

TRANSCRIPT

LEGISLATIVE COUNCIL ECONOMY AND INFRASTRUCTURE COMMITTEE

Inquiry into Local Government Funding and Services

Broadmeadows – Thursday 19 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

Sheena Frost, Chief Executive Officer, and

Fadi Srour, Chief Financial Officer for Hume City Council, Hume City Council.

The CHAIR: I declare open this hearing of the Legislative Council Economy and Infrastructure Committee and its Inquiry into Local Government Funding and Services. In doing so I welcome the CEO and the Chief Financial Officer of Hume City Council to our hearing, indicating in the first instance that evidence given here is protected, but if you speak outside, that will not be protected.

I am going to just go straight into it and ask you to give a short presentation, and then we will ask some questions pursuant to our terms of reference. Welcome.

Sheena FROST: Thank you very much. Thank you very much, and thank you to the committee. So as described, my name is Sheena Frost. I am the CEO of Hume City Council, and I am joined today by our Chief Financial Officer, Fadi Srour.

I would like to acknowledge first that we are meeting on Wurundjeri Woi Wurrung land. The Wurundjeri Woi Wurrung people, including the Gunung-Willam-Balluk clan, are the first and original people of the land, and I pay my respects to elders past and present.

Ideally I would have liked to have the mayor alongside me, but as you are aware the timing is slightly problematic, being caretaker period, so that may present constraints around comments I am able to make. But I do thank the committee for the acknowledgement of that in the email when I was confirming the appearance that I was going to make. I thank you for that acknowledgement.

Can I also thank you all for your interest in the topic. A little bit about Hume City Council: we are one of the most unique municipalities in Australia. We are one of the fastest growing areas in the country, with our population increasing by an estimated 6000 each year. We are predicted to reach 335,000 by 2034. Alongside this, our residents come from over 170 different countries, and we have three of the most disadvantaged communities in greater Melbourne. As a growth council we are in the unique position of both delivering services, asset upgrades and renewals in established suburbs, such as here in Broadmeadows, as well as forecasting the future service demands and building the new infrastructure to support thriving communities to our growth fronts, which are in the west and the north. We employ over 1500 people, who deliver 100 services to our community across 540 square kilometres, and we manage over \$6 billion in assets.

Within a rate-capped environment we deliver our services and infrastructure in response to this growth, as well as minimising the impact on our residents through low fees and charges, all of which constricts our financial sustainability. The responsibility for established and growth communities means we have a significant infrastructure delivery and maintenance program. Our assets include 34 kindergartens, over 2000 parks and open spaces, 30 community centres, 56 sports reserves, three global learning centres, three leisure centres, six indoor sport stadiums, 2100 kilometres of footpaths and bike paths and almost 1500 kilometres of roads. In the last four years alone, we have opened 14 new sports reserves, seven multipurpose community centres and 10 new open-space play spaces and shared paths. I share that with you just to provide an overview of the scale that we need to work at to provide the infrastructure needed to support strong communities.

You will have heard from other submitters that cost shifting is a significant issue facing the local government sector. We are not immune to this, and while it was outlined in our submission, it is not what I want to focus on in the time that I have with you today.

As outlined in our submission, we believe there are interventions that can assist the financial sustainability of both ourselves and the sector, and we are seeking a review of the rate cap, a review of developer contribution and infrastructure contribution plan funding mechanisms, a review of the ministerial good practice guidelines local government rates and service charges, and greater access to funding from the Sustainability Fund. With regard to the rate cap, Hume City Council's rates and charges income makes up approximately 64 per cent of our underlying revenue. Our adopted revenue and rating plan 2021–25 highlights the issues caused by the introduction of the Fair Go Rates system on long-term financial sustainability, and it continues to restrict

council's ability to raise revenue to maintain service delivery levels and invest in community assets and infrastructure. The current system, under which the cap is tied to CPI but may be less than CPI, does not match the actual increase in the cost base of existing services and infrastructure. This is the experience of New South Wales, where the rate peg has led many councils to apply for large special variations to address its impact, resulting in significant rate shocks to those communities.

The Essential Services Commission has also acknowledged that the rate cap does not accurately represent local government costs. Therefore we believe the rate cap should be reviewed to be sensitive to the local government cost context. This would mean a review that has regard to employee and operating costs as well as capital works costs and developer infrastructure contributions, which are particularly relevant to growth councils such as Hume. As an example, in 2021 we opened our first multipurpose community facility in Kalkallo, to the north. These are common in all our new growth communities, and they feature community meeting spaces, kindergarten rooms – generally three as a minimum – as well as consulting suites and a commercial kitchen. In addition to supporting the health and wellbeing of our youngest community members, they are a place for the community to meet and grow and gather. The original budget for that project was \$5.76 million. It opened in 2021 for a cost of \$5.81 million. Fast-forward to today, and our budget for these same facilities is typically going to be around \$10 million. As a result of cost escalations we have rephased our entire program, which means projects will be delivered later than expected.

