T R A N S C R I P T

LEGISLATIVE COUNCIL ECONOMY AND INFRASTRUCTURE COMMITTEE

Inquiry into Local Government Funding and Services

Frankston – Wednesday 25 September 2024

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WITNESSES

Carol Jeffs, Chief Executive Officer, and

Allison Southwell, Chief Financial Officer, Cardinia Shire Council.

The DEPUTY CHAIR: I declare open the hearing of the Economy and Infrastructure Committee and its Inquiry into Local Government Funding and Services, and in doing so I welcome the Cardinia shire representatives.

I am going to ask you to make a short presentation towards our terms of reference and then we will follow with questions.

I should say that things you say in here are protected, but if you repeat them outside, they may not be. If I can ask Carol and Allison to begin.

Carol JEFFS: Thank you. Cardinia Shire Council really appreciates this opportunity to contribute to the Victorian parliamentary Inquiry into Local Government Funding and Services. Thank you for ensuring that the inquiry travels across various communities in Victoria and that the committee is hearing from a variety of councils – much appreciated.

Visual presentation.

Carol JEFFS: Cardinia shire is one of the fastest growing local government areas in Victoria and is hugely diverse, covering urban, rural and hills areas across 1300 square kilometres of the outer south-eastern fringe of greater Melbourne. This number goes out of date really quickly: 129,000 residents. I actually think it is over 130,000 now, and we like to measure our growth in the amount of new households that join us every day. At the moment it is somewhere between three and four households every day joining Cardinia Shire Council. It has been up to seven, at the height of our growth period, and of course we will continue to grow up to around 200,000 by 2046, an additional growth of about 30 per cent.

As this inquiry will have revealed, Victorian councils are seeking more support when it comes to long-term financial sustainability. To continue to manage we will need to consider significant service level changes in the coming years, and that includes us at Cardinia Shire Council. We think there is a need for a risk-based assessment framework for financial sustainability with different criteria for different council cohorts. There are specific challenges and responsibilities of local government, particularly for outer metro growth areas, that impact on sustainability, and these include providing services and facilities for large catchments.

Just a little snapshot for Cardinia Shire Council to give a demonstration of our diversity: as well as the growth area, which is only 10 per cent of our municipal area, we manage and maintain over 800 kilometres of sealed roads, 800 kilometres of unsealed roads, lots of footpaths, almost a thousand hectares of open space, recreation reserves and bushland reserves, and 120 playgrounds. We are also amongst the top 10 most bushfire prone areas in the world.

One thing that we want to highlight is the impact of cost shifting, and I do not think this will be news to you. You have probably heard it over and over again, but I think for us it is becoming more and more challenging to meet the broad range of requirements for our very diverse community.

I think it is fair to say all across Victoria, but it is true for us as well, we are pretty proudly very efficient at Cardinia Shire Council, particularly in those services for which we receive state funding and some federal funding to run. Nevertheless, we have been paying for a growing proportion of services that were initially co-funded by other levels of government, and it is challenging for the elected councillors because there is community need, and they are at the forefront and see it all the time. So it is quite challenging to say ‘no’ to some things that are really needed, and Allison will talk a little bit more about what some of those needs are in a minute.

In lots of cases the co-contributions from state or federal have remained frozen while the costs have increased, and in other cases additional costs, responsibilities and scopes have been required as part of running those services. Once some of those services are in place, there is really strong community pressure to retain them even if they are no longer funded, so it is very challenging to not continue a service. Cardinia shire is unfortunately one of those local government areas with above-average levels of financial hardship and is amongst the most challenged when you measure the SEIFA index. Coupled with the fact that we are a growth area council, the services in that outer area just do not keep up with the population growth and the need. In many ways if council did not step in and provide some of that support to our community, it just would not be there at all.

I just want to mention one almost peculiar aspect of Cardinia Shire Council, because we have such a lot of rural area. That is that most of our community facilities outside of the growth area are in fact Crown land and are managed by Crown land committees of management. Some of those are council and many of them are community committees. It is a financial challenge for us because there is equal pressure from those communities to build infrastructure and maintain services, but there is no way of council managing that on our own financial books because it is Crown land. Those costs have escalated significantly in the last few years. I just wanted to mention that. And another thing is emergency management. We have got an area in our hills area which has not burnt for 40 years, and it is one of the very few things that keeps me awake at night, apart from financial sustainability. But that area is a challenge. We invest significantly in emergency management, but we require an equal partnership from the state to do that.

