

TRANSCRIPT

LEGISLATIVE COUNCIL ECONOMY AND INFRASTRUCTURE COMMITTEE

Inquiry into Local Government Funding and Services

Bendigo – Wednesday 21 August 2024

MEMBERS

Georgie Purcell – Chair

David Davis – Deputy Chair

John Berger

Katherine Copsey

Moira Deeming

Bev McArthur

Tom McIntosh

Evan Mulholland

Sonja Terpstra

PARTICIPATING MEMBERS

Gaelle Broad

Georgie Crozier

David Ettershank

Michael Galea

Renee Heath

Sarah Mansfield

Rachel Payne

Richard Welch

WITNESSES

Andrew Cooney, Chief Executive Officer, and

Nathan Morsillo, Manager, Financial Strategy, Greater Bendigo City Council.

The CHAIR: I declare open the Legislative Council Economy and Infrastructure Committee's public hearing for the Inquiry into Local Government Funding and Services. Please ensure that mobile phones have been switched to silent and that background noise is minimised.

I would like to begin this hearing by respectfully acknowledging the Aboriginal peoples, the traditional custodians of the various lands we are gathered on today, and pay my respects to their ancestors, elders and families. I particularly welcome any elders or community members who are here today to impart their knowledge of this issue to the committee or who are watching the live broadcast of these proceedings. I also welcome any members of the public watching via the live broadcast or in the public gallery today.

To kick off we will have committee members introduce themselves to you, starting in the room and then on the screen. We will go to Mrs McArthur first.

Bev McARTHUR: Bev McArthur, Western Victoria Region.

Gaëlle BROAD: Hi. I am Gaëlle Broad, Member for Northern Victoria.

David DAVIS: David Davis.

The CHAIR: Georgie Purcell, Northern Victoria.

John BERGER: John Berger, Southern Metro.

Sonja TERPSTRA: Sonja Terpstra, Member for North-Eastern Metropolitan Region.

Sarah MANSFIELD: Sarah Mansfield, Member for Western Victoria.

The CHAIR: Mrs Deeming has stepped out, but she might be back.

Thank you very much for appearing before us today. All evidence taken is protected by parliamentary privilege as provided by the *Constitution Act 1975* and further subject to the provisions of the Legislative Council standing orders. Therefore the information you provide during this hearing is protected by law. You are protected against any action for what you say during this hearing, but if you go elsewhere and repeat those same things, those comments may not be protected by this privilege. Any deliberately false evidence or misleading of the committee may be considered a contempt of Parliament.

All evidence is being recorded, and you will be provided with a proof version of the transcript. Transcripts will ultimately be made public and posted on the committee's website.

For the Hansard record, could you both please state your full names and the organisation you are appearing on behalf of.

Andrew COONEY: Thank you. Andrew Cooney. I am the CEO of the City of Greater Bendigo.

Nathan MORSILLO: And my name is Nathan Morsillo. I am the Manager of Financial Strategy, or CFO, for the City of Greater Bendigo.

The CHAIR: Wonderful. Thank you very much for appearing before us today. We now welcome your opening comments but ask that they are kept to around 10 to 15 minutes to ensure plenty of time for discussion and questions from committee members.

Andrew COONEY: Thank you. I will lead us off, and Nathan will provide some additional comments.

Thank you very much for the inquiry. We really welcome the inquiry as a large regional city, and we think it is a good opportunity for us, for the sector and for the community to present around some of the concerns, challenges and aspirations for our sector. Can I also welcome you to Bendigo and say thank you very much for having the hearing in regional Victoria. It does not always happen when we have these types of things. We would be happy to come to Melbourne, but it is great to have the forum in regional Victoria.

The CHAIR: It works for Gaelle and me as well.

Andrew COONEY: And I know that there are some other colleagues of ours that are coming to present to you later today that are also really appreciative of having the hearings in the region.

As you will hear and you have already heard, councils are challenged right now around what the future looks like in terms of their sustainability, and as we continue to strive to deliver more services for the community and deal with increasing costs and growing populations and all the things that they bring, we are trying to work through how we continue to maintain our sustainability, how we continue to maintain responsible balance sheets and how we continue to provide services to our community, which need the services, which need increasing services and which need different services.

The City of Greater Bendigo is a large regional city, but we also have an extended rural network, so we are quite a unique city in that we straddle both regional and rural, and as we are seeing ourselves grow, we are seeing different challenges come to us that we have not had to face previously. We stretch across 3000 square kilometres – that is a large area. We are the largest LGA, largest local government authority, in the Loddon Campaspe area and the Loddon Mallee area, and we are up for education, employment, recreation and services.

We have a wide variety of services. Every council has its own unique bag of services, but we run an airport, we run a livestock exchange, we operate an art gallery, we operate theatres, we have maternal and child health services and we have early education services. We have services still operating out of a Heathcote office and depot because we think that it is really important to maintain a presence in these smaller communities. We have rural networks and road networks at Elmore, we have rural road networks at Raywood – we stretch wide and far. We play a supporting role for our Loddon Mallee region in that we are the larger council and we support other councils with services and staff from time to time, particularly for roles that they find difficult to be able to fill.