Given the heavy dependence on rate revenue and the constraints of rate capping, Hume faces the challenge of reducing reliance on property rates. This necessitates identifying alternative revenue streams and funding opportunities. However, these opportunities are limited by legislated statutory fees and charges. Consider planning – Hume is a growth area council that contributes to the much-needed supply of affordable housing for Victorians. In the last year we have unlocked almost 3000 new homes, and a well-resourced planning and development service is central to help achieve that. It cost us approximately \$5.2 million from rates last year to deliver the planning and development service, an area where we expect to see continuing significant reform. Statutory fees and charges have not kept pace with the cost of delivering this service. Further, for a council such as Hume with areas of social and economic disadvantage, we must be cognisant of setting non-statutory fees and charges at a level that ensures accessibility for all our communities, regardless of their capacity to pay. And it is for those reasons that we think a review of the rate cut that is sensitive to the local government context would be something to consider.

Further, in our submission we also call for a holistic review of the contributions funding and works-in-kind system. We believe this review should include the developer contribution and infrastructure contribution plan funding mechanisms from which we collect contributions towards assets in growth areas. It should also include the growth areas infrastructure contribution, which is collected by the state for state-level infrastructure, and works in kind, which are agreements where developers deliver infrastructure directly. We make this call based on our experience as a growth council. Developer and infrastructure contributions cover basic essential projects and further may not fully fund projects, which means we use rates to top up those initiatives in those areas. Council must also fund many additional projects beyond what is included in the contributions plan.

I would direct the committee to the Infrastructure Victoria report which talked about the importance of social infrastructure in outer Melbourne suburbs. This report makes the case as to why government needs to fund libraries and aquatic centres in outer suburbs. It made findings that new suburbs are a good place to live but residents must have access to social infrastructure and its services and a lack of social infrastructure can limit people's participation in library, recreation and cultural events. And given the significant up-front costs of libraries and aquatic recreation centres, they were recommending that government contribute to them also. So planning for new suburbs needs to better integrate social infrastructure, which as I said, is not included in those plans at the moment.

The funding gap between DCPs and ICPs is due to several issues with the current system, and they include the time lag between receiving levies and delivering infrastructure and the fact that early levies have not been indexed to cover rising infrastructure costs. For those levies that are indexed annually, they are outdated by the time tenders are issued, especially with the rapid construction cost escalations. Further, initial cost estimates on which contributions are based are often incomplete or may change due to new standards that need to apply. We have an obligation to complete all projects in these DCPs and ICPs irrespective of escalating costs or changing needs, exposing them to significant financial risks. We support work-in-kind agreements as a way of enabling

earlier delivery of infrastructure and believe this would assist local and state government cost risk exposures, and it could be streamlined.

As we outlined in our submission, we would be happy to be part of discussions for a project to look at how GAIC, DCP, ICP and works-in-kind as a whole could be improved and streamlined to improve outcomes for all levels of government and ultimately deliver more timely and cost-effective infrastructure for the community. While not within the scope of this inquiry, we have a strong view that better coordination across all levels of government is required to support timely delivery of infrastructure for our communities, and the call for review of these funding mechanisms would support any project to look at how coordination can be improved.

We also have called upon a review of the ministerial good practice guidelines, the *Local Government Rates and Service Charges*, and this is about waste, which is of course an essential service for all our communities. Each year we spend over \$60 million on waste services, which includes kerbside bin collections, hard waste collection, dumped rubbish, ensuring our public spaces have bins that we service, graffiti removal, resource recovery centres and litter removal from drains, parks and waterways. Up until 2023–24 we absorbed those charges in our operating budget. This was not sustainable.

Over the past 15 years there has been a substantial rise in the EPA levy, which, as I am sure you have heard many times before, has risen from \$63 a tonne in 2017–18 to an estimated \$167.90 a tonne in 2025–26, and we estimate that will cost us \$12 million. Given the exponential cost of the waste service over the rate cap, it was not viable to continue to absorb this, and the charge which recovers the costs only was introduced. To see the minister release the *Local Government Service Rates and Charges* good practice guidelines in December 2023 without consultation was concerning. They outline that services that provide a community benefit to the whole municipality rather than an individual household should be funded by the council through revenue sources other than a service rate or charge. If it becomes mandated, we will not be able to have a public waste charge, despite the fact this covers services such as street sweeping, waste collection from public places, disposal of dumped rubbish and clearing drains. We would estimate that that will have an impact over 10 years of \$18 million to us. In addition, being one of the few councils with our own landfill sites there are significant costs associated with the operation of these sites and rehabilitation, and under these guidelines these costs cannot be recovered. We would suggest the guidelines should be revisited to understand the impacts they may have on the local government cost base – that adds to the cost pressures already outlined.

