

# The future is local: Financial sustainability

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insight.



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# Executive summary

Local government offers the opportunity to build stronger, more sustainable and more prosperous Victorian communities. However, as things stand, local government is being held back because of shortcomings in the sector's funding arrangements.

## **Local Government creates unique value for Victorians**

Local government has competencies which are distinct from those of State and Commonwealth governments.

These are to do with place based synergies in service delivery and direct forms of community engagement. Councils can give expression to local preferences in ways that State and Commonwealth governments cannot credibly replicate.

## **To fulfill its potential, local government must be genuinely accountable to local communities through the democratic process**

As a recognized sphere of government, Councils should be able to treat with their constituents on the trade-offs involved across the trilogy of quantity, quality and cost of services they deliver.

In practice, Councils are heavily constrained in conducting this conversation with their constituents. One part of the trilogy – cost - is arbitrarily removed from the discussion. Councils are, in effect, forced into a constant triaging process.

The fact that Councils cannot fully engage in trade off discussions with their constituencies dilutes the democratic process; it impacts adversely on public scrutiny of Council resource allocation processes and the electoral system generally

## **Local government should be able to independently tap a tax base aligned to its competencies**

An ideal local government finance system would feature:

- A dedicated tax base for local government aligned to its service responsibilities
- Transfers from higher spheres of government to ensure a reasonable degree of horizontal fiscal equalization in the local government sector
- Avoidance of tied grants from other spheres of government unless these are demonstrably related to the achievement of State and Commonwealth Government goals and are non-distortive of local government resource allocation decisions

The current system compares poorly to these three essential characteristics.

The current system also helps to entrench inequality

## **Towards a more empowered, capable and accountable local government sector**

Five strategic directions are indicated for the financial sustainability of local government in Victoria:

- Gradually loosen rate capping but subject to prudential supervision by ESC
- Increase Financial Assistance Grants to 1% of Cwlth outlays
- Review Grants Commission formula to better effect horizontal fiscal equalization
- Reform development contributions to, in part, support fiscal equalisation, and
- Institute binding protocols around the use of specific purpose grants from State and Commonwealth

# 1. Local Government creates unique value

## 1.1 Victorians encounter Council services every day

The services provided by Councils are vital to the quality of life enjoyed by Victorians. While infrastructure and services supplied by State and Commonwealth Government, spanning health care, education, justice and social security, undoubtedly have a profound impact on wellbeing at various phases and episodes across the lifecycle, citizens encounter a full spread of Council services day in day out (see Figure 1).

Councils own and maintain 87% of the State's road network. They look after the footpaths, kerbs and drainage systems that are essential to the basic functionality of our suburbs and neighbourhoods. Local government supplies and manages most of the open space system that all Victorians resort to for sporting activities, children's play, exercise and quiet contemplation. Domestic waste collection and resource recovery are the primary responsibility of Councils. A host of local community services from libraries to youth programs to aged care services are either directly provided by local government and/or Councils are vital partners in delivery. When communities come under sudden stress, through natural disasters for example, or when pressures accumulate over time, such as in the case of drought or structural economic change, Councils are typically on the front line providing practical and moral support, and making sure that assistance offered by State and Commonwealth governments is well targetted to need.

In providing these services, Councils are masters of strategy. They know their communities intimately and are uniquely well placed to anticipate opportunities and challenges confronting the economic, social, cultural and environmental life of their jurisdiction. Councils are typically proactive rather than reactive to community needs.

The value for money generated by Victorian local government is clear. The average household in the State pays of the order of \$2,000 per year in rates. Meanwhile, the utility and avoided costs accruing to Victorian households arising from just one area of local government service – public open space – runs to around \$4,000 per year. This is the combined value of recreational time spent in parks and gardens, saved costs in the health system arising from engagement in exercise and sports, and improved productivity through happier and healthier workers.

