

# 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*)

Kirsten Alexander, Chief Executive Officer, and

James Alcaniz, Coordinator, Financial Planning and Analysis, Mansfield Shire 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 I 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 members of the public watching via the live broadcast.

To kick off we will get committee members to introduce themselves. I am on the screen, so I will go first. I am Georgie Purcell and I represent Northern Victoria. I would throw over to Moira.

**Moira DEEMING:** Moira Deeming, Western Metropolitan Region.

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

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

**Gaelle BROAD:** Gaelle Broad, Member for Northern Victoria.

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

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

**The CHAIR:** Wonderful. Thanks, members. 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 this hearing. Transcripts will then ultimately be made public and posted on the committee's website. For the Hansard record, can you both please state your full name and the organisation that you are appearing on behalf of.

**Kirsten ALEXANDER:** Yes. It is Kirsten Alexander, Mansfield Shire Council's CEO.

**James ALCANIZ:** And James Alcaniz, Mansfield Shire Council.

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

**Kirsten ALEXANDER:** Thank you very much, Georgie. I would like to thank the committee for allowing us to appear and give my apologies on behalf of mayor Steve Rabie, who was unfortunately unable to attend today. As the CEO of a small regional shire – we decided to submit to this inquiry and present some perspectives from one of the smallest shires in Victoria from a population point of view. As costs for local government increase, our sustainability in the long term is of concern. We are very grateful for the assistance we receive from state and federal governments, but we are dependent on that assistance. With a decrease in funding across many areas, our community is being asked to pay more and more. In addition, sometimes we are experiencing delays in payments, and we also compete with much larger shires and councils, which puts us in a challenging financial position when it comes to grant funding. Small councils like ours do not have specific

roles for experienced staff in grant writing or significant labour to complete the administrative burden of applications for and management of those grants. I think in general Mansfield shire punches above its weight, but it still has to enter competitive funding rounds for things that our community relies on, in particular roads and open space projects.

Our small ratepayer base coupled with our large geographical area means that every community member contributes a lot to ensure we can run basic community services. But compared with a typical rates notice in a metropolitan area of Melbourne, our rates are higher, which increases the pressure on council to keep rates as low as possible. Council's population has increased significantly beyond what was forecast by the state government. We have had a growth rate that is one of the highest in the state. We do live in a beautiful region here at Mansfield shire and people do want to come here and live, but it has meant that in some cases our infrastructure and services have not kept up with our population growth, and our general allocation for funding has not really kept up in reality with the needs of our community. The long-term outlook from an operational capital perspective is not stable.

Just some examples in terms of some funding shortfalls: council had to borrow \$2.6 million in order to complete the heavy vehicle alternate route around Mansfield, and that was a project that we did receive some Commonwealth funding for dating back as far as I think 2017, but no state funding as far as I am aware was supplied to that project despite some requests for some matching funding where we intersect with state roads. We have had difficulties in relation to a black spot location on Mansfield-Whitfield Road, and we have tried to seek a state contribution to that road. It is at a place where a council road and a state road intersect. It is a black spot. It has had a fatality. We were recently awarded, after several attempts from our small team to try and get Commonwealth funding for that location, \$2 million, but we were quite dismayed to find out that 9 per cent of that funding was removed by the state in the funding agreement we were given to sign. That was a big blow, because that is equivalent to our project management costs, and we have written to the state asking for that to be reinstated. The stated reason for that funding being removed was that it was for internal department costs, but needless to say, that was a surprise, and not a welcome one.

One thing that we have reached out to the Department of Transport and Planning for is to have a 10-year transport plan shared with the regions so we work collaboratively on a transport plan that involves both state and local roads and look at who might be best placed to deliver some of those projects so that we get the best bang for our buck. We are seeing examples in our shire of state funding not being well spent, so I think it is something where local government, with its local knowledge, could add value, and this could result in a much better spend overall for the benefit of our residents and ratepayers.