Finally, as mentioned, Victorians have been paying the landfill levy when disposing of waste in landfills. Since the introduction of the levy, Hume has contributed over \$40 million. As of 30 June 2023 the cash balance of the Sustainability Fund was \$201.1 million, projected to reach \$1.4 billion by 2026–27. It is council's view that these funds should be more actively utilised to support councils to manage landfills, reduce dumped rubbish and to assist with the implementation costs of Recycling Victoria's policy. As an example, council will incur an extra \$14.4 million to purchase new glass bins and standardised bin lids to comply with the Recycling Victoria policy requirements. Greater support from the Sustainability Fund, to use money that Hume will have contributed to help us fund waste services, is something we would call upon. As has been evidenced by our submission, we do believe there are many things that could be considered by the committee in their work today. We thank you for your interest and thank you for the opportunity to present.

The DEPUTY CHAIR: Thank you, Sheena. I appreciate that contribution. There is a lot of material in your submission and what you have said today. We thank you for that, including some new material that has not come from councils. I will come to the GAIC and the works in kind and that proposal that you have got there in a second, but I just want to start with the recent announcement of the so-called activity centre here at Broadmeadows. As I understand it, it is comprised of two parts, a central core, which is where we are sitting now, but also a larger catchment area. It is my understanding that the government did not consult on the extent or type or shape or height of that catchment area before it released its papers.

Sheena FROST: Thank you for the question. Yes, the plans were released at the time. We got notification at the same time as the community did when that came out. My understanding is the consultation period is now open. While there would have been perhaps informal discussions, we were not aware of what the actual final plans in terms of community consultation were going to be.

The DEPUTY CHAIR: And the large proposal for increased density in the catchment area that surrounds, up to six storeys in that – is there any plan that you are aware of for education services, health services and open space, for example, in those areas?

Sheena FROST: I would have to take that on notice; I am not across the detail. Certainly I think the primary objective has been to deliver more housing. I am not across the detail. I would have to take that on notice around that provision.

The DEPUTY CHAIR: I would put it to you, though, that more housing requires more of those support services too.

Sheena FROST: Yes, agree. Planning to deliver all that is required to create a thriving community is certainly something we called for in terms of the need for infrastructure coordination and coordinating how we create livable communities, which does include education, health, open space, places to live, libraries, all that makes a great community.

The DEPUTY CHAIR: Just on the other topic that you raised – I mean, there are many there and I could go for some time, but I will not. You talked about the various levies that are taken on new developments, and one of those is some development contributions which are collected by council. There is also the GAIC, which is one that goes into the city, to the state government, and does not necessarily come to your municipality. There are also the other infrastructure contributions that can be levied by state government. Essentially what you are calling for is some better coordination of that and perhaps a bigger focus on works in kind as a way to bring that infrastructure development up-front so that it is in real time, as it were, with the development of new estates and PSPs.

Sheena FROST: We think with works in kind we could be streamlining that system in order to make it easier to access. It depends on the case-by-case basis. Certainly we have had very good experiences with works in kind. Where you have reputable developers you are working with who have perhaps large land holdings, it makes perfect sense that if they have the capacity and equipment and services already on the ground, they could get started doing work earlier than we can if we are going through our own processes. We have found that has worked well. We think it is something that can be reviewed as a whole, and that is why we would say it is not just looking at one element of the system, it is looking at a whole system for opportunities for how you perhaps could be using the same amount of resources but spreading them and using them differently.

The DEPUTY CHAIR: Yes. Windfall gains tax is another part of that mix. So that is in now. If a rezoning occurs and there is an uplift, 50 per cent of the uplift value is collected by the state government as a windfall gains tax. I can vouch for the fact that when the Bill went through we sought to move an amendment to allow works in kind for that but also to allow for the money that is collected in a municipality to be hypothecated to that municipality. Have you calculated the windfall gains tax impact and how that will operate on that set of levies and charges that are collected?

Sheena FROST: We would have to take that on notice in terms of impact on us. I think it is worth drawing the committee's attention to the Outer Melbourne Councils submission. I am not sure if that was formally submitted, but they did a report, *Gearing up for Growth*, and that also refers to windfall gains tax reform and seeks an exemption to support councils in financing the necessary infrastructure projects. But certainly we will take on notice calculations around windfall gains tax.

The DEPUTY CHAIR: And the windfall gains tax – leaving aside the growth areas and noting that your municipality is one of those ones that has got a foot in the older established areas but also has got new growth areas, the windfall gains tax would apply to your established areas?

Sheena FROST: Correct.

The DEPUTY CHAIR: Have you worked out the impact of that on those developments?

Fadi SROUR: We would have to take that on notice. We are well aware of it, but it has not come to a council –

Sheena FROST: In Hume central we have already done the zoning.

The DEPUTY CHAIR: You are exempt here?

Sheena FROST: With areas where we have already targeted development, the works have already been done to –

Fadi SROUR: Zone correctly.

