

# TRANSCRIPT

## LEGISLATIVE COUNCIL ECONOMY AND INFRASTRUCTURE COMMITTEE

### Inquiry into Local Government Funding and Services

Traralgon – Wednesday 4 September 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** (*via videoconference*)

Sarah Brindley, Director, Corporate and Leisure, Wangaratta Rural City Council; and

Matt Hyde, Chief Executive Officer, Wodonga 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 all 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 broadcast of these proceedings. I also welcome any other members of the public watching via the live broadcast.

To kick off I will just get committee members to introduce themselves to you. I am on the screen today, so I will go through the screen first and then we will go into the room. I am Georgie Purcell, and I represent Northern Victoria.

**Moira DEEMING:** I am Moira Deeming, and I represent Western Metropolitan Region.

**Sarah MANSFIELD:** Sarah Mansfield, Western Victoria Region.

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

**John BERGER:** John Berger, Member for Southern Metro.

**The CHAIR:** Thanks, John. And the room?

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

**Bev McARTHUR:** Bev McArthur, Western Victoria Region.

**Evan MULHOLLAND:** Evan Mulholland, Northern Metropolitan Region.

**Tom McINTOSH:** Tom McIntosh, Eastern Victoria Region.

**The CHAIR:** Thanks, everyone. Thanks 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's 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 the 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 following the hearing. Transcripts will ultimately be made public and posted on the committee's website.

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

**Matt HYDE:** Thank you. Matthew Hyde, City of Wodonga.

**Sarah BRINDLEY:** Hi. Sarah Brindley, Director of Corporate and Leisure for the Rural City of Wangaratta.

**The CHAIR:** Wonderful. Thank you, both. We now welcome your opening comments, but I ask that they are kept to around 10 to 15 minutes maximum, collectively, to ensure that we have plenty of time for discussion

and questions. I am not sure if you have arranged an order yet; otherwise someone can offer themselves up to go first.

**Sarah BRINDLEY:** Happy to go first. Do you want us to just get started?

**The CHAIR:** Go for it.

**Sarah BRINDLEY:** Thanks, Georgie. Thank you for the opportunity to speak to you all today. I will acknowledge the traditional custodians of the lands which I am here on in the Rural City of Wangaratta and pay respect to our elders past, present and emerging. I celebrate and respect their continuing cultures.

The Rural City of Wangaratta is home to over 30,000 residents. It is a regional council on the smaller side of the regional councils, located in north-east Victoria. As you may know, we are in an area of natural beauty, with amazing local produce. We do enjoy a fairly diverse economy here in the Rural City of Wangaratta for the size we are, which has helped us with our financial sustainability through our community over time. As a council we do provide a number of non-statutory services, of which we are very proud, including strong sporting and cultural facilities, recreational services, arts and culture, an art gallery, a library, childcare and home and aged care.

You have obviously already received our documented submission, so I am not going to repeat everything in there. But I wanted to talk a bit about revenue structures, including the rate cap first, and touch on grant funding streams; the management of cost shifting as opposed to the existence of cost shifting, which I am kind of taking as a given; more general opportunities for the sector; and how we may improve our financial sustainability with the support and assistance of state government.

In terms of the rating structure and our revenue streams, our total income for the Rural City of Wangaratta is \$96 million this year. Rates and charges account for 53 per cent of our recurrent operating income. Twenty-five per cent of our recurrent income is recurrent operating grants, user fees are 17 per cent, and statutory fees and fines are less than 2 per cent, with capital grants accounting for about 10 per cent of our overall revenue, just to give you an overall idea. Obviously we are very dependent on revenue streams that we do not substantially control ourselves and that are awarded to us at the discretion of state and federal government. We have as a council delivered an average annual adjusted underlying deficit of \$1.3 million over the last 10 years, and clearly that is not sustainable. We take that seriously as a council, and we are working on financial sustainability programs – hot on the tail of Wodonga, I might add – to identify actions to reverse that trend.

In terms of the rate cap in particular, there are some specific issues that we see and advocate for that would assist councils such as us with financial sustainability priorities. The first one is – and I think you will be aware – that rate cap amounts have been below the real CPI for the past few years, and that has effectively imposed ongoing savings targets, in effect, on councils. There is no true-up for that, so if the rate cap amount is substantially under, we carry that gap, and that compounds over the future years just by the nature of how the rate cap works. There has been substantial inflation in council costs, as in all layers of government, with many of those areas that typify our cost base increasing well above the rate of inflation – so areas like general insurance, WorkCover, construction costs and construction materials, technology and software licensing costs all growing well over the rate of inflation.