Other services provided by Councils which are highly valued by locals also save costs for State and Commonwealth governments. For example, local government Maternal and Child Health programs form an indispensable part of Victoria's approach to preventative health. Research reported by Community Health First shows that for every \$1 spent on preventative healthcare measures, \$14 is saved in future healthcare costs<sup>1</sup>. Similarly, the youth services programs operated by Councils are

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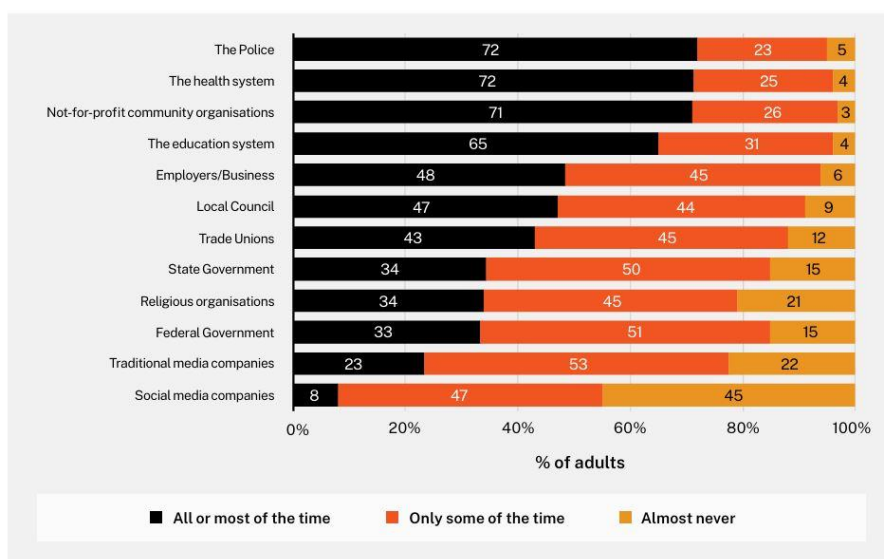
<sup>1</sup> Community Health First (2023) Strengthening Victoria's Health System through Community Health

essential to the diversion of young people at risk of offending. Every such diversion saves the State \$5,000 per day in incarceration costs<sup>2</sup>.

By and large, Victorians regard their Councils positively both as governance institutions and service deliverers.

Longitudinal market research conducted by the Scanlon Foundation on social cohesion in Australia indicates that local government has a higher trust factor with the community than either the State or Federal Government (Figure 1).

**Figure 1: How often people think selected institutions can be trusted 2024**



Source: Scanlon Foundation Research Institute 2024 Mapping Social Cohesion Report<sup>3</sup>

According to the 2025 edition of the Local Government Community Satisfaction Survey commissioned by the Victorian Department of Community Services, close to 40% of households in the State feel that their Council does a 'good' or 'very good' job. A relatively low 24% of households rate their Council 'poor' or 'very poor' on performance. Almost a third of households say that Councils provide good or very good value for money. In the Melbourne metropolitan area more than 40% of households hold this view<sup>4</sup>.

<sup>2</sup> Jesuit Social Services (2023) <https://jss.org.au/news-and-media/media-releases/new-youth-justice-spending-data-highlights-effectiveness-of-restorative-justice-programs/>

<sup>3</sup> <https://scanloninstitute.org.au/wp-content/uploads/Mapping-Social-Cohesion-2024-Report.pdf>

<sup>4</sup> JWS Research 2025 Local Government Community Satisfaction Survey State-wide Report

Coordinated by the Department of Government Services on behalf of Victorian councils [https://www.localgovernment.vic.gov.au/\\_\\_data/assets/pdf\\_file/0025/217708/CSS-State-wide-Report.-2025.pdf](https://www.localgovernment.vic.gov.au/__data/assets/pdf_file/0025/217708/CSS-State-wide-Report.-2025.pdf)

## 1.2 Boosting productivity

More generally, Councils in Victoria play a crucial role in building and supporting productivity in the State economy. Councils:

- As noted, provide most of the transport infrastructure to support efficient trade and labour market operations
- Mitigate externalities in urban development through their strategic and statutory planning functions
- Play an investor and curator role in place-making and the visitor economy
- Enable housing development by identifying suitable land and providing the required infrastructure to support housing
- Contribute to better local labour markets by providing or facilitating child-care services, helping residents access training, supporting social enterprises as skill accumulators and fostering partnerships in provision of key worker housing
- Help households and businesses alike deal with climate change & adaptation, through mapping and management of natural hazards, emergency management and recovery, regulated retreat, supply of renewable energy networks, and construction of mitigation works, and
- Enable business development, including strategic planning for employment areas, infrastructure co-ordination to help businesses thrive, supporting business clusters & innovation, promoting local business districts, running business incubators, identifying opportunities for circular economy, and orchestrating resource recovery and re-use.

**Figure 2: Scope of local government services**

Health inspections	Marinas and jetties	Beach restoration
Natural disaster relief	Art galleries	Fire access tracks
Play centres	Libraries	Underground drains
Preschool programs	Garbage and recycling bins	Weirs for controlling run-off
Community bus hire	Hard waste	Control of vermin & noxious weeds
Neighbourhood houses	Council tips & transfer stations	Subdivisions
Maternal and child health centres	Traffic lights	Planning approvals
Senior citizens centres	Road signs	Building & scaffolding inspections
Home care	Roundabouts	Tourist information centres
Respite care	Parking facilities and fines	Caravan parks
Meals on wheels	Street lighting	Ferries
Sports complexes	Street cleaning	Regional airports
Gardens	School crossing supervision	Roads
Bicycle tracks	Flood mitigation	Bridges

Source: SGS Economics & Planning Pty Ltd

Econometric modelling at the national level demonstrates the contribution of local government to a robust and productive economy. Reforms to improve financial sustainability of local government by, for example, restoring Commonwealth Government financial assistance to local government to 1% of total outlays and rationalising unnecessary overlaps between the functions of local government and those of other jurisdictions would generate several productivity gains including:

- Saved vehicle operating costs on better maintained roads
- Health cost savings and labour productivity gains from better engagement with public open space
- Faster and better decision making on planning and building
- Saved administrative costs in tied and competitive intergovernmental transfers, and
- Saved workforce recruitment and retention costs in local government.

The modelling estimated that an investment of between \$1.5 billion and \$2.0 billion in financial reforms to lift the capacity of local government across the country would boost GDP by around \$7 billion or 0.3%, a benefit cost ratio of at least 4 to 1.

### 1.3 Leaving Councils to look after local matters

Not only does Victorian local government produce great value, it is uniquely placed to do so. Other tiers of government simply don't have the connection to local community which is essential for the successful delivery of infrastructure, regulatory functions and services in the local domain.

Citizens are simultaneously members of multiple, nested, communities of interest. In a geographic context, citizens will be part of local, regional, State and national communities. Interests do not always align across these dimensions; for example, local communities might feel that their amenity, lifestyle or livelihoods may be infringed through the installation of windfarms in their district, but the regional, State and National communities might welcome installation of this infrastructure as part of a warranted green energy transition.

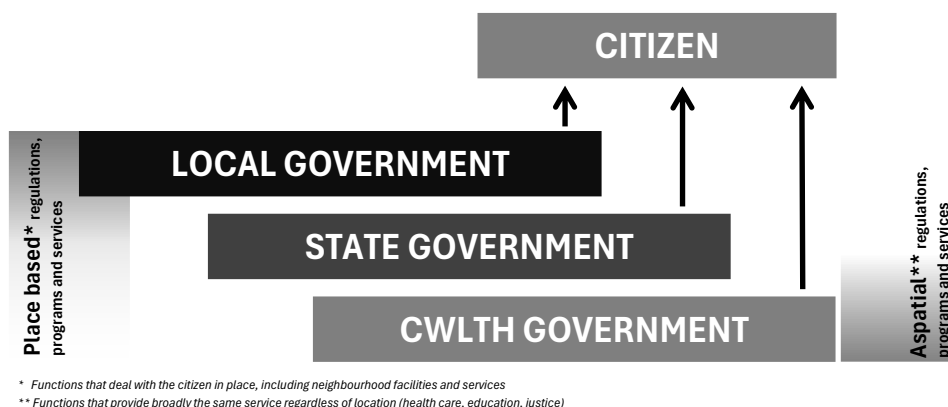
Good governance is concerned with empowering communities to meaningfully influence tax, regulatory regimes, collective investment and trade/external policy while mediating the tensions between local, regional, State and National interests.