Sheena FROST: zone correctly, yes.

The DEPUTY CHAIR: So they are already zoned.

Fadi SROUR: They are already zoned accordingly.

The DEPUTY CHAIR: So they pre-zoned, as it were.

Fadi SROUR: That is right.

The DEPUTY CHAIR: But, for example, in a new area, a catchment area around here, a windfall gains tax would have a significant impact.

Fadi SROUR: It would.

The DEPUTY CHAIR: Just finally, and I am conscious others will have a lot of questions too, on that waste levy: that is collected on every rate notice and then it goes into the city – much of it, as I understand, the sustainability levy – for every bit of dumping that you do.

Sheena FROST: The charge, the EPA levy – yes, there is a component of the charge that goes into the Sustainability Fund.

The DEPUTY CHAIR: Has any of that come to Hume?

Sheena FROST: I think in our submission we referred to \$660,000, but through other smaller grant programs the figure is probably about \$2 million, so there is still a substantial gap between what we believe we would have contributed versus what has come back into the community.

The DEPUTY CHAIR: All right. John.

John BERGER: Thank you, Deputy Chair. Thank you both for your appearance this afternoon at this inquiry. I am interested to hear about some of the climate events that impact interfacing councils like Hume and whether any of those impacts have affected you at all.

Sheena FROST: Climate change impacts that affect Hume particularly will be around obviously heat island effects and the densely populated areas and obviously needing to deforest areas. For us our priority is around ensuring our urban canopy and reducing impacts on our community, supporting our community on those impacts on climate change and the rising costs, so making sure we are supporting our communities with solar initiatives offsetting costs as well as rolling out our own solar programs significantly across the municipality.

John BERGER: What is the uptake in Hume for solar panels?

Sheena FROST: I would have to take that on notice, I am sorry.

John BERGER: Okay. My thanks, Chair.

The DEPUTY CHAIR: Gaelle – or do you want to do it?

Evan MULHOLLAND: Yes, sure. Thank you, Sheena, thank you, Fadi; I really appreciate you hosting us today. Just to continue on with the topic of the infrastructure contributions, one of my favourites, and looking to review those, what has been the real impact on the delivery of infrastructure? I know people often use Kalkallo, which is in Hume, as sort of an example now of what not to do when planning new estates. What would you hope to find from a review, if there were to be one?

Sheena FROST: A good outcome for us in a review would be having our sequencing, timing and phasing of delivery for the services and infrastructure that a community needs happening in a way that does not lead to situations perhaps such as were experienced at Kalkallo. The communities who live there do not actually care about who pays for something, they do not care about who is delivering it. They actually, quite rightly, want to be able to live very easily in their communities – see their families, get to and from work, access the services. It is quite right and appropriate that they should not have to worry about any levels of government having differences around how something is to be arranged or organised – really something where we are coordinating well, and we think that could happen. We certainly think we would like to be a pilot around an infrastructure coordination program. We think that is something we could be doing. And if we piloted something so that we could work with federal and state and local working together, we could perhaps try different ways of doing things.

Evan MULHOLLAND: That was obviously quite a big issue up in Kalkallo, and we have seen lots of plans for new developments in the City of Hume – Greenvale North and the Craigieburn West PSP. Are you concerned that without the opportunities to partner for infrastructure and that infrastructure delivery coordinated, we might see the same sort of issues?

Sheena FROST: I think we have had enough good conversations with our partners at the state to know that we are learning the lessons of what had happened there on those occasions and wanting to make sure we are trying to plan and coordinate better. I would say we would hope to be not having those situations.

Evan MULHOLLAND: And you have made some really good points in your submission about cost and witnessing cost escalations and those usually having to be covered by council even when they are actually state contributions. We have seen funds like the Growing Suburbs Fund go from \$50 million to \$10 million. I think it is now a measly amount of a few million left. Are you concerned that there will not be an ability to continue to fund things like community centres? I know with Valley Park Community Centre, for example, there was a contribution from that a few years back. Also, what is your view on the delivering of certain state funds multiple years back with no ability to escalate that contribution based on obvious price increases?

Sheena FROST: I cannot speak for the council, but obviously when we receive funds and the grants are fixed and we have to top up, it is hard. We have to make choices, and that is why I would reference that we have rephased our program, because we just have to move things out. We have not had to make perhaps a hard decision yet about what we cannot do. We certainly have an unfunded bucket of capital works items, but I imagine that list will become larger and larger as time goes by.

Evan MULHOLLAND: I wanted to ask: I saw a very interesting and fantastic motion before your council I think a couple of weeks ago on allowing residents to withdraw fines on appeal because of the narrowness of the streets. Does Hume have a view, particularly on the planning process for some of these new PSPs I talked about, on working or partnering with state government to make sure that we are not repeating issues that have faced the council upon the takeover of those roads from the development PSPs?