In terms of highlighting some other shortfalls, we did want to highlight the lack of public transport. We have poor service delivery between Benalla, Mansfield and Mount Buller, and it is a corridor that a lot of people move along both for work and for recreation. I just wanted to make a few comments about the financial assistance grants. I am sure you will have heard about them from others. We would like the way that they are administered and how we can best deploy those funds to be reviewed. The way the funding is calculated does not really appear to meet the needs of our peak visitation. We have periods where we have, for instance, during winter, up to 400,000 people moving through our shire up to Mount Buller. Those visitors do add pressure on our local services, be they medical, be they waste collection, and although there is no doubt that the shire benefits economically, we do not get a direct financial contribution as a result of that. It does benefit our businesses, it benefits our lifestyle and we welcome that visitation. We welcome sharing our region, but we do not believe that the FAGs allocation really accounts for that – for those intense visitation periods. We also get a similar visitation period to the shire over summer to Lake Eildon and the communities like Bonnie Doon, Goughs Bay, Macs Cove and Jamieson that surround the lake.

It also adds to I guess the impact on our extensive road network. We are heavily reliant as a small council on state and federal government grants to get our community safely to where they need to be, and we have seen a deterioration in roads. We have played our part; the shire has put in significant funding and has allocated a large proportion of the LRCI funding to our roads. We know it is something that is important to our community and to our visitors. But we are seeing a deterioration in state roads and, as I said, having difficulty in getting matching contributions for shared intersections. It appears to be, at the moment, falling solely on our ratepayers.

Generally, from a regulatory perspective, I am sure others would have presented on the fact that small shires have the same regulatory pressures on them as larger metropolitan councils. We do not have the same ratepayer

base as larger councils, and given our road network is far more extensive we do have to allocate a greater proportion of our rates to maintaining our roads. We are asking for the FAGs allocation to consider a variable that adjusts for small council cohorts, a variable that adjusts for high visitation that puts pressure on resources and infrastructure and a variable that also adjusts for alpine regions, because they do experience deterioration due to the ice and snow that is present in those regions.

I thought I would just touch quickly on the lack of local services, which also puts more pressure on our shire – when we do not have state services locally based. We do have family services, but they are generally available from places like Benalla or, even further afield, Wangaratta. We have difficulty in getting people to come and provide those services locally. Because of our growth, we do have pressure on our local medical service and systems, with residents having to go further afield than Mansfield.

I did want to just touch on a few areas – and I am sure you have heard some of these – where council subsidises the cost or has to meet an increasing proportion of costs for services that are partially state funded. School crossings I am sure have come up before. For the Mansfield shire component, we are now subsidising that service to the tune of \$47,000. We do think there is an option to look at running that service differently. From a small shire perspective, we have difficulty in getting people to do it, and the cost is rising, increasing costs to our ratepayers. We recently were advised of changes to the state's immunisation system, which we were initially advised would be free of charge to use, and now we have been advised there is a cost to our community of \$3000. It might seem small in the overall scheme of things, but all these costs add up for a small rural shire, and it was something that we were told would be free to use.

Waste charges, the changes to the waste system – I am sure you have heard about that, in particular the glass bin. We are not sure that there is a great deal of support for it in our community. It will add in the order of \$300,000 per year. We have chosen, for that reason, to delay the introduction of the glass collection as long as we can, because as you can imagine, for small rural townships that are fairly widely spread, servicing that is a significant cost impost. Our library – we have received no CPI increase on library funding for the last two years, which is of the order of around a \$10,000 subsidy now from our ratepayers. Emergency management we subsidise. As we are a high and extreme bushfire risk area, we subsidise our emergency management office to the tune of around \$23,000 a year. Financial counselling is about \$17,000 a year. First Nations engagement – we have been asked to join the local government forum with the Taungurung Land and Waters Council. Council is very supportive of working with the Taungurung, but they have advised us that we will be asked to contribute to the cost of resources to enable their engagement under the land use activity agreements and the RSA probably in the order of \$50,000. We are not sure of the total number yet that we will be asked to contribute. Weed management on roadsides we subsidise to the tune of around \$33,000.

I wanted to touch quickly on some solutions. As I mentioned before, we would like to look at a better model for the allocation of road funding. We think that in some cases we can get more-competitive rates for undertaking roadworks, and we have better local knowledge and ability to supervise. I would like to certainly look at that for the supervision and cost efficiency of the works that get undertaken and potentially look at projects such as SES and Ambulance Victoria upgrades. We do have the ability to run building projects and run them cost effectively. That might be a saving that we could offer to the state by allocating some of our local resources and that funding coming through council.