I suppose my main observations and the things I want to recommend today are really about how you can work with the ESC to use the rate cap and the legislation and powers that sit behind the determining of the rate cap to perhaps have a more tailored and agile approach that is more reflective of the financial sustainability positions that particular councils find themselves in. My first recommendation would be to consider use of indices for the ESC against which it determines the rate cap that are more reflective of the actual cost base components of local government. The second one would be to consider a true-up mechanism so that when actual inflation exceeds the rate cap amount of the prior year it is not a continued compounding erosion of rate revenue over future years. The third one would be use of powers to allow the minister to proactively set rate caps based on a class of councils, whether that be rural, regional, metropolitan et cetera, or for an individual council or groupings of councils – say, potentially a grouping of councils that are in a financially unsustainable position. Then there is the consideration of whether community engagement is appropriate for all rate cap variation applications. Is there potentially the ability for an expedited rate cap variation process where it is about meeting funding requirements to maintain asset renewal versus, say, a council that is looking to introduce a new service

or a major new facility that is discretionary. Those are just some thoughts on the powers that actually exist behind the setting of the rate cap that may be available to vary.

The second point I wanted to make was about grant funding streams – and I will just try and shorten my statement down a bit, Georgie. I am just noting that councils are obligated to develop 10-year financial plans, and we have to include assumptions around grant funding in those. However, grant funding agreements do not last for that duration and often are year to year so that we live hand to mouth. So the recommendations there are for a commitment to implementing multiyear funding agreements for recurrent grants to give councils greater certainty so they are not left out of pocket and so they have the ability to plan service change better; and as per the rates recommendation, to commit to increasing recurrent grants based on an appropriate indexation amount for the services which they fund to ensure that grants as a minimum do not decrease in real terms.

Management of cost shifting was my third point. I guess I see the effect of a real-term decrease in a number of our recurrent funding streams as a form of cost-shifting, where that funding is effectively withdrawn year on year. We see that in libraries, school crossings, immunisation programs and other areas that are talked to in our submission. But look, let us assume cost-shifting will continue. There are reasons why services are moved and why sometimes it is appropriate for local government to provide certain services to the community. But then my question is: is there an ability to provide alternative and more secure means of long-term funding for councils when those services are moved – again, for example, using flexibility behind the rate cap of potentially baking in one-off adjustments to individual council rate cap rates to accommodate the cost of taking on the provision of a new service?

The last point I just wanted to talk to was about how state government could support local government beyond grants and rates and how we can find ways forward that take us out from tit-for-tat discussions on rates and grant streams. As things currently stand councils will start to be forced to gradually cut back on the range of services we provide and the service levels for those statutory services we provide, so we really need to look at ways to make structural changes that will unlock efficiencies and ways to enhance and maintain services for our communities, given that that is why we exist after all.

The rural cities transformation program was I think a good initiative and a start into exploring opportunities for shared services, but the reality is there are agency issues for councils in terms of when you collaborate – the sunk costs, moving technology platforms and that the costs far exceed what has been available through those programs. Small rural and regional councils having the resourcing and the capacity to run them is also really challenging, so I think there should be an encouragement to say, ‘Can we think bigger and bolder?’ perhaps across the whole sector, not just smaller groupings of councils. The opportunities I would see are in areas such as local law permits, rates processing, land certificates and notices of acquisition, the provision of our information management environments, cybersecurity, payroll and the broader administration of rates.

Service Victoria really came to the fore during COVID, and I thought that showed a really good opportunity to collaborate between the layers of government – that there is an opportunity to look at the next level of service enhancement and iteration there. We would welcome the opportunity to work with the Victorian government on those future collaboration opportunities.

The other and last area I would really like to encourage is the establishing of a technology- and AI-based centre of excellence to deliver new tools and improve efficiency across the sector – functions such as planning and building, where AI has the potential to cover much of the process, freeing up officers to actually deliver better community service and value using the skills that they have and using AI to more quickly and effectively do the basics of their roles, which would also add to improved job satisfaction and potential in the sector. That is the summary for me of the four areas that I wanted to talk to today.