We are impacted by and take our responsibilities in emergency management really seriously. Over the past years we have had floods, we have had fires and we have had storms. We have had five significant impact events over the last few years since 2022 – we have had impact of floods in 2022, we have had impacts from floods in 2023–24 and we have had the major storm event that ran through here. When you look at some of the EMV's market points around emergency management, we have had actually more emergencies than or as many emergencies as any regional city in the state, and that comes with an obligation to the community but also comes with a cost to be able to bridge the period until we can get our funding, if we can get some of that federal disaster funding back.

About 50 to 60 per cent of many councils' revenue comes from rates; in our council's perspective, that is 70 per cent. We have seen a significant rate cost increase in construction, which has outpaced the rate cap of 2.75 per cent, which it currently is. We have had projects that, coming off the back of COVID, have gone upwards of 40 per cent, 50 per cent. We have either had to make decisions to shelve those or to re-phase other obligations to be able to fund those. Again, we are not unique in that situation; every business, every authority has gone through that. We do get support from the state and federal governments through financial assistance grants, through Roads to Recovery funding, through other competitive grant rounds. In recent times we have had some success in those programs, but we have put a lot of work into those project proposals and the business cases that support those.

I would like to put on the record that we are not against rate capping. We think that rate capping is a reasonable policy position, and we do not think –

David DAVIS: You would be the only council I think we have heard say that.

Andrew COONEY: There is a 'but' to come there, Mr Davis. I have been involved in local government for 20 years. I have been involved in councils where we have had double-digit rate increases at times, and they

have been for the right reasons – they have been to support community infrastructure of councils. But in an area where the community is doing it tough and wants some restraint from local councils in their rating, the rate cap as a concept is not something that we do not support. We would like to put on the record, though, that the indexation of that is where we think there is some opportunity for a changed approach. Again, there is reasonability about that, but we do operate in a field where that traditional CPI basket of goods is not really a relevant factor for local councils as a marker.

In summary, we are a council that we think provides great service for the community. We want to keep providing great service for the community. We have got \$2 billion worth of assets that we need to continue to invest in and maintain. We have started looking at, if we cannot continue to sustain all our services, which ones would go. None of that is an easy conversation to have with the community, but we want to make sure that we retain a sustainable financial position for the long term.

Nathan MORSILLO: Thank you. I might just add a couple of points to that. I would note, just on the data that you have and will have had from various people on previous years – VAGO reports and other things – obviously we have just come through another financial year, and you will note that you are unlikely to get a VAGO final report until next calendar year, so this most recent year's data will only be coming through the books, if you like, through annual reports over coming months. With the changed timing of financial assistance grants, I think you will notice quickly later in this year just how much more stark the data is around the financial position for local government. I think that is just something that has been referenced in reports in the past but is worth mentioning. The financial assistance grants do play an important part in the City of Greater Bendigo's and, more importantly, many our neighbours' finances. So I would just like to make the point again that there is an opportunity to continue to advocate as a state in that federal space for those financial assistance grants, not just a redistribution but an increase in those.

Andrew touched on the mechanism, and I thought I would just mention that I think there is an opportunity to review the way that indexation is set. It could be in the future that, with the right review, that could be a mechanism that is not just one rate cap to rule them all, if you excuse the pun. It is about some sort of regional–rural something that gives a little bit of detail underneath where some, say, particularly rural councils are at with their asset base versus where some metro councils are at with their asset base. That is not to say that it is always regional and rural. But there are responsibilities, if you think about the services that Andrew just touched on, not just with art galleries and airports. It could be large waterways or drains, which are just different in regional and rural contexts, in terms of local government responsibility, than metro. The current system does not allow for that recognition in the base; it asks councils or mayors to go separately for a rate cap and put themselves out there to enable a change in that revenue base. So there is just some real opportunity, I think, to work together on a different approach to that mechanism.

That has been documented in our submission. That was written in there, so I will not read through all of that. It talks about an opportunity for a local government index that is about a basket of goods related to local government. It talks about how maybe there is an opportunity to look back at what actually happened rather than always just casting forward to the next year. Did we get the rate cap right for the last few years, or should there at least be some recognition of that? There are a couple of opportunities within the mechanism underneath a rate cap system to go for there. They are just a couple of extra comments I would make about the mechanism, following on from Andrew's comments. Thank you.

The CHAIR: Wonderful. Thank you. And thanks for keeping to time. We will go to members for questions. I will start down the end of the room with Mrs McArthur – around 4 minutes, Mrs McArthur.