One recent grant program that we were pleased to get awarded some money for was through the department of transport. We were a bit dismayed that after being accepted for inclusion in the funding, I think it was the safer roads program, we were required to use mandatory embedded consultants with quite high hourly rates of about \$300 an hour, off the top of my head – probably typical consultant rates. We would normally try and minimise the use of consultants; it is something that we have been very focused on as a council. We try to do things in-house where we can. As you can imagine, paying \$300 an hour for a consultant is not something a small rural shire wants to do as a matter of course.

I think also – just one final point – decrease the administrative and project management costs associated with grant funding requirements. The LRCI program that the federal government had was a very good model in that the administration of the program was quite efficient in comparison to the DRFA program, which we find to be a very complex one to navigate. I am sure there are other examples, but I will probably stop there and hand over to you for questions.

**The CHAIR:** Wonderful. Thank you so much for that. Members, we actually have plenty of time so let us go for 5 minutes each, starting with Mr Mulholland.

**Evan MULHOLLAND:** Thank you. Thanks, Kirsten, for your presentation. There is a lot in it – really appreciate it. Can I just touch on the point you were making before regarding having to have mandatory embedded consultants. Was that in regard to a grant application? Do you just want to expand on that a bit?

**Kirsten ALEXANDER:** I am not across all the detail, as you can imagine, but my understanding from the officers that were involved was there is a scoping phase of the grant that they go through and there was a strong encouragement to use the embedded consultant to get through that scoping phase in order to develop the scopes that would then be funded by the department.

**Evan MULHOLLAND:** Was there a particular recommendation from the department on which consultant to use?

**Kirsten ALEXANDER:** I do not have that level of detail. I could find out.

**Evan MULHOLLAND:** You can take that on notice?

**Kirsten ALEXANDER:** Yes.

**Evan MULHOLLAND:** Excellent. You were mentioning the Taungurung land council and having to pay what you think might be around \$50,000 to contribute. What kind of impact would that have on the council, and where would you find the money to cover that?

**Kirsten ALEXANDER:** Well, it is not something currently funded in our budget, so it would have to come at the expense of potentially something else the community would like us to do. I guess one of the main pressures we have got at the moment is on things like footpaths and shared paths. Mansfield as a growing community is not well serviced that way from an accessibility point of view, and I think that would reduce our ability to deliver some projects that the community would probably like to see delivered.

**Evan MULHOLLAND:** Your submission also mentions unnecessary delay in or rework of grant applications submitted by the Victorian government for federal funding. What are some examples of unnecessary delays or rework of these applications?

**Kirsten ALEXANDER:** That one relates to the black spot funding, where it took us applying twice before we were finally awarded it. We went to meeting after meeting with the department with a lot – I can only describe it as going round and round in circles. At one stage they told us we had not applied for enough money. We were told we should be applying for around \$4 million, and we had just done a roundabout and we knew what that was going to cost in Mansfield. At the time we had estimated it at about \$1.2 million to \$1.5 million, and so we even increased our estimates and we were still told it was not costing enough. In the end we applied the second time around for \$2.6 million and had to sign a letter saying that we would meet any cost over the \$2 million. That is why we were pretty dismayed when we then had 9 per cent of that funding, or \$176,000, removed when we got the grant funding agreement from the department.

**Evan MULHOLLAND:** Just following on from that, we have heard a lot in this inquiry from lots of councils in particular about grant programs where there is either matched funding and you have to apply to spend money on things you might not have spent money on, or the process being the punishment in the sense that the amount of effort and resources in time and money spent putting together a grant application is quite laborious. What are the kinds of examples you have seen, and does the Victorian government's management of grants for capital works affect your council's ability to plan and deliver long-term projects?

**Kirsten ALEXANDER:** I think the short answer is definitely yes in that example that I just gave. Our engineers, including me, had to spend a significant amount of time answering questions from the department, and as I said, I found it quite circular, the whole process. There were multiple rounds of engagement. I do not think it added any value. That is one example I could definitely give you. That black spot process having to go through the state was a great disappointment. The first time around we were told we were out of time, and yet we had tried multiple times to meet their deadlines. So then we applied again in the following rounds and were

reluctantly accepted, I would have to say. They still had reservations, and they were expressed in emails to us, despite our demonstrated ability to deliver road projects locally.