Good governance will likely be culturally and place specific; there will not be a one size fits all architecture for decision making across the geographic levels of community. Nevertheless, the literature points to three key principles as distinguishing features of sound governance systems, at least in Western liberal societies such as Australia's:

- **Subsidiarity**; decision making should be devolved as far as possible within the competencies of local, regional and State jurisdictions;
- **Fiscal autonomy**; on matters within their competence, communities should have the wherewithal to act on their decisions without being financially beholden to higher spheres of governance; and
- **Democratic accountability**; decision making should be duly and fairly mandated by the community of interest in question.

The subsidiarity principle holds that in large and complex social systems, resource allocation, regulatory and other decision making should occur at the smallest subset of the system which can be reasonably deemed to be competent in the matter in question. ‘Competence’ in this context includes but is not limited to technical capacity. Principally, it refers to a domain within which decision making may occur without unduly compromising the interests of the wider system or higher order community affiliations (Figure 2).

**Figure 3: Subsidiarity model of governance**



Put another way, decision making should not occur centrally if it can be devolved to a smaller, more local, entity without compromising the interests of the whole.

Subsidiarity is a core principle binding the European Union. Member States only give up local decision making authority to forums convened by the Union where it can be shown that local decision making would compromise the overarching economic, social and environmental objectives of Member States as a whole.

As explained by the European Parliament...

*The principles of subsidiarity and proportionality govern the exercise of the EU’s competences. In areas in which the EU does not have exclusive competence, the principle of subsidiarity seeks to safeguard the ability of the Member States to take decisions and action and authorises intervention by the Union when the objectives of an action cannot be sufficiently achieved by the Member States, but can be better achieved at Union level, ‘by reason of the scale and effects of the proposed action’. The purpose of including a reference to the principle in the EU Treaties is also to ensure that powers are exercised as close to the citizen as possible, in accordance with the proximity principle<sup>5</sup>*

In an Australian context, subsidiarity was at work in the formation of the Commonwealth. The pre-federation Australian States determined that their collective interests on matters of trade, defence, and immigration would be best served by formalising an Australian nation. (Since federation, there has been something of a blurring of the subsidiarity principle, with Commonwealth reaching into a range of areas

<sup>5</sup> <https://www.europarl.europa.eu/factsheets/en/sheet/7/the-principle-of-subsidiarity>

which might be seen to be beyond its competence, involving itself in directly funding local community facilities, such as sporting pavilions and local roads).

Undoubtedly, subsidiarity is clearer in concept than it is in practical application. Unless codified in prior agreements, the demarcations between what are matters of local, regional, State and National significance will inevitably be contested, and, as noted, will be culturally specific. Some communities may be more willing than others to delegate powers upwards. Nevertheless, in the context of Victoria, a provisional subsidiarity framework could look like the following chart.

**Table 1: A subsidiarity based assignment of functions across Australian jurisdictions**

Matters for local governance	Matters for State and/or Regional governance*	Matters for State governance	Matters for National governance
Local transport network, including active transport Resource recovery / waste disposal Local open space Local community facilities including recreation/sports Local water cycle management including WSUD infrastructure Municipal spatial structure in conformity with regional plan Planning controls and DA for matters and locations of local significance Local economic development / High Streets Local arts and culture	Regional spatial structure Planning controls and DA for matters and locations of regional significance Regional water supply system Regional sewer system Regional open space network Regional transport network Regional public transport Resource re-use / circular economy Regional economic development	Health Education Social housing Mineral resources Water resources National parks State highways State trains/public transport Justice system Policing Prisons Child care Land use planning system Building regulation Gambling regulation Liquor licencing	Macro-economic management Defence International trade Interstate trade Immigration Social security (pensions & benefits) International treaties (such as climate change mitigation, refugee rights etc) Interstate highways Communications Aviation International waters Highest court
<p><i>* Recognising that regional governance has historically been an uncommon feature of governance systems in Australia</i></p>			