Bev McARTHUR: Thank you, Chair. Thank you, gentlemen. Rate capping is the only brake that ratepayers have on your excessive spending. Local government has an award, the local government award, which is higher than any other employment award in the system, isn't it? Yes. So surely the issue is with the roles and responsibilities that the local government should be engaged in and then how you fund them. Is the property-taxing system, which is rates, the most effective, let alone the fairest, way of doing it? I would argue it is not, because where you live determines what tax you will pay. Is that a fair way of funding your activities? You have CEOs in many areas and directors that are very highly paid – one in Geelong, for instance, is paid more than the Premier. Arguing for more money from either the taxpayers or the ratepayers may not be the way to go.

Surely, also, you have got to look at what services you are providing. The cost shifting from state government to local government is rife and rampant. You are becoming service providers for state government. When are you actually going to start saying no to state government when they impose more responsibilities on you, whether it is just in compliance? And now we have got compulsory training, which ratepayers are going to pay for even though the state government have demanded we have compulsory training for local councillors. The state government on a whim imposes monitors on local governments at ratepayers' expense – usually \$1200 per day per monitor. And I do not know whether you are providing the vaccination service recently imposed by state government – the new tax that that effectively is. So when are you going to start saying no to state government as they keep passing the buck to you while you argue for increased money from ratepayers and taxpayers?

Andrew COONEY: There are a couple of parts to that. We are absolutely cognisant of cost shifting as an issue, and there are already examples where we are saying no or we are winding back services.

Bev McARTHUR: Such as?

Andrew COONEY: We are currently looking at school crossings right now.

Bev McARTHUR: Good – education department activity.

Andrew COONEY: There is a risk-based process to that, and we are looking through that right now, around which school crossings we no longer need to man or supervise. So there are examples of that. In terms of the vaccination increase, we are not impacted by that. We made a decision –

David DAVIS: You have got your own system.

Andrew COONEY: Yes. We made a decision to have our own app system, not the state system, so we have not –

Bev McARTHUR: So ratepayers are funding the vaccination system in Bendigo?

Andrew COONEY: Yes, will be, but we are not exposed to the increases and the costs that are currently there. We made a decision around the suitability of the service and the app that we picked. We thought the service that we had to pay for provided a better service for the people that were going through and getting their immunisation record. That one we are not impacted by, but we are impacted by cost shifting, absolutely. The range of services we provide is a challenge for us, to be honest. We get some grant-funded positions that the community then get used to. They provide value to the community, and we end up having to absorb those after the seed funding is finished.

Bev McARTHUR: Like three-year-old kindergarten. You are providing the facilities, I imagine, and picking up the cost of those. We were all told it was free from the state government, but it is not; ratepayers are picking up the bill.

Andrew COONEY: In some instances. We have some kindergartens, but the market delivers most of those in town. We provide the venue and the asset, and in some instances we have had to provide bigger assets and bigger venues. There are lots of examples of where other levels of government have imposed services on us with the current state budget. We have some really important service provision businesses in town right now across our region that are doing great things for the community. They have not been able to get the same level of funding out of other levels of government, and we have been asked to come in and try and help there. So that is absolutely part of the problem.

Bev McARTHUR: How many staff do you have that are engaged in preparing grant applications?

Andrew COONEY: We do not have specific grant teams. We have that spread in our business, and it is part of this business.

Bev McARTHUR: What would be the cost to the council, though, of you producing grant applications?

Nathan MORSILLO: I would not say it is material at all. It is something that is part of each of the services and trying to engage. I would probably answer it slightly differently – I appreciate we are almost out of time on

this one. But on cost shifting broadly and working with the government, members will be more aware than me that the community does not see local or state government. They just see government. So when it comes down to a specific policy issue, I just think there is an opportunity to work better. I just note that last week, I think it was, there was a New South Wales intergovernmental agreement signed between local government and state government. There are some elements to that in terms of the way the state and locals sign up to a way of engaging on specific services – an attempt to make sure there is a conversation about cost shifting before it is announced, just a process that is a little bit better. That is something that is in a number of the submissions that have been made. The FinPro one has that a little bit. Our one references it. There is an old intergovernmental one that Victoria had many years ago. That is another way of thinking maybe about the opportunity going forward, because when it comes down to services day to day, we want to work with the state government, not be in pitched battles maybe about how something is funded along the way.

Bev McARTHUR: Well, they will just walk all over you if you do not start standing up.

David DAVIS: But you do not want to be surprised either.

Andrew COONEY: No, we need time to be able to build it. Just to answer your grant question, we would love less competitive grants and more recurrent funding, but in reality we do not have a lot of that, particularly out of the state area. We get some of it out of the federal area. That would make our jobs more efficient and would enable us to do more service delivery rather than writing applications. In reality we do not have that.

Bev McARTHUR: What about the unfair nature of –

The CHAIR: Mrs McArthur, that is time. We will go to Mr Berger.

John BERGER: Thank you, Chair. Thank you, both, for your appearance today. You mentioned in your earlier presentation the support that you give to other smaller shires and regions. Can you give me some examples of what that might be? And when you finish that, do you see that as a role for larger councils such as you do in other areas?