Sheena FROST: I think we work really quite closely with DTP and planners that are involved in those. I can take on notice any detail, but certainly we work really closely and I think we have got a very good constructive, collaborative relationship on dealing with issues that are affecting our communities. And we have all got the same stakeholders, so we certainly try to make sure we are having regular conversations and foreseeing issues so that we can avoid those kinds of outcomes.

Evan MULHOLLAND: No worries. Thank you.

The DEPUTY CHAIR: Gaelle.

Gaelle BROAD: Thank you very much for your contribution. I guess your submission touched on this: the fire services levy. We saw there was a big jump as of July this year, but do you think the state government should be responsible for collecting their own levies? What impact does it have on council?

Sheena FROST: I would have to say I am not aware that council has ever had a view, so I do not feel able to make a comment as to whether council has a view or not. But thank you.

Gaelle BROAD: No, that is fine. What about the school crossing program, because you talked a bit about that – do you think that should be run by the Department of Education?

Sheena FROST: Again, all I can speak to is the way our council has been prepared to fund it, and it has always been on the basis that we are providing the service. It has not been a consideration at this stage about moving to a different entity. That has not been a conversation that we have had.

Gaelle BROAD: It sounds like you are just hanging in there even though the cost is being shifted towards you. Maternal health services – is it a similar position? Have you got any view on how that should be delivered?

Sheena FROST: Again, it has never been a consideration for Hume City Council as to its sitting elsewhere, and I think particularly in some of those health services – we are still in aged care services. I certainly know that council has historically for a very long time probably had a lot of pride and, given the diversity of our community, the sense that it enables us to respond to the community exactly as they need.

Gaelle BROAD: Just looking ahead at the long-term financial sustainability of councils, we have heard from other councils today that talk about five to 10 years as a bit of a tipping point for them, and rural councils that are at that spot now. I guess you are talking about projects potentially being increasingly unfunded, but what is the tipping point for you guys if there is no change made to the funding arrangements?

Sheena FROST: We would be saying sort of in that three- to five-year period. Certainly five years I would be saying is the tipping point for us. Without change, it is going to get very, very difficult.

Gaelle BROAD: Okay. I am just interested in consultation with the state government. You mentioned a lack of consultation when it came to waste charges. I am interested if you could talk to that but perhaps what would you like to see moving forward.

Sheena FROST: The waste charge, as I mentioned, came without any consultation. What we would like to see is that if we are looking at those guidelines, rather than having it mandated, have some consideration as to understanding what the actual impact will be on the cost space. We are going to have to keep delivering those services, and that means it has to go back into our operating base. In the current rate-capped environment something will have to give, at its simplest. So it is about having that conversation and understanding what the true impact on community is, because that will involve, inevitably, some reduction in perhaps a service or the quality or level of service that the community may be expecting.

Gaelle BROAD: We have also talked to councils about the timeframe of when you receive advice about the rates and what the cap is. It comes at a difficult time of year when you are already at Christmas and need to get your budget out for public consultation, and then perhaps the funding arrangements from the federal assistance grants are at a later period. Can you just talk to that timeframe, because other councils have referred to flying blind. What sort of impact does that have on you, and what would you like to see?

Sheena FROST: Thank you for the question. I think it makes it quite difficult to plan effectively. Well, it is not fair to say ‘plan effectively’, but we have to be very conservative in how we are planning. We start our budget process effectively now, but we will not find out often until very late December what the cap is. You end up having to be quite conservative in what you might be planning for. Also, with the financial assistance grants some of the timing becomes quite difficult. It would help the planning and consideration and make for better decision-making along the way to have forward notice and some greater certainty around what something will be. As part of any normal budgeting cycle, a bit more certainty would be helpful.

Gaelle BROAD: Just with the rate cap itself, the level that you have got to sit under, we have heard from others about the variation in that. What is the highest percentage increase that you have seen, and what is the lowest? What are the ranges?

Sheena FROST: Are you talking about escalations across the indexes?

Gaelle BROAD: Yes, for the different categories. How do you apply those? Do you have different categories, and what has been the jump in differential rates?

Sheena FROST: Oh no, we are a universal rating system. We do universal rates. We do not have differential rates.

The DEPUTY CHAIR: Between different categories, industrial, land –

Sheena FROST: We are all one value.

The DEPUTY CHAIR: Just one value?

Sheena FROST: Uniform, sorry, I should say. Uniform.

Gaelle BROAD: Yes, okay.

The DEPUTY CHAIR: Sarah.

Sarah MANSFIELD: Thank you. Thank you for appearing today. I will start with some questions. I know you have already been asked about the waste levy and the fact that that goes into a Sustainability Fund and you do not get a lot back for it. Are there things that your council would like to be doing in a waste space where that fund could be used to assist?