Source: SGS Economics & Planning Pty Ltd

By comparison with many European and North American jurisdictions, Australia is noteworthy for both its lack of constitutional recognition of local government and the patchy and intermittent application of regional governance arrangements. Arguably, this diminishes the social, environmental and economic outcomes achievable in Australian communities.

In the language of subsidiarity, State Governments are not competent to provide local services such as those listed in Figure 1. The State Government is mandated to provide a roughly even standard of service to Victorians regardless of where they live. This ‘whole of State’ focus intrinsically works against program responses which are customised to local and regional differences. Moreover, policy making at the State level tends to be more exposed to differentiation based on the electoral cycle. This too

militates against the long term decision making required for successful economic and environmental management at the local and regional level.

Full and warranted application of the subsidiarity principle would see local government in Victoria empowered to pursue a wide remit, only delegating upwards those matters which impinge on the interests of the host region, the State or the nation. This is a mindset shift from that which sees local government as merely a municipal service provider on behalf of other tiers of government.

## 2. Fiscal autonomy and democracy

### 2.1 Debating tax and spend is essential to democracy

A key element of democracy is resolution, through the electoral contest, of a community-preferred balance between tax raising on the one hand and spending on services (or paying down debt) on the other. At one end of this debate will be those candidates arguing for a ‘back to basics’ approach to fiscal matters. These might seek to contain tax raising to a feasible minimum by focussing on efficiency in service delivery and eschewing what they might see as non-essential service lines. At the opposite end of this discussion might be proponents with expansionary visions of local service provision and commensurate ambitions to lift tax rates to pay for this. And, of course, there will be a range of views between these two poles.

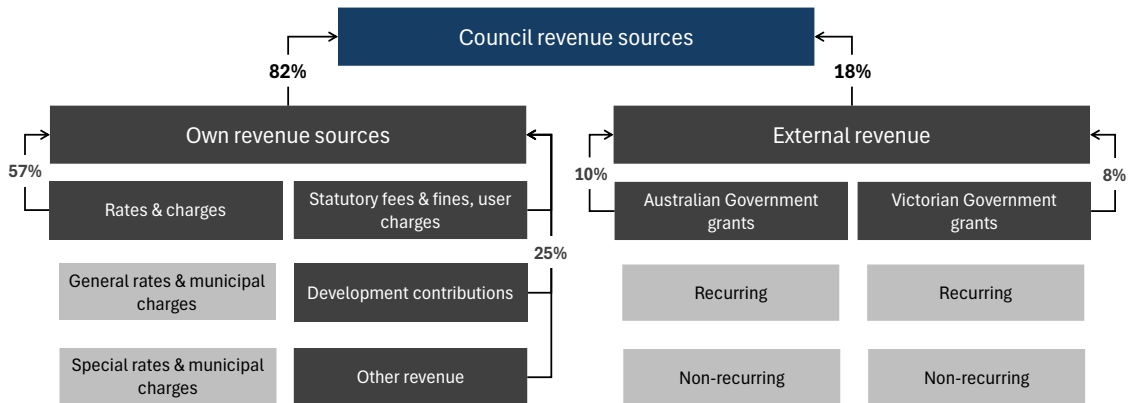
A wide range of issues will animate community engagement with elected members especially during key events in the democratic calendar, such as elections or major policy consultations. Nevertheless, the tension between widely shared goals of keeping taxes in check while providing excellent public services is a core and enduring topic which galvanises community involvement in local democracy. Were this topic to be quarantined from debate, it is not unreasonable to expect that community members will be less motivated to participate in local democracy, simply because there is less at stake for them. In the extreme, constituents may become indifferent to the outcomes of local democratic processes, creating an adverse feedback loop to the level of community scrutiny on the calibre of candidates, the quality of local governance and the propensity for administrative dysfunction and corruption.