**The CHAIR:** Wonderful. Thanks, Sarah. Matt?

**Matt HYDE:** Thanks, Georgie. Thank you very much for holding this inquiry into this very important matter to local government. Before I go through the details of Wodonga city I will introduce myself as having been at Wodonga city for two years, having worked for local government for nearly 30 years and having worked in two cross-border communities and also been part of councils that have had two amalgamations and one deamalgamation over that period of time.

Wodonga city, as it says, is a border community with Albury city in New South Wales, which creates a very different environment, which I will go into later on. While we have about a 45,000 population, equivalent with Albury city, we make 100,000 as a city that works cooperatively together. We have got about 300 FTE in staff, and we have a loan base, quite low, of \$11 million, and our depreciation each year is around the \$14 million mark. That money put aside for depreciation for me is not an issue, because we use that to maintain our assets. Generally our revenue sits around \$86 million, and our expenditure is around \$75 million this year, which is a significant difference from what it has been, running a deficit for a number of years. We maintain about \$700 million of assets, and our rates income is about \$47.5 million. The majority of that is from residential, which you would expect from a city-type environment – around \$31 million – and we have about \$6 million and \$5 million from industrial and commercial rates income. Only a small amount of money comes in through charges and user fees, and we anticipate about the \$20 million mark for our grants, which keep our city operating.

Many of the issues I have heard in the inquiry to date are very similar across councils. I thank Sarah for her very comprehensive coverage of that, and I would certainly agree with everything that she said there. I will use one example of a cross-border city in regard to the rate-capping issue that Sarah talked about there. I will say for the 2024–25 year the Wodonga rate cap, which the Wodonga city accepted, was 2.7 per cent, and Albury, which is 5 minutes away from my office here in Wodonga, was at 4.7 per cent – that was the cap set by the New South Wales government for them. Importantly, in New South Wales they have just gone through a rate cap review, and they have provided a growth factor for their councils. So the Albury city is very lucky to have a percentage on top of the rate cap for the amount of growth, which recognises the fact that as a growing city you need to provide quite a lot of infrastructure into the future. Though certainly a very significant matter, people in our community see the differences there and the differences in services that have been provided.

Funding is a big issue for us, and certainly local government providing 33 per cent of the infrastructure to the communities but receiving quite a low amount of income from the federal government creates a level of difficulty for us. We have just gone through quite a significant financial sustainability review and had to take some very drastic measures in this last year to continue operating into the future. This year the staff successfully achieved a \$1.5 million operational budget cut, and we had to do a restructure to gain a further \$1.5 million out of our budget. That at this point in time has not had a significant impact on the community, because we have removed levels of management in order to have a fiscally responsible budget going into the future. We do, however, have to save a further \$3 million going forward. That amount of money has been catered for in our long-term financial plan, but we are yet to find where that money will actually come from.

Wodonga has spent quite a lot of money on improving its assets and provides quite good services to our community here in Wodonga, and certainly that is represented by a very good level of community satisfaction that comes through in the community survey that is conducted by local governments. However, we cannot continue to offer the same level of services. We have a service catalogue and we are working through our service catalogue. Each year we conduct up to three service reviews and in detail go through those services and look at how we can provide improvements. Obviously going to electronic methods provides a level of efficiency and automated process. However, our customers in local government do like to interact directly with us, so there is a limitation to what we can do on that front.

We certainly appreciate the financial assistance grant and the flexibility that that provided in being allocated to the areas that our community see as most important. That flexibility is very important. We see with state government grants that come through they are task-specific generally for capital expenditure for the construction of that asset and do not recognise the full whole-of-life cost of that asset, and that maintenance and renewal program then has to be funded by our communities into the future, with no recognition of that in the grants program. Certainly the more funding we can get that has some flexibility, the more that allows us certainly to be able to go through and allocate that at the area of most need.

Certainly I am not advocating for an increase in the rate cap specifically, because it still has to be affordable to our communities, but there has to be a choice about the level of service we offer, and what we will see at Wodonga city going forward is likely a reduction or a transfer of that service to a level of community or government that can provide that at a much more efficient cost. I will give an example for that. It may mean that with the government's oversight and costings for local government it is much more expensive for us to run a service, whereas a not-for-profit community group can still offer that service that is very important to our community at a much more efficient rate.