Sheena FROST: We are funding, through the waste charge, a lot in the waste of space, particularly around behaviour change programs and education programs. We have got a waste response team. If all of that could be funded from it, that would be fantastic, because that would allow us to reduce the waste charge to our residents. We have a very significant illegal dumping problem in Hume. I think there were 13,000 call-outs that we had last year. Particularly also with our community and the profile of our community, doing some real on-the-ground, face-to-face work in education, behaviour change is supporting our community so we can reduce that rate of illegal dumping and then focus on commercial-scale dumping. So they would be some of the examples – things that we are already actually funding, but having that money back to offset some of those waste charge costs to our residents.

Sarah MANSFIELD: Is there anything else looking forward that you would like to be investing in? I know some councils, for example, would like to see initiatives around circular economy precincts and that sort of thing invested in, but the cost of such things is well beyond what most councils can afford.

Sheena FROST: I could take on notice anything on the forward programs. I mean, behaviour change and education programs are significant and costly, so ours is very basic and small. But to do it well across a population our size would require far more investment. Absolutely.

Sarah MANSFIELD: I wanted to move over to maternal and child health services. It is something you touched on in your submission. Your submission states that it has reached a tipping point and the service is no longer sustainable. I just wondered if you could explain what you mean by that and what the consequences will be if there is nothing that changes in that space.

Sheena FROST: We are probably there referring to what the experience in other local governments has been, not directly ours. But certainly with the ongoing contribution that we are having to make to top up the service, we will get there. Having to make choices about perhaps the levels of service – I do not want to make a comment about whether we would be in the service or not, but certainly the levels of service – and not meeting the community's needs. We have excellent rates of attendance at our MCH service, and I would not like to see that decrease, but that is an outcome that might happen if we cannot actually sustain the service and keep it staffed and levelled with the supports that are required to support that level of attendance and participation in the service.

Sarah MANSFIELD: What would you like to see the state government doing to ensure that you can meet that level of service?

Sheena FROST: It is ensuring that the funding actually meets the cost of delivering the service and that the gap does not keep rising.

Sarah MANSFIELD: I think you make reference to the fact that sometimes there is some initial funding provided but then there is an expectation that you will continue to fund that yourselves. I guess I am curious as

to how you are expected to fund that given it is not a service that generates any revenue in and of itself and it cannot really be expected to.

Sheena FROST: It is always the danger when you accept perhaps one-off funding or program funding to trial something that inevitably if that funding ceases, you will want to continue it, and again it is the same challenge of just having to make choices, make efficiencies, prioritise the spending for that area over another area and just having to look and see how you can adapt and accommodate it.

Sarah MANSFIELD: Are there any services that your council has had to withdraw from or reduce the scope of that service as a result of some of the funding pressures that you are experiencing?

Sheena FROST: We stopped doing a landfill service. We closed our landfill early. That is still going to cost us a lot of money in terms of the rehab, but we have certainly made that decision to close that landfill early because of the costs. It just was not cost effective for us to keep maintaining that, so we have closed that landfill. In terms of other services in the last couple of years, I would probably take that on notice because there may be examples that I can point to but it is before my time.

Sarah MANSFIELD: Aged care is one that a number of councils have decided to exit. I am not sure what role your council has in the aged care space, but is that something that you have had to consider?

Sheena FROST: As I understand it, the transition to packages was some time ago, so we are providing that service. I will take on notice the details around what we do, but I certainly know the council in its current state is committed to providing that aged care service.

Sarah MANSFIELD: Thank you.

The DEPUTY CHAIR: Tom.

Tom McINTOSH: Thank you, Deputy Chair. We have had some conversations this morning around councils working with other similar councils, whether it is IT or other efficiencies they can find. I just wondered what page you might be on with other similar councils, how you are working together or what you are doing with other councils in that light.

Sheena FROST: Thank you very much for the question. Yes, we do work with other councils, so we have got some shared procurement with our Northern Councils Alliance around, for instance, roads maintenance and collective procurement agreements and shared procurement models that we have in place. We are currently having informal discussions that have probably been going for some time now around shared services with a number of different councils, looking at pilot opportunities in a number of different spaces around some technology initiatives, potentially customer areas where we can find common interests to get again some of those efficiencies. So it is an area that we do work on.

Tom McINTOSH: And do you find that it is finding like-minded councils and shires or having the likes of a MAV bring everyone together, or do you think it is best led by individual councils and shires to find others with similar needs and interests in that space, becoming more efficient or getting better tech or whatever it might be? How do you think that best works from your experience?

Sheena FROST: I think it is a little bit of all of the above, if I may suggest. In some cases a sector-led approach around shared opportunities works very, very well. In other cases, depending on what the example is – for example, in technology it might come to the individual risk appetite of various councils, so those like-minded councils who have some similarities, particularly in their scope, scale or backbone, might provide those shared opportunities. So it is a little bit of everything.

Tom McINTOSH: Okay. Thank you. Thanks for your time.