**Evan MULHOLLAND:** We would be happy for you to table any emails on notice that might assist with our inquiries.

**Kirsten ALEXANDER:** Yes.

**Evan MULHOLLAND:** Thanks.

**Kirsten ALEXANDER:** I might just add one thing to that. There was also an example when we asked to have a combined strategic program for these key intersections, and we asked what funding had been allocated to one of these intersections. We were told by the department that they had allocated in their budget submission \$12 million for one roundabout. We just about fell off our chairs. I said, 'Well, if you want to give us the \$12 million, I'll give you four.'

**Evan MULHOLLAND:** Classic Spring Street, talking over regional Victoria. Thanks.

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

**John BERGER:** Thank you, Chair. Thank you for your appearances today. Kirsten, during this inquiry we have heard from a number of councils about the rural council transformation program. I understand Mansfield shire is leading a project with Benalla, Murrindindi and Strathbogie to implement some new technology. Could you tell us how that is going?

**Kirsten ALEXANDER:** I think that is actually a good example of state funding to councils. That collaboration between the four small shires, all of similar size, is really going well. The business accelerator fund that has been used to fund that – councils have still put a significant contribution in, and it is a big number for a small shire to come up with, but we can see value in it. We have already hit some goals in terms of delivery of new systems – a new building system, a new planning system. The collaboration between the shires has been fantastic. It is a great example of how we can build capacity and build knowledge between the teams that are working together, because often we might have one officer, for instance, that works in environmental health. It is an opportunity for that officer to also build a network amongst the other shires and for us if we are all working on the same system to be able to back one another up. So it is a great program.

**John BERGER:** No worries. Thanks, Kirsten. Thanks, Chair.

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

**Sarah MANSFIELD:** Thank you. Thank you for your presentation and for your submission. I am interested in, within your submission and based on some of what you said in your presentation, what impacts the future financial constraints and sustainability issues are going to have on service provision in your area. What will that mean for your community?

**Kirsten ALEXANDER:** When you look at the breadth of service that we deliver, ultimately it comes down to making choices about which ones we continue and which ones we do not. We try very much to be driven by the community in that, to be adjusting where we spend money based on our feedback during the budget process. We run it early in the budget engagement process. We are seeing increasing pressure to upgrade roads from unsealed to sealed, and that is something that is a very costly exercise. The other part that keeps coming up is that we do not have a year-round aquatic facility, and as a small shire there is just no way we can deliver the cost of an aquatic centre. That is something that we would be reliant on funding for in the future. In the short term what we are trying to do to fill that gap is to apply for funding for a retractable roof over our existing outdoor pool. I guess that is just a bit of an example. What it means is that for kids that cannot access a pool year-round, they are forced to go on the bus to Benalla. The school buses them over there, and it means that potentially some kids might miss out, depending on what their school chooses to do and has the resources to do, quite frankly. They are, I guess, a couple of examples.

Roads is probably the area where you get hit first, because they are long-life assets, and as we have seen, if you do not keep investing in them you end up paying the price. We have a big backlog to catch up on here. Certainly the LRCI funding that we got from the Commonwealth over the COVID stimulus was a big benefit to

us in being able to catch up on some of that backlog. But it is a bit of a mix. It depends where you decide to allocate the funding, and that is something that we are very open to feedback from our community about through our annual budget process.

**Sarah MANSFIELD:** Thank you. Your submission also speaks about the need for funding to support betterment. I am interested in understanding in your municipality what impact that betterment funding would have and what the issue is with it not being provided.

**Kirsten ALEXANDER:** In our municipality it would mainly come in the area of roads and bridges, for instance, and culverts. We do have some roads that have culverts. When there are big weather events the people that live on the other side of them get cut off and they cannot access town. So betterment in that sense would be to be able to replace a culvert – say, for instance, it gets damaged in a flood event – with something that has a better capacity to cope with the next one and provides a better level of service. You are going to go there; you are going to mobilise plant equipment machinery. If you are allowed to increase the size of that culvert, then you are going to get a better outcome in the long run. That is probably one of the easiest examples I can give. There are probably many others.