Just in wrapping up, that funding cycle is important. Knowing that we are getting grants long term into the future – one of the advantages of the financial assistance grant is being able to use that to plan for our future works, whereas state government moneys tend to come in cycles which are not necessarily predicted and certainly cannot be guaranteed into the future and therefore are not generally transferred into our long-term financial plan. When those funding programs are released we are certainly not aware of them, so having to have projects that are shovel-ready that may or may not be funded depending on what the programs are can also be quite difficult. We are, as I said, a growing city, and we are expecting about 15,000 people coming in to the Baranduda–Leneva growth corridor, which is pre-planned, and there is significant infrastructure to build out in that corridor, which is partly funded by the developers but partly funded by the ratepayers of Wodonga city.

Thank you very much for this opportunity. I would be happy to answer any questions that any of the members have.

**The CHAIR:** Great. Thank you so much, Matt. Members, in the 35 minutes that we have we will keep it to one question each, if possible, or a couple of minutes, just to ensure we get around everyone, and then we will go again if there is time, starting with Mr McIntosh.

**Tom McINTOSH:** Thanks, both, for that detailed presentation. A very quick one for you, Matt: how many services approximately do you deliver? You said you review three a year in detail.

**Matt HYDE:** We have a service catalogue of about 20 different services. We are refining that at the moment, and we are prepping for our new council to go through to them and to provide them: ‘These are the services we offer, this is how much it costs the ratepayer, this is how much we received and this is the community service obligation.’ That will enter into a discussion with the councillors about the level of community service obligation that they are willing to pay for the different services over that period of time. We have done quite a lot of work over the last couple of years in refining those services.

**Tom McINTOSH:** Great. And Sarah, just one for you: you talked about structural change unlocking efficiencies and some of those shared services amongst councils. Do you just want to expand? You said you had started looking at that. I think from your comments you were going to get perhaps better efficiencies by getting more councils involved in those sorts of things.

**Sarah BRINDLEY:** Yes. The Hume region did participate in the rural councils transformation program, and there were many ideas that came up. I think it has been a challenge, partly because of our sizes as respective councils, that you do not have large teams that have the capacity to drive those shared services. We might have one procurement officer versus a metro council that will have a team of five or more, for example, so their latent capacity – it is just very hard for us to drive those programs together. I guess that is where I see an opportunity for actually a more ambitious approach. One of the biggest blockers is just the technology platforms. We are on different platforms. The costs of change and the time to change are huge. It impacts your staff and your organisation for many years, so trying to do it three councils at a time – it is then hard to unlock the efficiencies, and the funding that is available to drive those changes is not really sufficient for many of us to be able to then take that leap of faith, particularly if we are four years into a five-year IT transformation program.

**Tom McINTOSH:** Thank you. Okay, that is good. Thanks. I will leave it there, Chair.

**The CHAIR:** Wonderful. Thanks, Mr McIntosh. We will go to Mr Mulholland.

**Evan MULHOLLAND:** Thank you, Chair. My question is to Matt Hyde at Wodonga. I note in your submission it says that:

Political preferences often result in an inequitable distribution of funds across electorates, exacerbating financial disparities between different regions.

Have you or the council noted that, and would you agree that funding distribution is politicised? Can you provide any examples?

**Matt HYDE:** Thank you, Mr Mulholland, for that question. I have not gone through and done a full analysis of that, but I might give you an example of the Baranduda Fields project, which we recently opened. We had some of the members present at that opening – thank you. It is a \$24 million project for a new set of fields out

in the Baranduda–Leneva area. We received \$10 million of federal government funding for that and \$24,000 from the state government, and the rest was funded by the Wodonga City Council. It is a good example of sporting infrastructure which is quite significant and needed in our community, with a real lack of state government contribution towards that project. We were anticipating some income for that from the state but were not successful in that. I suppose we could replicate that a number of times where we have applied for different lots of funding.

We do receive state funding and we are certainly very appreciative of that, but when we look around the regional cities group and certainly all the local governments across Victoria, we see some other councils receiving significantly more funding than we receive in Wodonga. That could be partly to do with the fact that we are a cross-border community, and as a 100,000 population across New South Wales and Victoria there is possibly a dislike for funding where it may bleed into another state and that state has responsibility. However, we do have some good negotiations with the Albury city and the New South Wales government for cross-funding in certain circumstances.