Andrew COONEY: Some examples – we have just signed a shared services agreement with some of these other councils, and we were able to get some seed funding from the state to put a project officer on to pull it together. There have been various attempts at shared services with councils, and some of those have had more success than others. We have led a service-oriented one rather than a system-led approach. There have been some attempts at trying to get councils onto similar financial systems and similar computer systems, and in reality they have had varying degrees of success, because whilst the platform might be the same, everybody's experience is different and level of capability is different. So we have taken a service-led approach to this one and said, with functions like legal services, where a council might need some part-time legal expertise and legal support, their ability to attract somebody to a small rural council for a day or two a week is pretty unlikely. We could potentially attract somebody to Bendigo, though, a large municipality, and then spread that work across. Cybersecurity is another one. As a small rural council they have the same obligations as we do as a large regional city and can be brought down by a cyber attack just as easily as we could. Again, a similar concept – it is really difficult to get a cybersecurity person probably to move into a rural area and potentially work a fraction of a full-time job, so we are bringing that in under our shared services banner to trial and see if our centralised support can help councils locally.

In terms of whether there is a role for other councils, I have come from a small rural council, and it has been really useful and helpful to have a larger council who might have done some of the work similarly around a policy or procedure. It gives you a starting point. So I absolutely think there is a role for larger councils to provide a supporting role for smaller councils – without stepping in and trying to take over. Recognising that each community is a bit different and each council is a bit different, I do think there is a role. I have been on both sides of that – I have been the rural council that has valued the support of a larger centre, and I have been the larger centre that has been able to provide the support. There is some portability between staff, and I think that is a useful part of our cluster. We are pretty close by to Loddon Mallee, so we have got examples of staff at different stages of their career journey moving between councils to get an opportunity in either a larger or a smaller council. So I do think there is a role there.

John BERGER: We have heard that there are a lot of skills gaps and shortages within the regional area, and one in particular is engineers. How do you attract them and how do you keep them, and then is there a role for them to be lent into these different areas to help out?

Andrew COONEY: Yes, we are as challenged as any council with being able to attract and retain engineers. Again, we have a bigger city, and that is probably one less constraint than some of the smaller councils have. We work really closely with La Trobe University around the graduate engineer program. We work closely with other employers locally in terms of pathways. That engineering field is under huge demand. There was a comment made around salaries and awards, and we cannot compete with the private sector on some of these big projects, so we have to try and compete in a lifestyle context or a work–life balance context that others may not be able to compete with. But yes, as shared services there is an opportunity as well to be able to think about engineering as a discipline. We think the pipeline of engineering students needs to be bigger. We think that the engineering career as a vocation needs some more work. La Trobe University are doing some work looking at what sort of course refocus or re-education they can do to make engineering a more appealing field, and then a challenge for us as the City of Bendigo is to be able to keep people in really fulfilling careers so that they do not leave when they get trained up.

John BERGER: Thank you.

The CHAIR: Thanks, Mr Berger. I will go to Dr Mansfield on the screen.

Sarah MANSFIELD: Thank you. Thank you for appearing today. I was interested that in your submission you have included a risk assessment based on some of the financial risks at your council, and one of the high-risk areas was around capital replacement. I guess I would just be curious to understand a little bit more about that and whether there is anything that you think the state government could do to address some of these risks.

Andrew COONEY: I will start, and then Nathan will probably talk in more technical terms. Capital and our ability to continue to maintain and replace and repair our existing capital whilst at the same time consider new capital is one of the biggest challenges that we have got. The expectations from the community around what ‘new’ looks like – I will give an example of a cricket net. That is a classic example. Cricket nets used to be one single cricket net with a concrete slab and artificial turf. Cricket nets now that are expected from cricket clubs are multilane facilities with turf. I have seen some cricket net proposals with lights on them. So we have got to rein some of that thinking in around limiting the new and recalibrating the new to what we can afford. Then there is such community pride in the existing assets – and we have been through this trying to rationalise the amount of halls we have; we have been through it trying to rationalise the amount of swimming pools we have. They get political real quick. The community rallies behind them. The other levels of government throw stones from afar around: ‘How dare the council shut that hall? It’s so important.’

Bev McARTHUR: Tell them they can pay for it.

Andrew COONEY: And we tried that. It is such a challenging space.

Bev McARTHUR: They are their assets.

Andrew COONEY: Some of these are on Crown land. So it is a challenging space to be able to work through. So we think a greater lens on this underlying ratio is a good indicator, and Nathan can talk more about that. We think there is an indicator around unrestricted cash, because it is very easy from afar to look at a council’s balance sheet and say, ‘You’ve got lots of cash; I don’t know what you’re complaining about. You’ve got low borrowings; I don’t know what you’re complaining about. You haven’t applied for a rate cap variation, so you must be sweet.’ But with all those things there is no community interest and there is no political will to go and apply for a rate cap variation, borrow a heap of money or shut a facility. And so we keep continuing to become more apathetic and less focused on sustainability because we have got a real focus on short-term popularity.