**Sarah MANSFIELD:** Are you finding the lack of ability to invest in betterment, because of the constraints that come with some of the grants currently, is resulting in more financial impacts for your council?

**Kirsten ALEXANDER:** Definitely. The DRFA funding requires council – and the inflexibility of that funding is also a problem in that it requires you to use contractors, which actually increases the cost. So for a community like ours we really like to use our in-house resources where we can. To give you an example of that, we made a strategic decision to do more of our gravel resheeting of roads in-house rather than contracting it out – because we were already grading those roads, we wanted to put gravel down at the same time. That is an example of betterment. Rather than just going to grade a road surface, you roll out the gravel at the same time and increase the life of that section of road. The forced use of contractors, because you cannot use staff costs, means that it adds costs to the project, and you do not necessarily get a better result.

**Sarah MANSFIELD:** That is interesting. Is that something you find occurs with all tied grants?

**Kirsten ALEXANDER:** There are other examples. Off the top of my head I cannot think what they would be, but the DRFA one seems to be the one that keeps coming up time and time again. And I also should say that council does not get fully funded for that. You only get, I think, about 80 per cent of your costs back. You have to wear a certain amount each time. So for a shire like ours, which gets hit with regular weather events and has a lot of road – we have got over 800 kilometres, 834 kilometres of road – we have a lot of exposure to it.

**Sarah MANSFIELD:** And have you had any difficulty applying for those funds or receiving those funds?

**Kirsten ALEXANDER:** Yes, we have. They want before and after photos, and that is a bit tricky, because you do not know where the damage is going to be until it happens. That is one difficulty we have had. On the whole I think we have managed to get it back, but again, it takes resource time to do it, and you know, there could I think be a more efficient way of funding that.

**Sarah MANSFIELD:** Yes. And presumably because this is disaster recovery funding, it is funding that is needed and often urgently. If you could redesign that system, what suggestions would you have?

**Kirsten ALEXANDER:** I think the ability to respond faster based on an estimate that we give and then perhaps verification at the end that what we said we were going to do we actually did, rather than having an up-front process that requires – because what it means is it delays the repair, because you do not know if you are going to get those monies reimbursed. It is not good financial management to lay out money with the possibility that maybe we might get that money back. If we do not get it back, it means it is going to be at the expense of other works that were already planned and already promised to the community. So if the intent of that funding is to support local government in recovery from disasters, I would have to say it is not working very well.

**Sarah MANSFIELD:** Okay. Thank you.

**The CHAIR:** Thanks, Dr Mansfield. Ms Broad.

**Gaëlle BROAD:** Thank you, Chair. Thank you very much for your contribution. You mentioned a \$12 million roundabout, and you referred to state government funding not being well spent. Can you explain or provide further examples of incidents like that?

**Kirsten ALEXANDER:** Well, there is an example right now. I guess it is more a maintenance example than what you would call a capital works example. Actually I might talk about the roundabout first. One of the things that really influences the cost of capital projects is the standard that you apply to those projects. And if you take an approach that you are going to have a one-size-fits-all very high standard – you are going to apply what is in essence a highway standard to a local road – you are going to end up with a very expensive cost estimate for that project, and I think that is what contributed to that \$12 million example. Our catchcry, which we give to our staff, is that when you are scoping a capital project it has to be fit for purpose. And by that we mean it is going to last, it is going to give us the life and the longevity that we need but we do not gold-plate it. We do not apply a highway standard to a local road.

I do not know how the \$12 million came about. It was just a comment that was made in passing in a meeting from one of the department staff, but I was quite dismayed by it. And I did respond to it to say that because that estimate was so high, it means that we were not included in the budget list. And potentially there is a whole range of other projects that were also missing out on funding because their estimates were too high. And I think that is a risk-averse culture that leads to that, because you deliberately inflate the estimate. I often see it from consultants, and maybe that is why that came about. It was an estimate given by a consultant without any on-the-ground knowledge of what it actually costs to do a roundabout in Mansfield. But they do not test. There is no transparency; there is no testing of those cost estimates.