**Evan MULHOLLAND:** No worries. You can answer this: you might have got a letter regarding immunisations and a cost per shot. What is the impact of that financial burden going to be on your council?

**Matt HYDE:** Thank you, Mr Mulholland. Yes, it certainly has a large effect on Wodonga city. But not only that, Wodonga city provides this service to a number of the councils that surround us. Those increases in cost, while minor, are cumulative in effect with a number of other matters. For us, for example, we have confirmed that it will be a \$4000 licence fee, whereas the state did promise when that software was originally introduced that it would be a free service ongoing. Then each year additionally for each service we provide – so for each episode, if you like, in regard to an immunisation – there will be approximately another \$6000 on top of that based on our 2023 immunisations. That is one of many programs, and I ask: if the state does have to recover \$10,000 from Wodonga city to make its services worthwhile, then what about the quantum of funds that we provide for maintaining roadside assets on state roads, increasing service levels elsewhere? Should we be charging, and if we did charge, would those invoices actually be paid by the government? Ten thousand dollars in the immunisation program seems quite minor for a fact that health services are actually a service that should be provided by the state government, and hence we should be at no cost disadvantage to provide that. Sarah talked about shared services. This is a very good example of where we offer a very good shared service arrangement for the councils around us so that they do not have to bear that burden of recruiting staff and having the equipment, services and knowledge to do that service.

**Evan MULHOLLAND:** Good point. Thanks, Chair.

**The CHAIR:** Thanks, Mr Mulholland. Dr Mansfield.

**Sarah MANSFIELD:** Thank you. Thank you for appearing today. In your submission you talked about the role of local government in addressing market failure. I am just wondering if you have got any examples of where your council has had to step in and do that.

**Matt HYDE:** Thank you, Dr Mansfield. I assume that question might be to me. Certainly we have provided childcare services in the past. We do not anymore. We do provide immunisation, as I said. We do provide kindergarten services, and the variety of other services is quite extensive. For example, it might be the Bonegilla migrant village, which is quite significant in our community and in fact in Australia. We operate that service at a loss. There would not be a community group that would be interested in running that, and hence the community does expect that these types of services that are very important to them are provided. Local government is a service provider of last resort, if you like. That means that the community does actually have to fund the loss that it made on some of those projects but acknowledges that is a community service obligation and the community sees that as very important. As I said before, we have a level of governance over us as a public body that does cost us significant money, and we do provide those services at a higher expense rate, if you like, than what some other not-for-profit organisation would. A commercial operation might be able to provide that service, but there is not the interest to provide it.

**Sarah MANSFIELD:** Sarah, I know that it was not necessarily in your submission, but I am not sure if you have any comments or thoughts on that.

**Sarah BRINDLEY:** Maybe two thoughts. First thought: we do provide the full suite of children's services. It is not so much market failure, but the local government service does act as a safety net for our community. We would have a much higher proportion of families and children who do receive financial assistance and are from more disadvantaged backgrounds, and council actively seeks to support those families in our community because we know the social value and benefit that that provides to those children and those families and the community as a whole. It is not so much a failure of the market – there are other providers – but the way in which we operate provides a really valuable social function because it is not driven purely by business profitability.

One area I would say, perhaps more going back to the shared service example, where councils have footed the bill in the past year is the valuations that sit behind rates. There have been – I do not know if the committee is aware – I think a lot of issues with the accuracy of the rates, of the valuations undertaken by the valuer-general's service in the past year. I think it is completely appropriate that we have a centralised, specialised service for that, and that is an example of where a shared service model makes sense. But then we have lost I think about \$118,000 in rates revenue, which is 30 per cent of our annual rates increase, because of inaccuracies in the valuations and the appeals from the community this year. As a council we have footed 100 per cent of that bill for activity that we did not undertake, and that does seem like an impost upon the council. If there was a way to share that or have the accountability for that, that would be another example of trying to do a shared service well. But what happens when it does not work as fully intended?

**Sarah MANSFIELD:** Absolutely. And given the financial sustainability concerns throughout the sector, are your councils – maybe not immediately – having to start considering the range of services you are able to continue providing?