Nathan MORSILLO: I would agree with all those comments of course and just add that the ratios tell the story. There are not too many times when a sector financial group will actually propose additional reporting, and that is what has been done in some of this to say, ‘We know there’s more to tell in terms of a story on where the assets are up to and asset management as a discipline and where it’s at.’ This is the longer term. I think I said another time that this is not the sexy stuff; this is the asset management part that is probably for the

next generation and is where we will see a problem if we do not keep up with funding that is adequate for roads or halls, because it is spend now or, if it gets into the worst condition, spend a lot more later on some of these halls if we do not keep up with where it is at. So that gap is increasing. It will take a little bit longer to show but it is a real struggle.

I think you are seeing some of the data already in that ratio that you referred to – and thanks for the question. We have got in a couple of our submissions a note of the idea that we can all do better. And there is New South Wales and there are other examples of one-pagers about where conditions are at for councils that are published. That will not be a popular one with everybody, but it is about how we make sure that it is really clear to the community that this is what the current allocation is for halls and this is how much we have got and this is what has to be spread across the X pools or halls that we have. So that is one way of getting us closer to it, but it is a real challenge. Thanks.

Andrew COONEY: And the challenge is greater in a rural council that is not growing.

Nathan MORSILLO: A hundred per cent.

Andrew COONEY: We have a growing rate base; some of these communities have a shrinking rate base. They have large asset bases, they have roads – gravel roads are very expensive to maintain, and they are vital for these rural communities to have. So we have got challenges as a regional council with a mixed bag of regional and rural communities, but we are a growing municipality, so our challenge is not as close to it as what some of these rural councils are facing today. We are talking about this in 10 years, in a generation; some of these councils will have this challenge on their doorstep –

Nathan MORSILLO: Next year.

Andrew COONEY: next year.

The CHAIR: Thanks, Dr Mansfield. Mrs Deeming, are you there? Sorry, we cannot see members on the screen. Sonja has got no questions. Okay, I think we might have lost Mrs Deeming again, so we will go to Mr Davis.

David DAVIS: Can I thank you for your submission and the thought and value that has gone into it in terms of greater transparency. I do think that that transparency helps not just councils as a management tool but the community to understand what is actually happening, and that puts us in a stronger position to make rational and thoughtful decisions. So I compliment you on those suggestions.

I want to just return to the federal assistance grants that you mentioned earlier, though, and the shift in the timeline in payment. We heard earlier about this in one of the submissions. As I understand it, councils were expecting the money by 30 June.

Nathan MORSILLO: It is really just a timing and accounting thing, I would say. But in many, many previous years it has always been paid before 30 June as a prepayment on the next year's funding, and when you are talking about the scale of that, what you will have seen in previous years' accounts is that has made things look a bit rosier all the way through till last year.

David DAVIS: But it has been year by year, and there is a disjunction now, isn't there?

Nathan MORSILLO: That is right. Now, this year it happens to have been paid in what some might say is the correct year – in the year that it is actually for, which is the financial year we are all sitting in today – and all I thought earlier when I made the point was –

David DAVIS: But who made that decision?

Nathan MORSILLO: It is a federal decision.

David DAVIS: It is a federal decision, is it? So it was not the state government slowly, not properly, passing the resources through, it was a federal government decision, was it?

Nathan MORSILLO: It is more just clarity on it. I make the note because it will change the way the data looks when that comes through over the next few months and you start seeing many more, I would say, deficit position annual accounts from some other local governments. They will not be published until October –

David DAVIS: It will be a one-off, though, in the sense that it is a shift that has occurred –

Nathan MORSILLO: Timing, yes.

David DAVIS: and the federal government then has got a one-off advantage or an apparent advantage –

Andrew COONEY: On paper.

David DAVIS: on paper. I get it – it is an accounting issue, but they might have had a surplus, for example, that might have been underpinned by a shift in the assistance grant payment method.

Nathan MORSILLO: Certainly above my pay grade.

Andrew COONEY: I think it would be just good to have it consistently paid and having the knowledge of when it is.

David DAVIS: But it has been, hasn't it?

Andrew COONEY: It has been previously, but it has also distorted the numbers, so when VAGO has produced its state of the sector report –

David DAVIS: It has made the adjustment, has it?

Andrew COONEY: No, it has made the numbers look better. It has overstated the financial position of councils, because at 30 June there is money in the bank, whereas that money technically should not be in 30 June, it should be in the money –

David DAVIS: 1 July.

Andrew COONEY: 1 July. So that has been part of our feedback to VAGO and to Local Government Victoria when they are analysing the sector results – that they should really back out the prepayment of that financial assistance grant because it is overinflating the –

David DAVIS: In one sense it does not matter as long as it is consistent.

Andrew COONEY: Correct.