Reflecting on alternative approaches to regulating local government finance in NSW, IPART (2009) recognised that a high degree of fiscal autonomy for local government is “theoretically more consistent with the achievement of democratic accountability, greater community engagement and development, and the position of local government as a genuine third tier of government” p 9.

### 2.2 Local government has limited fiscal autonomy in Victoria

Against this background, it is problematic that Councils in Victoria directly control only 57% of their revenue raising on average, being their rates and charges (Figure 3). The other 43% of their revenue raising is largely beyond the reach of local democratic debate and is, instead, determined by the spending priorities of other tiers of government (as in grant programs), commercial obligations (as in user charges) or regulatory responsibilities (as in the requirement to apply development contributions to prescribed purposes).

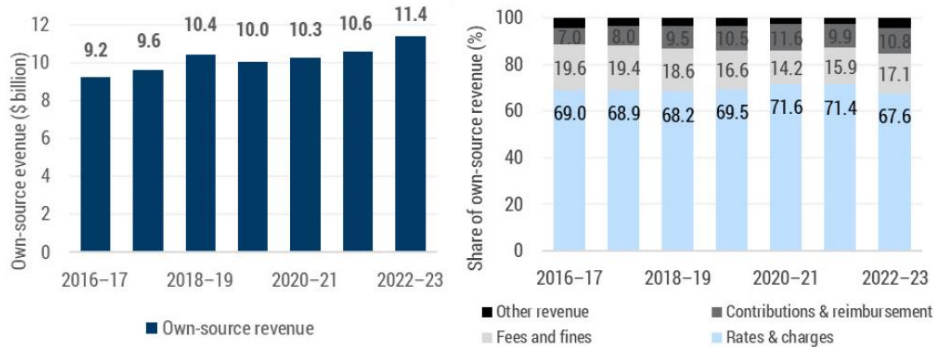
Figure 4: Sources of Council revenue



Source: Victorian Parliamentary Budget Office (2024), SGS calculations

Councils have full democratic authority to vary *downwards* the notional discretionary component of their own source revenue – rates and charges. However, they are effectively denied the opportunity to engage in a community debate about *lifting* this component. In the 6 years to 2022/23, aggregate Council rates and charges in Victoria grew at an average annual rate of 3% (see Figure 4). Meanwhile, in response to democratically mandated need, the equivalent revenue line in the State budget (own taxes) increased at an average annual rate of approximately 7% over the same period.

Figure 5: Composition of own source revenue



Source: Victorian Parliamentary Budget Office (2024)

### 2.3 Substituting other revenue sources dilutes democracy

The obverse of reduced access to revenue raising through local democratic licence, is greater reliance on alternative revenue sources, including user fees, fines, and grants. As Nahum (2021) of the Australia Institute puts it... *“it is not that Victorians are paying less for local government; it is that they are paying through alternative channels, which in many cases are less efficient and fair (p18)”*. This, in itself, may distort perceptions and the lived experience of local democratic agency. Councils may be deemed to be ‘businesses’ or mere service deliverers on the part of other tiers of government.

# 3. Fiscal principles for local government

## 3.1 Overview

Given the value that local government is uniquely placed to deliver (see Section 1) and the need for accountable local democracy (Section 2), an ideal local government finance system would feature:

- A **dedicated tax base** for local government aligned to subsidiarity-defined service responsibilities
- Transfers from higher spheres of government to ensure a reasonable degree of **horizontal fiscal equalization** in the local government sector, and
- **Avoidance of tied grants** from other spheres of government unless these are demonstrably related to the achievement of State and Commonwealth Government goals and are non-distortive of local government resource allocation decisions.