We have great difficulty in getting out of the department what they have included in the budget for our area. I would love to see a budget and know what projects have actually been funded in the north-east, and I do not think there would be any disagreement from some of the other CEOs on that too, because that would allow us to plan ahead and give the matching funding that is needed. Instead it seems to be the other way around at the moment – that our communities drive us to do certain projects, and then we go to the department saying, ‘Well, we’d really like a matching contribution, and I have written multiple letters asking for this,’ and we are just told there is no money, even though it is a priority project for our growing population.

Under the *Road Management Act* there is supposed to be a consultation and there should be a shared contribution where it is a shared intersection. So we are not asking for anything that is unreasonable, I do not think. We are only asking for small amounts of money in some cases, but what we are getting is nothing.

**Bev McARTHUR:** Crickets.

**Kirsten ALEXANDER:** Yes.

**Gaëlle BROAD:** You also mentioned the state government taking 9 per cent of funding from a grant agreement.

**Kirsten ALEXANDER:** From the federal – yes.

**Gaëlle BROAD:** Yes. Can you talk to that? I mean, is that a normal process?

**Kirsten ALEXANDER:** It was a surprise. I was told when I spoke to the department about it that we should have been advised of that when we applied. I asked our engineers and they were not aware of it. I certainly was not aware of it. It must have been buried in the fine print somewhere. But I do not personally think a 9 per cent subsidy from our ratepayers for the department’s oversight of the project – when they are not running the project, they are not managing the project, they are not taking the risk on the project, they are not contributing to the project – is value for money. I am sorry. For a small town like Mansfield that is a big amount of money – \$176,000. That would basically be more than what we would put as a project management cost, running the whole project. So I do not think that is fair and reasonable, and I think that needs to be revisited. If that is the cost of their oversight of the project, then I think that needs to be justified.

**Gaëlle BROAD:** Yes. I am just interested too – you mentioned a growing population. Can you just talk to the pressure you are experiencing on infrastructure and services? I have heard some people say, ‘Look, growing



population and more residents means you'll end up getting more rate revenue.' But is there a gap there? What are you experiencing?

**Kirsten ALEXANDER:** Yes, there is definitely a gap. You do get some additional rate revenue, but it is a lag. If you think about, say, for instance, having to do a roundabout, there is a limit to how much you can raise rates and what the community can actually afford. So yes, you might get 20 new homes that live along a street that add pressure to an intersection, which then forces the need to do an intersection upgrade. The cost of that intersection upgrade is a long-life asset. It is something that is going to be there for as long as the town is after you put it there. So there is always a lag. If you have to raise loan funding, as we did for the heavy vehicle bypass – we had to borrow for that – which was something that Mansfield had long wanted to do to stop the trucks going through the main street, that is a lot for your ratepayers. So you do not get enough of an increase in the growth that funds those long-life projects. It means that future generations are having to pay, and because of our small ratepayer base, you can only service so much debt. So there are limits. I mean, we have not been unwilling to use debt to fund those strategic projects, but there is a limit to that.

**Gaëlle BROAD:** Have I got time for another question, Chair, or are we –

**The CHAIR:** Yes, you do. We have just got Mrs McArthur to go after you, so one more question will be fine.

**Gaëlle BROAD:** Thank you. We have heard from other councils about the timing of advice when it comes to the rate cap or the financial assistance grants. They hear in May, whereas October or November would be a better timeframe. Can you talk to that calendar? Because it seems like they are flying blind as far as income goes. What has been your experience?

**Kirsten ALEXANDER:** Spot on. Could not agree more. We go out to community and start our budget process in October, November, and we usually go out to early budget engagement in around January, February. We then collect all that together, and that allows us actually to take on board a lot of the feedback that we get from community as part of that process and reprioritise things. Then we put it formally out to the community in that period between April and May before it is adopted by council in June. We have to make guesses as to when the financial assistance grants will come. Normally they come in June; apparently for the last eight years that has happened. This year they arrived in July, so that means for our annual reporting we will be reporting results that look quite different to the assumptions that were made during our budget. In some cases it might take you from a surplus to a deficit, and then you have to explain to the community and to your councillors how you ended up in a deficit position when you expected to have a small surplus.

