

East Gippsland Shire Council Submission

Victorian Independent Remuneration Tribunal:

Proposed Determination of allowances for Mayors, Deputy Mayors and Councillors

Executive summary

Allowances are an integral component of ensuring that Councillors can perform the roles and responsibilities outlined in the *Local Government Act 2020*, representing the municipal community and participating in effective and transparent decision-making. The level of allowances should reflect the commitment expected of Councillors and the financial sustainability of the Council. In addition, allowances should adequately reflect the cost of representing the community to not preclude anyone from nominating and to ensure diversity of representation. Overall, when determining Councillor allowances, consideration should be given to a broad base of factors.

Role of Council members

The *Local Government Act 2020* clearly sets out the roles of a Councillor, the Mayor and Deputy Mayor in representing the interests of the municipal community. It sets a higher standard of integrity and behaviour for Council members than the *Local Government Act 1989*. The new Act increased the responsibilities for a Councillor and subsequently the onus on themselves to ensure they have the appropriate skills and abilities to undertake their duties.

Many elected representatives are unaware of the actual commitments required to be a Councillor beyond attending Council meetings and some civic events. The role of a Councillor may be voluntary, but the level of commitment is upward of a full-time executive.

East Gippsland Shire Council holds approximately 16 Council meetings and 48 Councillor briefing sessions per year, each with an agenda of papers and presentations that requires approximately 4-5 hours reading per week.

On top of that, Councillors participate in a range of activities including:

- briefing sessions for specific matters such as the budget, Council Plan
- Planning Consultative Meetings, as required
- section 223 hearings, as required
- advisory committee meetings (10 committees each meeting quarterly)
- representing Council on external committees (14 committees)
- community events and functions
- meetings with members of the municipal community
- training and professional development

In addition, Councillors allocate considerable time to responding to emails, letters and phone calls from members of the municipal community on a wide range of matters. These activities require considerable time commitment from Councillors to effectively fulfill their roles and responsibilities.

Following the 2020 Local Government election, Councillors in East Gippsland Shire have committed a large amount of their time to attending the required Councillor Induction Training on top of their regular commitments. Many have dedicated extra time to attend additional personal development training to enable them to effectively fulfill their roles and responsibilities. While the

financial cost of training is generally covered by the Councillor Support and Expenses Policy, the Councillor's allocation of time, plus the impact on income and family are not.

In geographically large shires like East Gippsland - which covers 10% of Victoria over 20,940 square kilometres - the time commitment is compounded by the need to travel to attend meetings or participate in events as a Councillor. As indicated by the recently released Local Government Inspectorate report¹, many Councillors reported their time commitment to be in excess of 16-24 hours per week and some Mayors reported spending more than 40 hours per week undertaking their roles and responsibilities.

The East Gippsland Shire Council is an unsubdivided electorate and Councillors represent the whole municipal community across 20,940 square kilometres. The tyranny of distance provides Councillors the added challenge of allocating time for engaging with the community across the Shire. Not to mention the safety of travelling on rural and regional roads.

The time committed to the roles and responsibilities of being a Councillor have flow on effects to employment or income earning capacity for self-employed people. Those Councillors employed must negotiate time away from their employment and those self-employed have to forgo earning opportunities for considerable periods each week. The East Gippsland Shire Councillors meet for five hours every Tuesday afternoon with most meetings going beyond the allocated time and every three weeks Council meetings that may go for up to three hours and sometimes beyond. Furthermore, attendance or participation in other Council related activities during business hours will require additional time away from work.

Purpose of allowances

Allowances, whilst not a wage, should be reflective of the commitment required by the Councillor to effectively fulfill their roles and responsibilities in representing the municipal community. Councillors are required to be adequately informed in the decision-making process and therefore have the responsibility to allocate sufficient time to understand matters presented to them for an outcome.

Many decisions of Council are complex and require Councillors to balance their work, family and life commitments with that of being a Councillor. If a Councillor, as indicated in the Local Government Inspectorate report, is spending in excess of 16-24 hours in their voluntary capacity as a Councillor and undertaking a 38–40-hour work week, the impact on their work/life balance can be significant.

Allowance category factors

Allowance category factors should reflect the demographics for the type of municipal community. For example, the demographics of an interface municipality will be different to that of a large shire or even a regional city council.

A key factor in determining allowances is the affordability and sustainability for the ratepayers. Councils need to balance the quantum of allowances to ensure Councillors are sufficiently compensated for their commitment with the potential impact on the delivery of services to the

¹ Local Government Inspectorate, *Councillor Expenses and Allowances*, September 2020

municipal community. Councils can only raise revenue from limited sources and given the current capping on rates, the opportunity to grow the income base of Council is restricted.