The DEPUTY CHAIR: Bev.

Bev McARTHUR: Thank you very much. I just want to follow on from what Dr Mansfield was going to in the circular economy. It is always curious to me why councils and governments do not actually see waste as an opportunity rather than a problem. So I wonder: have you explored the avenue of waste-to-energy on a scale

with several councils? I have seen it around the world where this is an income-generating activity for municipalities, not a problem.

Sheena FROST: Through you. Thank you. Yes, you are absolutely right. No, we have not. But I am certainly well aware of what is happening in the south-east and some of the extraordinary work that has been happening down there. No, we have not, but we do have private enterprises in our region who are exploring that.

Bev McARTHUR: Also, the waste levy, where you said – and I did not get the years – you went from paying I think \$63 million, or was it –

Sheena FROST: \$63 a tonne.

Bev McARTHUR: \$63 a tonne to \$167.90 a tonne. What period was that over?

Sheena FROST: That was 2017–18 to now.

Bev McARTHUR: Right. And at the same time, you have parted with \$40 million in the waste levy, but you are being asked to fund the glass bins at a cost of \$14.4 million. Shouldn't the state government be picking up the bill, given your contribution of the levy to that?

Sheena FROST: Thank you. That is where we would see an opportunity for some of that levy to come back into the council to offset some of those costs that are being incurred.

Bev McARTHUR: Also, I am a fan of rate-capping inasmuch as it is, to me, the only safeguard ratepayers have for councils not going off on a complete tangent.

The DEPUTY CHAIR: Inadequate though it may be, as we have learned.

Bev McARTHUR: Yes. Whereas you can set the differential rate. You obviously do not, but many councils do. Is the property taxing system the best way to fund local government, do you think?

Sheena FROST: We operate within the system that we have been given through our legislation.

Bev McARTHUR: I realise that.

Sheena FROST: So I do not have a view on the property taxing system.

Bev McARTHUR: Yes. Is it something that you as leaders in the local government space explore, how we could fund local government better, more efficiently and fairer?

Sheena FROST: I think in our submission, we have outlined that. The review of the rate cap, the DCP and ICP contributions review and getting access to some of the levy funds back is what we would say around how we could be looking at the system as a whole better.

Bev McARTHUR: Out of interest, what is the breakdown of your budget that goes into, say, head office salaries?

Sheena FROST: I might need to take that on notice. Can I clarify, so you would be talking about the executive level salaries?

Bev McARTHUR: Yes –

Sheena FROST: I will take that on notice, if that is all right. I will take that on notice.

Bev McARTHUR: the executive, the directors, the managers, whatever, as opposed to the service sector within your council in your budget.

In the whole area of cost shifting where the state government imposes a service that you should deliver – and we heard the last council I think was now funding libraries to the tune of 87 per cent when originally it would have been 50 per cent or less –

The DEPUTY CHAIR: They have got some useful figures in their submission.

Bev McARTHUR: Yes. So do you think we should go back to a system where, if these sorts of services are to be provided by local government, they either ought to be funded in totality, if they are an educational or a health service, or else it should be on the basis of a 50–50 contribution?

Sheena FROST: We would certainly, as a minimum, expect a 50–50 contribution.

Bev McARTHUR: What else would you say to us would be the best thing we could do, apart from letting you raise the rate cap further?

Sheena FROST: It is having a look at the system as a whole. I know that sounds repetitive, but it is not just about the rate cap, it is looking at the whole system. We do think that, for example, looking at how we are coordinating infrastructure and how we are working with the other levels of government is not necessarily about more money, it is about working differently and streamlining the system and the way we work. That can create efficiencies at all levels of government, so that would be the additional consideration to include.

Bev McARTHUR: So that we could better define the roles of the three levels of government, what each level of government should be doing, instead of – often it is duplicated, it seems to me.

Sheena FROST: It is how we are working together and ensuring, again, things like sequencing and timing and understanding the outcomes that we are looking for for community and those shared interests we have, particularly as we perhaps work on a place-based approach or a more regional-level approach and look at how we are coordinating and planning precincts and working together across the three levels.

Bev McARTHUR: Do you have the information about how much it is actually costing you to comply with all the state government rules and regulations that are now being imposed on local government?

Sheena FROST: No, we would not have that. I can take that on notice.

Bev McARTHUR: Take that on notice – thank you. Thank you very much. That is all from me.

The DEPUTY CHAIR: I think Evan had another question and then maybe – is Sonja there?

Evan MULHOLLAND: Just a quick one that lots of other councils have had feedback on. I just wanted to quickly ask if Hume City Council has been advised by the state government on the new immunisation charge, and I am wondering whether you know what cost that will be for the council.

Sheena FROST: We are not part of that. As I understand it, that is the booking service.

Evan MULHOLLAND: Yes.

Sheena FROST: We are not actually part of that, so –

Bev McARTHUR: You do not deliver any immunisation?