**Matt HYDE:** Absolutely, Dr Mansfield. The reason for developing our service catalogue and having a very articulated on-a-page map of 'What's this costing us now? What are our future projects in order to maintain this service to the community?' and going through a series of service reviews is about how we provide that efficiently and how we keep providing all of these services. The new council will have some significant challenges. As I indicated we do have another \$3 million to pull out of our budget, and one of those considerations is: do we continue to offer the same suite of services that we currently offer, or do we reduce our service capacity in some of those services across the board in order to save that \$3 million? I will note that we are doing significant work on assets at the moment as well, and I expect that that \$3 million will actually grow quite considerably once we know the asset management plan specifically for each suite of our assets as well.

**The CHAIR:** Thanks, Dr Mansfield. I will go next. I want to ask you both about your animal services, starting with Wangaratta. Noting that the RSPCA closed the shelter that worked with council in 2023 – or made that announcement then – Sarah, are you able to tell us a little bit about how animal services are now going to be managed in the area?

**Sarah BRINDLEY:** Yes, and this is an example of shared services I think that are working well, a bit of a service adjustment for the community. I will speak as much as I know; it is not my direct function. From what I know the RSPCA reviewed the business and services that it has provided. The provision of the animal pound was not core business for them and ran at a cost in Wangaratta, so they notified us of an anticipated cost increase in those services. So as a council we looked at the service and alternative ways to provide that service to our community and through that moved the provision of the animal pound to Albury City Council. They have a newer facility. What that means to our community is that when animals are recovered and held in the pound we make more effort to return them initially, but if they cannot be quickly returned to an owner – so if they are not microchipped and identifiable – we then drive them to Albury and they go to the pound there and the community member would have to go to Albury to collect their animal. The level of service that Albury City Council provides is very good. Overall, if you look at the actual KPIs for the service, the service has improved and it is more efficient to provide. But there is a change to the service level for the community, so that is I think an example where there is compromise and a very valid outcome.

**The CHAIR:** Just to clarify, with the closure of the shelter, that means that there is no longer any animal adoption done out of Wangaratta, just the returning of owned animals?

**Sarah BRINDLEY:** To my knowledge; I believe so, yes.



**The CHAIR:** Is it a couple of hours to drive from Wangaratta to Albury or an hour?

**Sarah BRINDLEY:** It is around about 50 minutes.

**The CHAIR:** Fifty minutes. Has there been any decrease in the claiming of animals because of the change in distance?

**Sarah BRINDLEY:** I would have to confirm for you precisely. My understanding is that there has been an increase in the number of animals quickly returned to their owners – so we have repurposed the officer that we do have to do more of that preventative work, focusing on animal registrations and seeking to return animals before they are driven up the road to Albury. I could not tell you exactly about the number of animals that are affected.

**The CHAIR:** That is okay. Thank you. Just quickly, Matt, it is the same situation for Wodonga, working with Albury for the service as well?

**Matt HYDE:** That is correct, Georgie. Yes, we do partner with Albury city, and the cross-border commissioner in New South Wales actually had a fund to assist some cross-border community projects. We have joined with Albury city in the Two Cities One Community partnership to assist them to get that funding to upgrade the facility, and it does provide a regional facility of a very high standard. We were facing the challenge, similar to Wangaratta city, of having to totally renew our facilities to make them RSPCA compliant, and certainly that cost was not achievable within our budget. So we made that choice and signed off an MOU with Albury city to provide that shared service, and it is a very good service.

**The CHAIR:** Thanks, Matt. I will go to Mr Berger.

**John BERGER:** Thank you, Chair. Thank you both for your appearance this afternoon. Throughout this inquiry some of the councils have suggested councils report asset condition or depreciation to transparently guide funding decisions. Can you possibly share with us what the government would need to be mindful of when considering this approach to support the sector without creating overly complicated reporting?

**Sarah BRINDLEY:** Can you repeat the first part of the question again, please?

**John BERGER:** Throughout the inquiry a number of councillors have suggested councils report asset condition or depreciation to transparently guide funding decisions. The question I have is: what would you consider the government needs to be mindful of in considering this approach when it comes down to reporting of course?

**Sarah BRINDLEY:** I will have a stab, Matt, off –

**John BERGER:** Do you want to take that one on notice? I would be happy for you do that.

**Sarah BRINDLEY:** I guess, just briefly, what they are advocating for is funding for asset renewal – how would you go about establishing where that funding should be prioritised through relevant reporting to you? Was that the crux of it?