**Gaëlle BROAD:** I think you are not alone in that. We heard from other councils that have had that. I think it sounds like the state government have held back the funds with a bit of an accounting trick. But it does make the bottom line look quite different.

**Kirsten ALEXANDER:** Yes.

**The CHAIR:** Thanks, Ms Broad. Mrs McArthur.

**Bev McARTHUR:** Thank you, Kirsten. You have just given us the greatest list of outrageous situations that this state government is involved in as a very poor partner with local government. In fact you ought to be asking for a commission from the *Utopia* team, because you have written that script as well today. But let us go to this cost that you have just found you have got to incur – \$50,000 for Indigenous activities. What is that all about?

**Kirsten ALEXANDER:** Under the recognition and settlement Act – and it is also connected to cultural heritage management – there are responsibilities that the Taungurung have and that landowners and managers like us have too to consult with one another. There are obligations that we both have. The Taungurung are highlighting, and I think quite reasonably, that they are having to engage in their area with 15 local governments and they are not resourced to do it. The impact of that is delays in projects, because if you cannot get some advice from the Taungurung up-front, it might mean that you are then relying on an archaeologist or someone like that, an adviser, that is going to cost you a lot of money. I have heard some horrific amounts from some of my fellow CEOs in terms of their cultural heritage management plans – how much they have had to pay. I think the Taungurung to a certain extent are getting caught in the crossfire here, because they have not

got the resources and the people to engage. There is a requirement to engage. There is a requirement on us to engage. So they have come to local government saying, 'Can you contribute as part of this forum towards the cost of' – I think – 'at least three resources.' It adds up to around about a half a million dollars all up; I think that is what the ask is of local government. As I understand it, they have been funded as a one-off thing for one engagement officer from the Department of Premier and Cabinet – I might have that wrong, the department they are coming from – but beyond that there is no continuity for that funding. So they are looking for local government to fill that gap. If you work it out, half a million dollars between 15 different shires, depending on how it is apportioned – there is no actual agreed way of doing it yet. That is still a bit of a work in progress, but it is somewhere in the order of around \$50,000.

**Bev McARTHUR:** Right, well, that needs further examination, to be sure. You have said that the school crossing cost to you is \$47,000. This is a state education department responsibility, surely. Why don't you say, 'No, the state government's going to have to fund this; it's an education responsibility'?

**Kirsten ALEXANDER:** I could not disagree with you, but I think it is one of those ones that is fraught, because the community is used to those crossing keepers being there. If council walks away from it, they are not there anymore. As I understand it, Mansfield shire in the past has gone down that path, and the community backlash was significant. For that reason I think it is very hard for local government to get out of it. But I actually agree with you. For my sins, I am a former South Australian, and in that state local government is not involved in it. It is organised through the schools and there are no crossing keepers funded by local government as far as I am aware.

**Bev McARTHUR:** Well, maybe you need to band together with your fellow councils and say you are not funding these things any longer. I mean, councils cannot complain about cost-shifting but consistently just agree to pick up the bill that state government imposes on you, surely.

**Kirsten ALEXANDER:** Look, it is a fair point, and we actually put up our hand to be part of a group that Monash were running. I think Monash have now stepped away from it. I am not sure if I am correct there. As I said, it is something where you have got to manage the community engagement very carefully because they will see it as you taking away a service from them.

**Bev McARTHUR:** Well, just tell them it is a state government responsibility.

**Kirsten ALEXANDER:** Yes. Sometimes that is easier said than done. We were hoping out of that collective approach that there could be an increase in the subsidy, and there was a small increase, but it is still a \$47,000 shortfall. I think, in response to an earlier question, it is one of those things that you end up having to look at pretty carefully.

**Bev McARTHUR:** Did you get caught with the jab tax?

**Kirsten ALEXANDER:** Yes.

**Bev McARTHUR:** What did they say you had to pay?

**Kirsten ALEXANDER:** It is only a small amount. It is that \$3000 that I mentioned before, so in the overall

**Bev McARTHUR:** And \$2 per jab, or \$1?

**Kirsten ALEXANDER:** I think it is \$2, but I would need to check that.

**Bev McARTHUR:** You want to go back, because I have got some councils telling me they got it all reduced. They halved it. It is a bit of an ambit claim.