Nathan MORSILLO: I just make the point that I think the real issue is that since 2011–12 the financial assistance grants made available to local government decreased from 0.76 per cent to 0.57 per cent in 2021–22 of a broader revenue passed on. So the decrease over years and the freezing of that indexation many years ago just means that in terms of what state and federal are contributing, or what local government is doing itself versus federal – and you will have heard this many times already, I am sure, but I will just make the point – it is the size of that pie that means that federal is not picking up what it said it was going to pick up many, many decades ago.

Andrew COONEY: And there is advocacy out there. We are working in parallel with this state inquiry. There is a federal inquiry on it as well that we will be reporting back through. And part of the national advocacy is around increasing the percentage of GST revenue that is going in to supplement that federal assistance grant money. And whilst it –

David DAVIS: You may not get support from state governments on that. It could come out of other federal sources of money rather than out of the GST, which was sorted on the basis of agreement on removal of other state taxes.

Andrew COONEY: We are happy to take some advice on where another bucket might be that we will get support for. While we are just talking federally, we have lost a key federal – and I know this is a state inquiry,

but just to put it into some perspective, and it goes to Mrs McArthur's question earlier – funding bucket called the Local Roads and Community Infrastructure Fund –

Nathan MORSILLO: LRCI.

Andrew COONEY: which has been a really useful fund. The reason I bring it back to the question you asked, Mrs McArthur, is because it was not a contested fund. It was an annual allocation with some notional scope around spending on local roads or community infrastructure and it was a really useful fund because we had a bit more flexibility on how we could spend it as long as it was spent within the broad principles of that fund, which we were able to do; we had plenty of community infrastructure and local roads that needed work. We have lost that money, and so that money to do that work has to come from our own sources.

Nathan MORSILLO: It was also one of the few grants that allowed spending on renewing assets rather than the shiny new thing that needed to be for the next thing, so it was a really flexible way of looking at maintaining and keeping things well.

David DAVIS: So it could be on basically maintaining assets and so forth.

Bev McARTHUR: What was the argument for ditching it?

Nathan MORSILLO: It came through a change of government.

Bev McARTHUR: Change of government, right.

Nathan MORSILLO: It was just the time. The period finished.

David DAVIS: On that, there was a former country roads and bridges program, which again provided a straightforward funding stream – about \$1 million a year – into every country council. Were you around in that period?

Andrew COONEY: I was in the country councils. I was at Loddon shire and Gannawarra shire, both irrigation districts.

David DAVIS: Gannawarra behind you here.

Andrew COONEY: Gannawarra are behind me. There are some colleagues behind me. They were both irrigation districts with lots of bridges, and so that money was very useful to be able to fund upgrades. As bridges have got dearer \$1 million would not go very far on a bridge, and I am sure Gannawarra will be happy to talk to that.

David DAVIS: But at least you could allocate and plan.

Andrew COONEY: You could bank it, you could plan it, you could add your own money to it. You could use it to get some money from other levels of government to actually support infrastructure.

David DAVIS: Thank you.

The CHAIR: Thanks, Mr Davis. I have some questions for you. Unsurprisingly, they are about your animal services in Bendigo. We heard from another council this morning who are closing down their animal adoption centre, meaning that the service that provided will fall on surrounding communities, most likely Shepparton and Bendigo. Could you tell us a little bit about your animal welfare services, working with BARC, but also if you have that capacity to take on the pressure from smaller areas having to shut down those vital services?

Andrew COONEY: We are talking at a high level, and we are happy to come back with a bit more detail.

The CHAIR: Yes, you can take any part of that on notice.

Andrew COONEY: Thank you. I am going to say in about 2018 or 2019 we made a decision to bring the service that was operated by RSPCA back into council operations under the banner of BARC, the Bendigo Animal Relief Centre. It has been a huge success. It has taken some investment, and it will take some continued investment. Initially, because the time was short, we leased the premises. We have recently purchased the

premises, which again is a significant investment for the ratepayers of the City of Greater Bendigo but something that we take really seriously. One of the options put up at the point of time of acquiring the service or bringing it back in was just to operate it as a pound, and we moved away from that very quickly. We understood the rationale and it was a certainly a lower cost option, but it did not fit with our overall strategic intent. We did then make the decision to operate as a pound and a shelter. Now we have made the decision to purchase it, and we are going to need to reinvest in that facility. That will come at significant cost; however, it is a service that our council is really passionate about.

In terms of our ability to take on additional rehoming, sheltering and looking after animals from other districts, we will have to come back to you. We do rely on volunteers to be able to supplement the staff that work there, who do a wonderful job. We have got some capacity in terms of the facility, but without further investment I am not sure how we are set up to do that. But we will come back to you.

The CHAIR: Wonderful. Thank you very much for that. Could you give some context around why you chose the shelter model as a council as opposed to the pound model and the benefit that having animal adoption services in a regional area brings?