Sheena FROST: No, we deliver immunisation, but we were using our own software, so we are not using that one.

Bev McARTHUR: So you do not have to pay that \$6000 fee?

Sheena FROST: No.

Bev McARTHUR: Per jab, do you have to pay?

Sheena FROST: I will have to take that one on notice as to any cost per jab.

Evan MULHOLLAND: No worries. Just wanted to check that. Thanks.

The DEPUTY CHAIR: Sonja is not there, is she? No. I am just making sure I have not missed anyone online.

Tom McINTOSH: No, thank you.

The DEPUTY CHAIR: Okay. I am just going to ask one or two very quick ones, and then people might have 30-second questions. Grants commission money that comes to you – how much per head? You may have to take that on notice.

Sheena FROST: Yes, we will take it on notice.

The DEPUTY CHAIR: We would be interested in a bit of a time series and a per-head contribution. Is that money adjusted for the fact that you are a growth council?

Fadi SROUR: Yes, it is adjusted annually.

The DEPUTY CHAIR: But adjusted to take into account your growth challenges?

Fadi SROUR: That is one of the considerations, and it takes in other considerations as well. There is the SEIFA index, there is the growth, there are all of those things that come into it.

The DEPUTY CHAIR: All right. Are there other questions?

Evan MULHOLLAND: Yes. I just have a question that has come up a few times in regard to tied grants. Often councils get quite frustrated that they are spending money on some projects that they might not otherwise spend money on because of a state government grant with a 50 per cent contribution – sometimes the numbers are different. Does that happen often in Hume, and would there be a better system where councils are given a bit more autonomy on what kinds of priorities they think that money should be spent on?

Sheena FROST: The council has not formally considered this, but certainly in my experience untied grants can be more agile, more flexible, more responsive and certainly more streamlined in terms of acquitting and the processes being more efficient compared to, say, tied grants. But we are very grateful for all the tied grants that we get regardless.

The DEPUTY CHAIR: Have you tabulated up the amount of tax and so forth that has gone out of the municipality in levies – GAIC, development contributions, infrastructure contributions of various types – and what has come back in? Is there a figure that you have on some of that?

Fadi SROUR: We would have to take it on notice, but if there was a timeframe, we could calculate it.

The DEPUTY CHAIR: The last five years, for example.

Fadi SROUR: Yes, sure.

Bev McARTHUR: What level of tax collector are you for the state government?

The DEPUTY CHAIR: I think that is what they are, yes. And the sustainability levies –

Evan MULHOLLAND: I note that there was quite a bit – over \$100 million, I think; I cannot remember – of GAIC that was unspent for about two years that was sitting in the coffers at Spring Street and not being spent in the community. When we were talking about a possible streamline effect and possibly even having GAIC being used as a write-off so infrastructure could be delivered earlier, that is kind of what you were talking about in that review.

Sheena FROST: Yes, correct.

Gaelle BROAD: I have got a question.

The DEPUTY CHAIR: Yes, go.

Gaelle BROAD: I am just interested. Does your council utilise artificial intelligence at all, or have you been talking about that with other councils?

Sheena FROST: No, we have not formalised anything, and no, not currently.

Gaelle BROAD: Thank you.

The DEPUTY CHAIR: On your submission more generally, I just noticed some very interesting figures that you have got there about utility costs. I see an increase from \$5.61 million in 2014–15 to \$9 million. That makes it, according to me, a 60 per cent increase in utility costs. That is a very significant increase for your municipality, it seems to me. Is there any end in sight for that, or are there things that you are doing to ameliorate that?

Sheena FROST: Thank you. Yes, that is right. That is indicative of growth with our new facilities that come online each and every year, as I outlined at the start. One of the activities that we try to do in the Hume area is obviously making sure our buildings are as efficient as possible. We get solar onto all of our buildings. It is just commonplace as to what we do, so we try where possible to offset those costs that way.

The DEPUTY CHAIR: The other big area of increasing costs – I just noticed WorkCover too. Is that because of an increase in employees, or is it because of the increase in the levy that is taken as opposed to more cases?

Sheena FROST: WorkCover has been a significant increase. It is complex. Our claims history has been unfavourable; however, we have improved our performance. Over the last two years there was a structural reform, and I am sure you are aware that the scheme is in a significant deficit. Even though the actual premium rate for us was frozen at 1.8 per cent, we have had a significant change in our industry rates, which WorkSafe determined. So it is not necessarily related to our performance. We have also had some negative claims, the long tail on claims, so historical claims also impacting that, and we have got an impact of mental health claims over the last couple of years as well.

The DEPUTY CHAIR: Thank you. Are there any further questions? We are just about done, I think. Can I thank you both for your contribution. There are a number of things we asked you to take on notice. We are very appreciative of that and the depth of your contribution through the submission and the hearing today. Thank you.

Witnesses withdrew.