I am sure you have heard a lot about early years and kinder. We own kinder buildings. We manage central enrolment and the contracts to run the kinders. That is our arrangement for kinders. Our estimate of the Best Start, Best Life policy is that we would need to invest about $60 million in our –

Bev McARTHUR: Say that again.

Carol JEFFS: $60 million in our facilities to manage the increased numbers over that time. I will hand over now to Allison.

Allison SOUTHWELL: Thanks, Carol. We just really wanted to talk about the fact of the core service delivery costs. All levels of government are facing rapidly increasing costs over the recent years, with many expenses growing at levels far outweighing the CPI index. Materials and services make up about half of council's current budget, with employee costs constituting another third. This means that the vast majority of our expenses are increasing way beyond CPI and also the rate cap.

Some examples of that: in building and construction, delivering the large volume of infrastructure required in a growth area means significant exposure to the building and construction sector and the pressures that they are feeling, where costs have grown dramatically. In addition, we are routinely seeing cost increases of 18 per cent or more, even in the most competitive tender processes, and that means that delivering essential infrastructure is crowding out spending and investment in other areas.

Just noting also, as we said, about a third of our expenditure is in wages. We are actually one of the lower wage costs compared to some of our neighbours. Obviously that places extreme pressure on us to retain and attract staff in order to make sure that we are delivering good quality services to our community – so yes on that one.

Just on the impact on investment, we are highlighting a couple of examples. In addition to the core services that we do deliver, cybersecurity is definitely an area that everyone needs to invest in. Our online systems are rapidly becoming out of date and need significant upgrades, and it is not considered optional. I mean, potentially we will require up to $15 million over five years just to bring our systems up to standard.

On economic growth, approximately 70 per cent of our residents actually leave the shire for work. We are placing a lot of emphasis on our community to grow the local economy to try and support more local jobs being made available within the community, but that obviously requires sustainable levels of infrastructure investment. Every job that is created in the municipality takes one car off the road and means people are not crowding public transport into other areas and things like that. As council is forced to invest in some of these non-core areas, it is just putting further pressure on the delivery of our services.

Lastly, I want to touch on asset renewal. As Carol mentioned, we are actually responsible for a significant number of sporting and community facilities, even though they may not be on council land. We are forecasting at least another 20 years of growth, which means that the assets need to be constructed and then maintained.

The long process of seeking support means that costs can grow significantly from what they would be if council were in a financial position to act ourselves, so we are always seeking support in maintaining those buildings.

Just quickly I want to touch on revenue. I am sure you have seen similar stats from our colleagues, but as you can see, over 50 per cent of our revenue comes from rates. The second biggest investment is from grants from both state and federal government. It is a significant portion, and as an interface council we do not have the same opportunities to raise non-rate revenue as some of our inner-city counterparts. Combined, rates and government grants are over two-thirds of our income. Of the remaining portion a significant number actually comes through developer contributions as their contributions towards future infrastructure, but that is restricted and we cannot use that for any purpose other than what the developer contribution plan is specifically for. That means that our cash balance on our balance sheet can be quite misleading. Because we have a significant amount of cash that we are holding in reserve for these developer contribution obligations, if you just looked at our balance sheet as the pure form it would potentially say we are flushed but potentially we are not. Financial assistance grants is also an area that has been discussed, so I will not go over that. But obviously we are supporting our colleagues as far as looking at the overall pie being increased rather than councils fighting over the distribution of the pie changing.

Just a couple of short things: windfall gains tax. Being in a growth corridor, council does have the exposure that we may achieve windfall gains tax liabilities, which is a result of rezonings, so that is an area that potentially could impact us. And then the last thing is just the shortfalls in DCPs and ICPs. At the moment we are talking about a shortfall across the board, projections of almost up to $200 million. We receive the contributions, they are indexed at a certain rate but then when we potentially go to build that infrastructure the costs create a significant funding shortfall. As we say, Officer South itself is over $50 million. The fact that the treasury risk capacity for Cardinia is set at about $50 million to $60 million means that there are some significant shortfalls and we are not sure where we can fund them from, and it just means that other infrastructure could be delayed.