**John BERGER:** That is right, yes.

**Sarah BRINDLEY:** Yes. I guess you would be looking at community usage, distance to alternatives and, I do not know technically, the level of asset deterioration and how critical it is. Some of those kinds of factors would help prioritise where funding should be delivered.

**John BERGER:** Okay. Matt, have you got a view?

**Matt HYDE:** Yes, look, I am just trying to interpret that a little bit. I would say that certainly the Wodonga city has some asset classes that do need significant investment to bring them up to a reasonable standard. If you look at our predicted renewal expenditure over the future years, it is not something that we would typically attract government funding to assist us with. I think what you are trying to say is that – and it is similar to what I was saying earlier – we get lots of grant funding for constructing new assets. We do not get very much funding at all, other than the FAGs, to then maintain those assets and to go into betterment for natural disaster events or

for an upgrade in engineering standards or improvements in community expectations. Footpaths, for example, are double the width now than what they used to be. Bridges are experiencing flash flooding and the approaches. We do not get funding for those sorts of components, and certainly if you are looking at depreciation and renewal costs into the future, that could be a good way to guide how you go out and allocate that funding across the various local governments.

**John BERGER:** Thanks, Chair.

**The CHAIR:** Thanks, Mr Berger. Mrs Deeming.

**Moira DEEMING:** No questions from me. Thank you.

**The CHAIR:** Great. Thank you. We will go to Mrs McArthur.

**Bev McARTHUR:** Thank you, Chair. I am interested that the professional stakeholders in this game – that is, the CEOs and directors of council, plus other bodies like FinPro and so – are all advocating for adjustments to the rate cap, which of course inevitably means increased rates for the ratepayer. Do you not see that ratepayers are already burdened, especially rural and regional ratepayers, and that if you increase or allow the rate cap to be adjusted in any form, you are just going to burden ratepayers with increased costs. Either of you, or both.

**Matt HYDE:** Mrs McArthur, I am happy to start off the response to that. Certainly the capacity to pay is a significant issue in our communities, and part of our financial sustainability review actually included a whole chapter assessment on the Wodonga community's capacity to pay increased rates and guided council's decision in the future. Certainly in the past councils that I have worked for have done similar research projects into the community's capacity to pay. At the end of the day, the councils provide a level of service, and that level of service has an intervention level about legal responsibility. That is the minimum service provision that we can provide. We do have limited resources, so it comes down to a question of 'Is the community willing to pay for those services?' That is why we have a very good community engagement plan, and we go in and check with communities about whether they are willing to pay for which types of services and how much they are willing to pay.

Wodonga city at the moment is going through our community vision for 2050 and working with the community. We have got a deliberative panel of 44 people, which is the end part of our year-long process of consulting with the community. On the basis of our community satisfaction level, I would say that our community is quite pleased with the service level that we provide for them. If you consider the increase in costs across insurance, registration and all these other areas the community also has to pay for, while a burden, it does recognise that there is an increased cost to providing those services. It would be appropriate to have a basket of goods for our rate cap percentage that was appropriate to local government and not to other areas of the industry. I will also say that in my previous council we went through a three-year community engagement program on a 60 per cent increase to the general rate and successfully managed to get that through the equivalent to the Essential Services Commission, because otherwise it meant that that community was going to lose a significant level of service. I would assume that that would be the same here given our ratings to date. It is a hard decision, but I respect what you are saying.

**Bev McARTHUR:** I do not know whether Sarah wants to comment.

**Sarah BRINDLEY:** Two comments from me. Obviously no council wants to be putting a rate cap variation and we will look at every other avenue first. The ESC in their November 2023 report did talk about rate capping as a fairly blunt tool, and it is being applied in a blunt way currently. We do have well-functioning financial hardship policies to support those who are most suffering from cost-of-living pressures in our communities, and that is just one of the – again – safeguarding aspects that we do have to support our communities. The other one I imagine you are aware of is the waste best practice guidelines. Some councils are looking at rate cap variations just to move the revenue from waste service charges to rate charges, ideally to avoid going through a whole community engagement process for a change like that.