Andrew COONEY: Council took it on. I think it was more than just a financial consideration for us. It is a limited market, and RSPCA had done a really good job for a long period of time but were moving away from council-run facilities. We know how much our community relies on it. We know how important animals are for our community. We do welcome some legislation that has made, I suppose, some of the puppy farms less prevalent, and we are dealing with less stray animals than we were previously, so I think the risk was more manageable. We had the capacity to do it, and I guess we went in fully aware of the options and the considerations. We just thought it was a valuable service to be able to continue to do. But it is not a cheap service. Other councils are having to consider what services are in and out, as we talked about earlier, and some of these decisions are going to happen at councils around the state, where they have got to opt out of popular services. BARC is a really important service for us. We have got six 50-metre swimming pools, and we have got an aquatic strategy that says that it is probably unsustainable for us to continue to have six swimming pools. We have had conversations previously – we will never walk away from maternal and child health – about different operations and services and not being able to continue to have those in every part of our municipality. Our councils are faced with these decisions all the time.

The CHAIR: Wonderful. Thank you very much. I am a big fan of BARC; they do great work.

Andrew COONEY: They do. They have a great team.

The CHAIR: I will go to Ms Broad.

Gaëlle BROAD: Thank you. Thank you very much for your submission and for being here today. You mentioned school crossings earlier – that has been under revenue. I guess we have been hearing from other councils about the cost shifting that is happening from state government services being pushed onto local councils. I know we heard another council talk about what used to be a 50–50 with library funding now being 80 per cent on council and the remaining small portion, 20 per cent, with the state government. What impact are you seeing on your budget from services that were once administered by the state government? Can you give any percentages on these things, like libraries or maternal health?

Andrew COONEY: We can give – maybe not percentages. It is a really hard one to answer, but we can give examples. If I think about swimming pool compliance, it is another function that came back on us; that is a function that we have to administer. Again, we are not walking away from the safety component and the reason for it, but it came back to councils to administer.

If I think about even disaster recovery, the work that we do and the expectations of the community, we will never walk away from that, but that is not a cheap service to be able to provide. Again, without talking for my colleagues behind me, I am sure they will talk about disaster recovery and these small councils having to wear big burdens. The small councils are the most likely, just given their geographic area, to be impacted by an emergency, either a flood or a fire or a plague, and they do not have the balance sheet capacity to be able to deal with it – and neither do we as a regional city. But there is a lag between when you invest and do the work and when you actually get the money back – if you get the funding back – from that federal funding bucket. That is a real risk for small councils to be able to either carry or not get back. We have to do the same thing: if we have

got a community that needs to drive down a road, we have got to make it safe. We do that, and we take a punt that we are going to get that federal money back for a disaster. In some instances we have seen roads wrecked in 2022 that we had to rebuild that were then wrecked again in 2024. There is no provision in any of that federal money to build back better, so you are just building back the same thing with your fingers crossed that maybe a flood will not wreck it again. So I cannot give you exact percentages or details, but we have got a lot of examples that we could provide back through.

David DAVIS: So maybe on notice we could just have a couple of examples.

Gaëlle BROAD: Yes, that would be helpful.

Bev McARTHUR: All the cost-shifting examples over a 10-year period would be helpful.

Gaëlle BROAD: Yes, that would be very helpful.

Nathan MORSILLO: Happy to take that on notice. I would just note, though, that it is also the increased compliance generally in all sectors – whether it is bushfire compliance or VicRoads – that comes back. So some of that might not be dollars and percentages; it is just where it is at. Intersections have different requirements than they did five years ago, so there is just a whole lot of movement underneath each of those areas.

David DAVIS: It is the regulatory input.

Nathan MORSILLO: I think it is the mechanism of how we engage, because we can talk about cost shifting broadly here, but each of these areas are policy areas with their own secretaries and deputy secretaries with their own departments and ministers and areas. There is a global point to make – and we are happy to take that on notice of course – but there is an element of ‘How do we set up to do that well for each of these as they come up together as a sector?’

Gaëlle BROAD: For example, the state government’s additional expectation with bin collection – what kind of impact does that have on you? And the same with e-scooters – I guess that is another kind of trial. Is it council officers that are picking them up?

Andrew COONEY: We have stepped into the trial, so council were not forced to step into that trial. We have done it, and it is working okay in the city at the moment. But council officers are not employed to pick the scooters up. We have a local laws role in that, but we do footpath inspections for various reasons. Bins certainly – if we end up with a fourth bin, there are significant costs for council and for the community. We think we have got an alternative to that fourth bin that is working really well at the moment, with decentralised skips that are dotted around strategic locations in the community that the community are using really well. Related to landfill is the increasing costs of that landfill levy and that increased per-tonne cost that, again, our council and our community are paying each year, and that continues to rise. We made a decision earlier this year, which was not that popular but had some important reasons behind it, to change the frequency of our bin collection and move from a weekly red bin collection to a fortnightly red bin collection and move to a weekly organics collection, which has been, again, not very popular at the start. Once we have done it, it has been rolled out really successfully. We have reduced waste going to landfill and we have reduced our contamination rates in our organics bin, which has a direct saving because we are not putting as much waste over that. We are constrained by multiyear costs that we do not have much control over.