**Kirsten ALEXANDER:** I will make a note of that.

**Bev McARTHUR:** An ambit claim from the state government to fund their shocking debt levels, passing it on to ratepayers – this service that was previously funded for free, wasn't it? You might have provided the service, but at no cost to your ratepayers.

**Kirsten ALEXANDER:** That is my understanding, particularly to do with the system that was used. It was offered free and councils were encouraged to use the system, which we did, as I understand it, and now there is a cost being imposed.

**Bev McARTHUR:** Some councils have also handed that back to the regional health service and are no longer being involved as a result of this level of cost shifting. Is that something you would consider?

**Kirsten ALEXANDER:** Yes. Look, it is pretty hot off the press, so we are –

**Bev McARTHUR:** There was not a lot of consultation, I understand.

**Kirsten ALEXANDER:** No, and that is a point I should have raised earlier – that the last-minute changes are something that do really impact a small shire like ours.

**Bev McARTHUR:** So in a small shire like yours, there is a lot of compliance that you now have to deal with courtesy of the state government. It is the same amount of compliance that a very large metropolitan council with almost unlimited revenue sources has. How much time and what cost do you incur in the compliance performance for state government?

**Kirsten ALEXANDER:** It is hard to add up that number. It is something that we tried to put a bit of number to with those numbers that I read out before just to try and look at the degree of subsidy. The compliance side of it – how it generally gets reflected in a small shire is that you are continually stretched in terms of your resources. You do have to wear many hats. It might mean, for instance, that in some cases I as CEO go to a meeting instead of a lower level resource. It means particularly at a management level we get stretched in a lot of different directions because we might only have one officer working in that area, whereas in other shires they might have 10.

**Bev McARTHUR:** Do you get hit by the inclusion requirement where you have got to tick boxes for certain categories of people that you have got to look at employing, or do your contractors get hit by that when you are doing state projects?

**Kirsten ALEXANDER:** I cannot say that one comes to mind. We did benefit from funding for a social inclusion action group with the idea that it would be community-driven projects that were selected. We had a group of community members working with us in that program with the aim of addressing mental health issues. We have worked hard to try and get particularly the farming community involved in that group to try and make sure that it is quite representative of our shire.

**Bev McARTHUR:** Just on the farming community, can you tell us what percentage of your rates come from the farming community?

**Kirsten ALEXANDER:** I would have to do – actually, can you just grab the budget quickly?

**Bev McARTHUR:** We can take it on notice.

**Kirsten ALEXANDER:** Yes, we will get that number for you.

**The CHAIR:** Maybe take that one on notice. Just one more question, Bev, and then we will need to wrap up.

**Bev McARTHUR:** Okay. Do you think the rating system, this property-taxing system, is the way to fund local government? You know, you are hit by it as a small rural council and your ratepayers will be paying a greater rate in the dollar than, say, ratepayers in Stonnington or Boroondara. Should we look at how we actually fund local government overall, instead of this property-taxing system that is so egregious to many people based on geography?

**Kirsten ALEXANDER:** I would have to agree with you. I think there are some basic inequities in the system. We try and even those out as much as we can. One thing we have done is pick up a system that was introduced by Ararat to try and make sure that nobody gets a rate shock in a year. We try and make sure that each rating sector in our differential rates gets raised by an average amount, so if the overall increase is this much, we only increase that sector by that amount. But that does not cover off that basic inequity between the

regions and the metropolitan area. So not only is it harder to attract people to come to the region because of the lack of services, it almost becomes a bit of a self-fulfilling prophecy: you cannot attract the people because of the lack of services, then you cannot deliver the services because you cannot attract the people. We are always competing with other, larger shires. We have had to be quite innovative, and we are. We actually even have staff that are still based in Melbourne and work up here maybe a day a week or just work remotely. COVID has certainly changed the way we do that. But I have to agree; I do not see why, with a property that is worth \$700,000 here and a property that is worth \$700,000 in Melbourne, someone should have to pay much higher rates here.

**Bev McARTHUR:** Correct. Exactly.

**The CHAIR:** Thanks, Mrs McArthur. That is all we have time for today. Thank you very much for appearing before us. We really appreciate the effort that you put into presenting to the committee. That concludes the hearing.

**Witnesses withdrew.**