Carol JEFFS: Before I go into this I would like to say that we are incredibly successful in obtaining state and federal government grants at Cardinia shire, so we are really proud of that but also rely heavily on it.

I think we have entered this next four-year period in our financials in a managed decline state, which means that we need to find $1.5 million a year over the next four years to make ends meet. I think one of the features of rate capping, from my understanding, is that all councils entered that at a different point in time, and prior to my inheritance of Cardinia Shire Council it was already a very efficient organisation delivering a huge capital portfolio and managing the operations very, very well and very efficiently. So I guess there is not much more to squeeze out of the lemon at Cardinia Shire Council, and we will be in a state of managed decline over the next four to 10 years, for sure.

This can perhaps mean a whole range of things. There are services that we provide which are not mandatory, if you like, but do really support our community. And I am not talking about large teams; sometimes they are a team of one, two or three providing services to our older persons, providing services to our homeless, housing services and environmental services. Over the next four years some of those will have to be rethought and may not be able to be provided. Then we could start thinking about some of those services that are delivered in partnership with the state, such as maternal and child health, kindergarten services and school crossing supervision, and after that it will be thinking about whether or not we can maintain our assets. So for me that is the order of the managed decline.

In summary, look, we welcome this opportunity, and it is great to be able to talk about all of the challenges. We are committed as a council to working very closely with the state, whoever is in power, because we get a lot of things done for our community that way. And we are not the only council that is in the same situation. I think the talk that I am hearing now is just, ‘How many years before we’re in the managed decline state’, and we are already there, so we are working at it from now. Other councils have some years or maybe even a decade, if they are lucky, but we are already there.

It also means no new capital builds. We will finish off what we have done, but the councillors who are elected at this election are unlikely to be able to promise and deliver new capital builds like recreation facilities. I think what we need is to continue to work closely with other levels of government and to keep the conversation on the table, because it is really critical that we are delivering for our communities. I think that we are the closest level of government to the community, and it is important that we can be responsive.

Now, simple or not simple, there are some actions. Particularly for those of us in the growth areas, exempting councils from windfall gains tax would enable us to be thinking about investment in land and alternative sources of revenue for public purposes. As well as indexing the contributions that go towards co-funded programs, which I was talking about before, we would like to see the rate caps based on the local government cost index and not the CPI and consideration of the fact that maybe having one cap across the state is not equitable. We are being very selfish here, but we would like to see a greater recognition of council efforts to invest in Crown land. Whether that is on the finance and accounting side or through co-contributions from the state or full contributions from the state, we would be open to any discussions about that. Thank you very much once again. We are very happy to take questions.

The DEPUTY CHAIR: I thank you for your submission. I am going to try and move through some of these relatively quickly. Managed decline – it sounds a terrible outcome. It sounds like services are shrinking and what is provided to the community is dwindling – dying on the vine, as it were. That is what you are saying in effect, isn't it?

Carol JEFFS: Yes.

The DEPUTY CHAIR: There is the issue of development contributions, infrastructure contributions, windfall gains tax and that whole cluster of charges that are applied to new developments, but you also pay GAIC, the growth areas infrastructure contribution.

Carol JEFFS: Yes, the developers pay the growth areas –

The DEPUTY CHAIR: They pay the GAIC. So the people who are buying the land pay the developers the GAIC, and the GAIC goes into the city.

Carol JEFFS: Yes.

The DEPUTY CHAIR: You have got the infrastructure contributions, you have got development contributions, you have got GAIC and now you have got windfall gains tax levied in your area.

Carol JEFFS: Correct. I do need to be fair. We did receive some GAIC funding back, with some very important projects in this last round of distribution. But in general, the impact on the developer, and therefore people buying houses, is significant.

The DEPUTY CHAIR: But, I mean, they are your community. They are people who have bought into your area and are paying rates in your area and using services in your area.

Carol JEFFS: That is right.

The DEPUTY CHAIR: So have you reconciled the GAIC paid out of your area with what has come back in? Have you done that? Has the council done that task?

Allison SOUTHWELL: Not recently, no.

The DEPUTY CHAIR: We would be very interested if you did do it. Now, with the development contributions and the infrastructure contributions, you hold those.