**Bev McARTHUR:** Okay, thanks. I am very aware of community engagement processes, having been a councillor myself and having established that very few people participate in the community consultation process, so it was a very unrepresentative result. But given that the state government is fully engaged in cost-

shifting in so many areas, when are you going to actually say to the state government that, no, that is your area of activity – whether it be education or health in particular – and that you can no longer provide that service, or if you do, state government is going to have to fully fund the service, not just partially, or reduce the amount of funding over time, which has happened with kindergartens and libraries in particular, and so on? When are you going to learn to say no to state government unless they fully fund your operation?

**Matt HYDE:** Mrs McArthur, that sounds a lot easier than what it is when you are, as you know, the level of government closest to the community. I would say the deliberative panel that we have got at the moment is representative of our community, and we have tested that. We would like to be able to say no, and we would like to be able to invoice, but certainly we do not think we would get a response to that and our community would lose a service that it very much appreciates in that process. We are gaining information and we are pushing back on government and we are withdrawing services. We are mowing less roadsides that are state government roadsides – those sorts of measures. The \$3 million that staff have saved has meant that some of those service levels have dropped where it is a state responsibility, and we have had no choice but to do that. Unless all councils stand up, like Strathbogie council did around school crossing supervisors, and we join together, it is going to be a very difficult one to face.

**Bev McARTHUR:** Well, why don't you all stand together? There is a majority of rural councils in this 79-council state.

**The CHAIR:** Mrs McArthur, that is your time. We only have 6 minutes and we still have Mrs Broad to get to. Over to you, Mrs Broad.

**Gaëlle BROAD:** Thank you very much. Thank you for your contributions today. I guess, Sarah, I am interested – you mentioned AI and the thought of establishing a centre of excellence. I heard about Yarra Ranges shire receiving some assistance to do a MyLot program, which is about AI and improving or gaining efficiency with some of the planning queries that are coming through. From a local council perspective, what benefits do you think AI could bring, how would you advocate for change and how are you possibly using AI at the minute?

**Sarah BRINDLEY:** I will start with the last first. We use AI for our information management currently. We have an AI self-learning tool that helps with all our records management and helps to overcome the behavioural requirements of people to record all their documents and categorise them by teaching AI the policies of how to do that for us, which helps to improve our retention of records, document privacy, classification et cetera, whereas previously you would have a team of lots of information management officers doing that work. And it is great. I have heard about the Yarra Ranges work. I just think there is an opportunity; if you did it as a sector and consolidated the funding, you could make more progress more rapidly.

I come from a background of a fintech startup where we were building our own software, and when I look at the capabilities of software that we are dependent upon in local government, there is a big gap between the private sector and local government. That is not a criticism of our suppliers. There is high cost to entry to serve local government, but there is so much technology that could help planning and building, definitely. Anything that has got a large portion of applying rules and regulations – AI could do a large part of that and then officers could apply their expertise to determine the final outcome so they are using their time more efficiently.

Rates – we have all got rates officers. We are all striking and collecting rates, we have all got our own rates teams and we are all reinventing our processes and our technologies – so it is things like that. I just think there is a huge opportunity, but the barrier to entry in terms of cost and development is high, so you need to scale to make it work.

**Gaëlle BROAD:** Matt, are you able to comment on that? Is there much talk in the industry at the moment about adopting AI?

**Matt HYDE:** Certainly, yes, there has been a lot of talk. There has also been talk about the risks. You have got to watch where that data is collected from and where it is distributed to and make sure that you are maintaining the privacy. Certainly council has a business improvement team, and we work under the business excellence program to look at our various services. Over the years we have made significant savings through automation – not necessarily using AI, but our staff certainly see the benefits of that and we are looking to those opportunities in the future.

As Sarah has indicated, software costs are absolutely enormous now, and if you look at our software provider and software as a service et cetera, it actually takes up quite a significant amount of our budget. And when we uplift to a new version or a new platform, the cost of training our staff and making sure that system operates effectively is quite significant. A lot of the time it is actually criticised by the community as a cost that is not necessary, but they do not necessarily see the savings that those investments in technology make. Certainly it is an opportunity for us in the future.

**Gaelle BROAD:** Thank you.

**The CHAIR:** Thanks, Ms Broad. Well, that is perfectly on time, so thank you very much, Sarah and Matt, for appearing before us today. We really appreciate the effort that you have put into appearing and your submissions. That concludes the public hearing.

**Witnesses withdrew.**