Nathan MORSILLO: I agree absolutely. I will just make a quick point. There are some good examples in there, but on the fire services levy, which has increased, councils will use our rates notices to recover and pay that on. That is good, but there are no comms that I have seen or any acknowledgment on the SRO websites of ‘Hey, this is something councils collect for, and it’s important.’ We could have done that together and made sure there was a little bit at least on the central website that talks about ‘Hey, this is an increase that councils put on their notices.’ But there was not a shared approach to it.

I mentioned the EPA levy. Election costs, when they come through, are charged on as well. They have increased again well above the rate cap. Again, we are on board with supporting all of these. It is not the dollars so much as the heads-up and acknowledgement that ‘Hey, if there’s this increase on this side, maybe there’s a way that we can work together to best approach and get an outcome that works for the community’.

Gaëlle BROAD: I am interested too in financial assistance grants. You talked about them in your submission, that they need to be increased to 1 per cent, but also we have heard from other councils about the rate-capping issue. Residents' hardships have gone up. You mentioned also there is no appetite for that. So as our inquiry needs to come up with recommendations, what would you prioritise to make funding sustainable for local councils?

Andrew COONEY: Just to clarify, I will comment around 'no appetite'. We have had that fed back to us, that councils must be going okay because no-one is applying for a rate cap variation. I just think that it is a really naive perspective to think that a council has got the community support to go for a rate cap variation. I would not think there is a community appetite. I do not think the political will –

David DAVIS: And it is an expensive process.

Andrew COONEY: An expensive process –

Gaëlle BROAD: I have heard it is a very complicated process as well.

Andrew COONEY: and a complicated process. We would like a multiyear approach to rate capping. Water corporations have a price path, and they have a multiyear price path. Now, that is not a cheap process to work through with the ESC either, but they get certainty year on year around what their prices are going to be. They do not have to do it every year. We have to work through this every year. We get notification in December – generally December, around Christmas – about what the rate cap is going to be. We have already started formulating our budget by then. It is never too late, because we work on some different models, but to not have to go through that every year and just to be able to have a multiyear approach to that would be helpful.

In terms of a priority approach with the indexation of the rate cap – so if we say that we cannot see rate cap going anywhere anytime soon – and the consideration that is given to what the increase looks like and what it is made up of, we think a broader approach to a basket of goods that is more relevant to local government rather than what you buy from the supermarket, which is what the CPI number is based on, would be a great starting point.

Nathan MORSILLO: I would just add perhaps some regard to history as well. Our construction costs – if bridges are suddenly costing double the amount, then perhaps there should be some regard. The ESC is set up as the right people to do this, I think; it is just a change in the way that is maybe regulated that that could be part of the consideration into that future rate cap position. That would give some way of doing it. On the last point – will it take a longer process to do that – maybe look at regional and rural separately so that there is some way of thinking about not just the one rate cap for all of the state that is announced in one –

Bev McARTHUR: What about doing away with rates altogether?

The CHAIR: A final question, Ms Broad, and then we will finish up.

Gaëlle BROAD: Do you think local councils receive enough money for roads?

Andrew COONEY: We could always do with more money for roads, and I am sure the state would say the same and the federal would say the same. It is our single biggest category of asset, and they are used by the community every day. We see footpaths getting a lot of interest at the moment, and that is good. Footpaths need maintaining, but our road network – our gravel and rural and sealed road network – will always use more money.

Nathan MORSILLO: Our submission has the higher risk rating around capital replacement, and roads are our largest capital replacement area. So the numbers are already saying that long term the road funding is insufficient to maintain local and country roads into the future, or there is a gap there.

Gaëlle BROAD: And drainage, I think you mentioned?

Nathan MORSILLO: Drainage as well.

Andrew COONEY: I think the other thing with local government money – and this is where through COVID we put pretty strong cases to the state and federal governments that any money that councils get

recirculates through our community really quickly – is that we know businesses are set up that rely on our capital works program and our renewal program every year, and they build businesses off the back of that, because most of that money that we get gets spent back in our community and has a benefit through. So I think it is important to remember that any money that we get we do not sit on. We do not make a profit on it. It just goes back into funding programs. We have got renewal gaps at the moment that we cannot meet, so the more funding we are able to get, the more money we will put back into maintaining the quality of our assets.

Bev McARTHUR: Can you guarantee the ratepayers you spend it wisely?

Andrew COONEY: Yes.

Nathan MORSILLO: We are the most transparent layer of government.

The CHAIR: Thank you. That is all we have time for. We have got 6 minutes left and we will not get around members again.

Thank you very much for appearing before us today. We really appreciate the effort that you have put into your presentation and submission. That concludes the public hearing.

Witnesses withdrew.