Carol JEFFS: Yes.

The DEPUTY CHAIR: But as you have alluded to, there is a time lag issue with those. Then with the windfall gains tax, which you have mentioned, that is collected in your area, either on council land at the moment or on development land –

Allison SOUTHWELL: That is right.

The DEPUTY CHAIR: and the money goes into the city.

Carol JEFFS: The money goes through consolidated revenue.

The DEPUTY CHAIR: Well, that is what I am saying: it goes into the Treasury in the city. There is no plan or any indication that you have been given that you will get a share of that.

Allison SOUTHWELL: Not that we are aware of.

Carol JEFFS: In general, there is no hypothecation of those kinds of taxes. However, I think with the growth areas contribution, it is expected that it would be spent in the growth areas.

The DEPUTY CHAIR: I think it has to be, but it does not have to be spent for many years. That is the problem. I think you would probably agree that it is a long time between when it is paid and when some infrastructure is built in the area.

Carol JEFFS: I think that is a question for the state Treasury, because again, to be fair, our community receives a lot of new infrastructure. If a school a year is being built, arguably there would be growth area contributions going towards that state infrastructure. It would be lovely to see it accounted for precisely, but –

The DEPUTY CHAIR: Yes. Well, you might want to do that work. We would certainly be interested. The other thing is energy costs. Have you looked at the movement in energy costs across the last five years, for example?

Carol JEFFS: For our own council?

The DEPUTY CHAIR: For your council, yes – council costs.

Carol JEFFS: We are currently totally net zero with our energy provision, so –

The DEPUTY CHAIR: That is different from costs.

Carol JEFFS: Do you know?

Allison SOUTHWELL: Not off the top of my head.

The DEPUTY CHAIR: You can take it on notice.

Allison SOUTHWELL: I know that we are part of the VECO scheme, so we certainly are looking at minimising our costs. As Carol has said, we are on net zero as far as solar versus in and out, but we have not looked at the total costs more recently.

The DEPUTY CHAIR: We would welcome a time series of five or six years or something like that. That would be helpful. And the emergency services – you asked to take on a burden with emergency planning. Is it $60,000? Am I reading that right? No. How much is provided for that?

Allison SOUTHWELL: Are you talking about the natural disasters emergency response?

The DEPUTY CHAIR: Yes.

Allison SOUTHWELL: We receive $35,000 through the DRFA for each natural disaster event and then we have to apply through the DRFA to recover costs for any responses. Even with the most recent storms we have had over the last few months, council is probably out of pocket at the moment by the tune of $2 million to $3 million, and we are working through the DRFA process to try and recoup some of those costs. But understanding it is a shared model – you know, there is a shared purpose between us, the state and the federal government, but council is still expected to bear some of those costs.

The DEPUTY CHAIR: We would certainly welcome any information about those costs and what share you are bearing there. Rachel.

Rachel PAYNE: Thank you, Deputy Chair. Hello. Thank you for coming today. Something that keeps coming up throughout this inquiry is the issue around windfall gains tax, and for me, I would like to gain just a little bit more of an understanding of what impact that has had on your ability to shift the opportunities for revenue but also to look at ways that you might be able to reappropriate land. If you could just give me a little bit more information on that.

Carol JEFFS: Certainly. We are a growth area where the urban growth boundary is clearly defined, so all the land within that is already zoned, if you like. So unlike other council areas that are not growth areas, there is not a significant impact property by property. But if I can give you an example where we are rate capped – we do not have parking revenue, for example. We do own some land and could provide significant community benefit, or in fact it could be a financial investment for us to provide some additional resources, but because the windfall gains tax applies, that makes the business case for such a thing much less palatable. So from our own perspective, with land that we own it is limiting, and it would be helpful for us from a financial sustainability perspective if we could have a longer term property investment portfolio, either for community benefit or purely for financial purposes. The windfall gains tax does put a dampener on that. We do not actually hear a lot from developers and landowners in our area, and I think it is because we are a growth area and the land is already defined. I think that is that, but it certainly would assist us as a council.

Rachel PAYNE: Yes, okay. That makes sense. With some of the modelling that you referred to in your submission around mandated services and the lack of sustainability there going forward, you were advocating for state and federal government to fully fund mandated council services. Have there been conversations about that ongoing, or is it just through grant processes that you find that there is that negotiation?