In the current methodology, population is used to determine the current Councillor allowances. While this reflects the level of services that Council must provide to the municipal community, it does not reflect the income base. Not all residents are ratepayers. In addition, in the East Gippsland Shire a significant number of ratepayers do not live in the municipality for a variety of reasons including investment in holiday homes.

Consideration should be given to broadening the basis for determining allowances as additional factors impact the Council's ability to deliver services and maintain a sustainable financial situation. Other factors that could be considered include:

- geographical spread of the Shire
- economic factors such employment trends, economic growth
- industry composition
- social factors
- environmental factors
- circumstances such as drought, bushfire, flood and the pandemic
- provision of services.

The current factors are relatively easy to apply, but do not necessarily reflect the social, economic or environmental fabric of the municipality.

Adequacy of allowances

East Gippsland Shire Council has historically set the maximum amount of allowances in category 2 for the Mayor and Councillors. As outlined in the Local Government Inspectorate report, some East Gippsland Shire Councillors have indicated that the allowances do not reflect the commitment and cost of being a Councillor. Consideration should be given to determine allowances that reflect the commitment and financial and personal costs to Councillors in light of the legislative requirements in the *Local Government Act 2020* and other Acts administered by Council.

The amount of Remote Travel Allowance has not changed since 2008 and is not reflective of the cost of travel in rural and remote communities. The Remote Travel Allowance is currently claimable by Councillors who reside greater than 50 kilometres from the location of a Council meeting or function. Consideration should be given to ensuring the Remote Travel Allowance reflects the current cost of travel in rural and remote areas whilst providing an annual cap. Clarity is required about whether this allowance is payable if Council provides the Councillor with a vehicle.

Allowances should also reflect the role and responsibilities of positions held on Council, such as the Mayor and the Deputy Mayor. The *Local Government Act 2020* provides for greater responsibilities for the Mayor beyond chairing the meeting and attending functions. The allowances should reflect the responsibilities and additional time commitment for undertaking the role.

Currently there are no allowances specific to the Deputy Mayor, however consideration could be given to enabling the payment of allowances, like a sitting fee, when the Deputy Mayor assumes

the role of Mayor in their absence. A sitting fee arrangement would reflect the increased responsibilities at a point in time.

Allowances that are too low may discourage candidates from seeking to run as a candidate in a local government election because of the life balance forgone. This will affect the ability of the community to elect representation that reflects its demographics. In addition, this has the potential to prevent people with relevant skills, knowledge and passion from nominating to be a Councillor.

In addition, low allowances limit the ability of people in different stages of life contributing to municipal life, as they may not have the capacity to fund reduced income from their primary employment, particularly self-employment. Allowances should provide some compensation for forgone income to enable Councillors to represent the municipal community.

People should not be prevented from being a Councillor due to the impact on their income or because they cannot afford it. Allowances that are too low to compensate the commitment required from a Councillor have the potential to discriminate on age, gender, ethnicity and other demographics. For instance, a young person early in their career may not be able to negotiate the interruption to their work with their employer or a person looking to start a family may not be able to afford the interruption to their income.

Allowances that reflect the true cost of representing the community will attract a greater diversity of candidates for the community to consider and elect to represent the municipal community.

Superannuation

East Gippsland Shire Council pays an amount equivalent to the Superannuation Guarantee to Councillors. The impact of paying this contribution should be considered in determining quantum for Councillor allowances as this still needs to be accounted for in the Council's budgeting.

Comparators

Consideration should be given to lessons learnt from other jurisdictions in the determination of allowances, as this will provide information relevant to broadening the scope for the basis for Councillor allowances in Victoria. Drawing on the experiences of other states in determining Councillor allowances will provide assurance to the municipal community that the allowances reflect the demographics of the Shire and the financial sustainability and commitment of Councillors.

In addition, experiences for determining allowances or sitting fees for boards such as regional health organisations, sporting organisations and other community-based groups should be reviewed.

Financial impacts

Allowances established by the Victorian Independent Remuneration Tribunal should reflect the financial sustainability and the operating environment of the Councils, particularly the ability to grow the rates basis for the Council. Further, consideration should be given to the social, economic and environmental situation of a shire. This is particularly relevant to East Gippsland where the community has been impacted by drought, the 2019/20 summer bushfires and a pandemic in quick succession.

In essence, the financial situation of a Council may not be reflective of their state's overall financial situation and consideration should be given to this when determining Councillor allowances.