## 3.2 Tax base aligned to service responsibilities

Under the Local Government Act, Rates and Charges are meant to be the mainstay of Council finances. In principle, this source of revenue raising should be configured so that local governments can engage with their communities through the democratic process and act accordingly within the scope of their competency. That is, Councils should not be beholden to other tiers of government to fulfill functions within which they are uniquely qualified to act.

The current situation in Victoria falls well short of this ideal. As noted, Rates and Charges account for only 57% of total Council revenue on average, according to Victorian Parliamentary Budget Office. Quoting ABS sources, LGIU says Victorian local government generates less than half of its revenue (47%) from taxation within the nominal control of Councils<sup>6</sup>.

In setting rate caps, the State Government has been inclined to adjust increases in accordance with consumer related price inflation rather than cost escalation for Councils. Even then, the Melbourne CPI has outrun the average rate cap adjustment over past 8 years.

Lack of autonomy over local tax raising has landed most Councils in difficult financial circumstances.

- Local government expenditures in Victoria have been growing at 6.4% per year versus revenue at 4.6%
- Council net capital expenditure has been stuck at around \$2.3 billion per annum since 2018/19 while population has grown rapidly
- Close to half of Victorian Councils reported an adjusted underlying deficit in 2022/23

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<sup>6</sup> [Local-Government-Finance-in-Australia-meeting-the-needs-of-the-future.pdf](#)

- All Council groupings, including metro LGAs, are unable to make full provision for asset renewal, and
- All Council groupings have falling unrestricted cash balances.

The financial constraints under which local Councils are required to operate are now impacting adversely on the sector's historically high ratings on citizen satisfaction. In the five years from 2016, the proportion of Victorian households rating Councils as performing at good or very good levels hovered around 50%. Over the past 4 years this satisfaction rating has slid consistently to now sit at 38%. The steepest decline in satisfaction has been in the delivery and maintenance of sealed roads<sup>7</sup>.

A further adverse outcome from restricting local government fiscal autonomy is that the overall incidence of tax in Victoria is more regressive and inefficient than it would otherwise be. Over the past decade, rate revenue as a proportion of total rateable value of properties has fallen by around 25%. To the extent that Council revenue shortfalls have been made up through grants from other tiers of government, this implies a transfer of the tax burden from the owners of wealth (properties) to wage earners and business operators. While some property owners will be newly inducted into the ranks of home owners and will no doubt be appreciative of a break on their rates bill, such households will likely be greatly outnumbered by established property owners.

Inadvertently shifting the tax burden from immobile property to workers and businesses is harmful to productivity.

### **3.3 Horizontal fiscal equalisation**

The aspiration for horizontal fiscal equalisation stems from what we take as a national or State consensus that all communities across Victoria should have access to a minimum level of local government service, regardless of where they might be located. This recognizes that some local governments face inescapable constraints on their revenue raising capacity versus their service obligations. This applies, for example, for regional and rural Councils that have a relatively small rate base to support a basic community and property service offering, including maintenance of an expansive road network. It could also apply for Councils whose communities are recovering from natural disaster or deep economic disruption.

At present, equalisation occurs primarily through the State's Grants Commission process whereby untied Commonwealth Government transfers are divided up amongst Victorian Councils. A degree of equalisation also occurs through particular tied grants programs, for example, top up road funding which, at the margin, might favour Council's with limited autonomous capacity to maintain existing road networks.

Current arrangements for horizontal fiscal equalization in Victoria can be critiqued in terms of:

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<sup>7</sup> See JWS Research 2025 Local Government Community Satisfaction Survey State-wide Report

Coordinated by the Department of Government Services on behalf of Victorian councils

[https://www.localgovernment.vic.gov.au/\\_\\_data/assets/pdf\\_file/0025/217708/CSS-State-wide-Report.-2025.pdf](https://www.localgovernment.vic.gov.au/__data/assets/pdf_file/0025/217708/CSS-State-wide-Report.-2025.pdf)

- Lack of a mechanism by which councils may determine with the State what are the basic local government service requirements for their communities
- Uncertainty over both the short and medium terms regarding the aggregate pool of funds the Commonwealth (and the State) might make available for equalization, and
- Continuing commitments to reserve 30% of the total (Commonwealth) equalization pool as per capita transfers to Councils regardless of relative need.