Carol JEFFS: I think that we do have conversations about that. It is challenging with such a broad sector. Through our peak bodies we do from time to time come together to argue for those things, and we have seen some uplift in things like planning fees over time. But it does not seem to be built into the system to provide continuous uplift for those things. We are talking about things like planning and building. Even for some of our regulatory services, local laws, there is not funding included. Then there are a whole range of community services, some of which are mandated. Some are not. Some are semi-mandated because we have agreements to deliver them, so I am talking about libraries, again the kinders, maternal and child health, those sorts of things. But certainly some kind of stronger built-in indexing would help us with those mandated services.

Rachel PAYNE: Yes, great. Thank you.

The DEPUTY CHAIR: Michael.

Michael GALEA: Thank you, Chair. Thank you both for joining us, Ms Jeffs and Ms Southwell. I do have a quite a few questions, so I will just get through what I can. I will declare from the outset that I am a resident of Cardinia shire as well. On the issue of DCPs and ICPs, I found that really interesting, that part of the presentation. I can clearly see the issue: you get these contributions at different times, and then by the time you are ready to go the costs have all completely changed. Is there a way that this system could be done in a more flexible way that would allow councils to use them more effectively if you had more flexibility to choose the projects a little bit more freely, if you had the flexibility to do some other things, or even with the funds that you do hold in there, if you had some more options in terms of what you could invest that money in in the short term to help council's position?

Carol JEFFS: There are probably two answers, and I will leave the technical and financial ones to Allison. I think what we can use the money on is challenging, because part of the promise of collecting the contributions in the first place is what the money will be spent on. As to the level of detail for that, that could have some more flexibility, but in general I think that we do not necessarily have a challenge with what it can be spent on – in other words, we would not collect money in Officer and spend it in Cockatoo, which if it was totally flexible could happen.

Michael GALEA: It might be too flexible there.

Carol JEFFS: Correct, yes. What I think is a solution, if we are solutions focused about those developer contributions and infrastructure contributions, is a more finance-based approach. For example, those contributions, if they are cash, are held in reserve. It would be very good to be able to borrow from those reserves and repay them in a particular risk setting. I also think that issue of growth areas having such a long growth trajectory needs to be looked at in terms of our borrowing capacity. We have got a long tail of investment to make – if we could more confidently spread that out over the years to come and borrow more now and pay that back over time. I think it is very limiting to have the borrowings. Again, there is a risk appetite that the state or even the council would have around this. But our current financial sustainability indicators do not go very far before we are tipped into the red, and that does not enable a council to have a very long view about infrastructure provision. Allison, you might have a more finance-based answer to that question.

Allison SOUTHWELL: Absolutely. Even in this most recent financial year end it says that we have got over $150 million in cash, but about $130 million of that is tied in DCPs. In Carol's example the ability to borrow from that would definitely provide us a little bit more flexibility. As I said, we really only have about $20 million to $30 million of unrestricted cash that we can use – the limitations of those DCPs. So absolutely we are prepared to look at the flexibility where we can use those, but understanding that, yes, they have a very long tail. In our forward capital planning we look at the breakdown between what is funded by the DCPs and what we can potentially approach both the state and the federal governments to assist with, but those gaps are growing as material costs are increasing.

Michael GALEA: Thank you. You spoke in your presentation as well about Crown land. And, Ms Jeffs, you and I have had many conversations about this, in particular about the Upper Beaconsfield project, where we are partnering, state and council, to deliver that upgrade. I note that, as you say, Cardinia does have a disproportionate number of Crown land community assets. What do you see as the best solution to that? I know you went into a little bit of brief detail at the end. Is it changing the financial regulations about how that is recorded for councils, or is it some sort of land transfer or another solution?

Carol JEFFS: Arguably. Just to explain a little bit, with the Crown land, when we spend council ratepayers' funds on Crown land it is essentially a gift to the state. They are not our assets and they do not go on our books, and so that is a challenge for us from a financial perspective. The other challenge is sort of a governance one: if it is a Crown land committee of management, they are actually in charge of the asset, and so there is a challenge with how we get the scope of such things signed off. I think the solution to that could be if council was the committee of management, with an operational grant and some access to capital as well. That would allow a bit smoother governance and also some co-funding of those things.

