent their communities.	Department of Treasury and Finance	Support in principle The Victorian Independent Remuneration Tribunal may consider a range of matters in accordance with s.24(2) of the <i>Victorian Independent Remuneration Tribunal and Improving Parliamentary Standards Act 2019</i> .
46 That the Victorian Government ensure requirements around councillor training and professional development are adequately funded.	Department of Government Services	Support in part The Victorian Government will continue to develop resources and support for councillors that complements the work of local government peak bodies, specifically the MAV and VLGA.

Recommendation	Responsible agency	Government response
47 That the Victorian Government support local government in creating shared service models, including I.T. and procurement.	Department of Government Services	<p>Support in part</p> <p>The Victorian Government will continue to support the adoption of shared services by local governments.</p> <p>The Victorian Government has for over a decade provided extensive support - including direct project funding - for groups of councils to develop and implement shared services, including in IT and procurement.</p>
48 That the Victorian Government review the <i>Municipal Association Act 1907</i> to ensure it remains fit for purpose and reflects the full scope of the Municipal Association of Victoria's contemporary responsibilities.	Department of Government Services	<p>Support in principle</p> <p>The Victorian Government will consider future reforms to the <i>Municipal Association Act 1907</i> with the view that any change to legislation must be in the best interests of Victorian residents and ratepayers.</p>