Also relevant to the fiscal equalisation issue is the relative compactness of Victoria's settlement pattern. Somewhere between 75% and 80% of Victorians live within 2 hours drive of the Melbourne CBD. There is close integration between regional economies and central Melbourne indicated by the flow of business services from central Melbourne to primary industry producers, manufacturers and tourism operators right across the State. While the whole State is engaged in producing economic value, the way value chains have restructured has disproportionately favoured inner urban regions in terms of movements in land value and rating capacity.

### **3.4 Distortions in tied grants programs**

It is legitimate for State and Commonwealth governments to offer tied grant funding where (1) a genuine State or national issue is at stake and (2) the outcomes being sought would not ordinarily arise through the normal deliberations of local governments acting with warranted fiscal autonomy.

Generally speaking, current arrangements do not comply with these criteria. Tied grant programs are often opportunistic and fail to credibly demonstrate the regional, State or national objectives which are being served. In particular, they fail to articulate why an adequately funded autonomous local government sector would not deliver the national and state outcomes in question. Councils chasing tied grants may divert effort and resources away from what might otherwise be higher priority services for local communities.

Grant funding to local government in Victoria has been growing at 10.8% per year, while overall revenue has been increasing at 4.6%. On the face of things, the changing revenue mix for local government is undermining fiscal autonomy of Councils and, by extension, local democracy.

# 4. Towards more empowered, capable and accountable councils

## 4.1 Rebuild the fiscal autonomy of Councils

As discussed in the body of this report, restoring the fiscal autonomy of Councils in Victoria is important not only from a financial sustainability perspective but also to strengthen local democracy.

The State Government holds reasonable expectations that local government rates will not add unduly to cost of living pressures for Victorians. This must be balanced with an equally important objective for fiscal autonomy on the part of Councils so that they might properly fulfil their democratic mandate.

There is scope to gradually reform rate capping. In the first instance, the setting of the cap may be placed into a more technocratic process operating at arm's length from the political domain. For example, on advice from Treasury, Infrastructure Victoria and the ESC, Government could establish a set of rules or 'guard rails' within which Councils would have more flexibility in adjusting year on year rates.

## 4.2 Re-energise horizontal fiscal equalisation

Restoring Financial Assistance Grants to 1% of Commonwealth Government outlays would be a key step in ensuring that all Councils across Victoria can meet the basic service needs of their residents and local businesses.

It is also important that the fiscal equalisation principle is given full expression in the grant distribution process. There may be a case, within Victoria, to move away from the 30% per capital allocation policy.

Reform of development contributions represents a further opportunity to advance fiscal equalisation while improving efficiency and productivity in the development sector. An argument can be made to replace Victoria's multi-layered system of negotiated and mandated development contributions with a single *development licence fee*, payable upon the issuance of a building permit. Following models elsewhere, the licence fee would be linked to the codified uplift in land value associated with development approval<sup>8</sup>. Proceeds from the licence fee could be dedicated to three functions; investment in infrastructure to support development; funding of traditional owner groups in recognition that development rights are Crown reserved and therefore claimable by First Nations, and transfer from Councils with high development values (e.g. inner city areas) to those with lower values (e.g. rural areas) on the basis that Victoria represents a single community and economy.

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<sup>8</sup> See <https://sourceable.net/towards-a-much-simpler-development-contribution-system/>

### **4.3 Establish a subsidiarity charter**

Binding protocols around the use of specific purpose grants from State and Commonwealth are required.

These should be based on a shared understanding of what matters fall within the exclusive competence of Councils, as discussed in Section 1.3.

Tied grant funding should be limited to matters which are within the subsidiarity mandates of State and Commonwealth governments, and which cannot be advanced by alternative means.

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