Michael GALEA: That is very interesting. And then in such a scenario, even if there is still an effective committee there, that committee could then effectively become a subfunction of that council –

Carol JEFFS: Correct.

Michael GALEA: a committee of management.

Carol JEFFS: They are called community asset committees, yes.

Michael GALEA: Interesting. Thank you. You spoke about how diverse Cardinia is – with the growth corridor, the railway towns, the ranges and the port area as well – and the challenges that presents in managing the different levels of growth. How do you then still ensure that you are providing – and I guess this is the key question – those services to the more rural parts of the shire whilst you are providing the growth and the new services and infrastructure that Beaconsfield, Officer or Pakenham need?

Carol JEFFS: Yes. I think that is a key challenge that we have, and there is often a 'them and us' mentality in Cardinia Shire Council. We do our very best with the geographic spread across our budget and our services. It is challenging, though, when the populations can be very small in some of our rural areas and very large in our growth area. Yes, that is a challenge. I think that some acknowledgement of that would be helpful.

I think the public transport is a key point here – that we have managed to get one bus after ten, 14 years, something like that, in a growth area which has doubled in population. Those public transport services do not always extend in a very efficient manner to our rural areas, and so just taking a per capita expenditure on something like public transport does not really work. So I think there needs to be some acknowledgement of those smaller-population, more rural areas for us and across the state.

Michael GALEA: Thank you. I do have a couple more, but I am happy to come back if there is time.

The DEPUTY CHAIR: Another round. Sarah.

Sarah MANSFIELD: Thank you, and thank you for appearing today. I was interested, in your submission you noted that there has been quite a significant increase in the number of residents seeking a rates deferral, and I think up to the year ending 2023 it had increased by 79 per cent and you were expecting that to double this financial year. What sort of impact does that have on council's ability to continue to provide services and other infrastructure?

Allison SOUTHWELL: Thank you for your question – through you, Chair. Yes. As Carol mentioned earlier, the demographic of our municipality is suffering significantly with financial hardship. That is one of the impacts of being in one of these growth corridors. Just even from a pure numbers perspective, from this financial year just ended, from the previous year, we have seen an almost $4 million increase in the value of rates debtors – so that is people who are not able to pay their rates, whether they are on payment plans, on hardship deferrals, as you say – and that is after a concerted campaign reaching out to the community and trying to support them in paying their rates. Through that campaign we were able to support the community to collect $3 million, so we went from $15 million to $18 million. It would have been over $20 million if we had not made that campaign. So the team is continually being contacted.

As I said, we are seeing growth. Everyone is, unfortunately, dealing with these cost-of-living pressures and the impact they have. It just means that we do not necessarily always have the cash available. I mean, we always show the rates as revenue. I will try not to get too accounting-y here, but it just means that we may need to reach into borrowings if we are making significant investment in infrastructure if the cash is not available that is untied. So yes.

Sarah MANSFIELD: Thank you. You also mention in your submission that particularly in some of those growth corridors where there is a significant amount of affordable housing the cumulative impact of some of the cost-shifting issues may potentially compound disadvantage for some residents. Can you explain that a bit more? I think you sort of refer to the fact that if the state government, for example, does not step in and increase their share of funding of a lot of these services that they expect local government to provide and over time have provided less and less funding for, that burden to fund those services is falling onto residents via rates or user fees or other things.

Carol JEFFS: Yes, thank you for your question. I think as our population grows we will see an increase in the proportion of rates revenue go to things like maternal and child health and those shared services. I think what is more significant for our community, though, is those unfunded services which are in fact provided mostly by not-for-profits, and they just do not exist in Cardinia shire. For example, emergency food relief – council funds the only service that provides that and it is just overrun. Community health services, allied health services – our maternal and child health nurses tell us that parents can wait for up to eight weeks for a speech pathology appointment. They are the things that our community is suffering from. While it does impact on our council budget of course, it is really those other things. On a map we do look fairly close to Dandenong, but if you have got a severe mental health challenge and you cannot get to the train station to get to Dandenong, then you are just not serviced in Cardinia shire. So I think that is probably worth highlighting.

Sarah MANSFIELD: So there is significant unmet need in your community.

Carol JEFFS: Yes, there is.

Sarah MANSFIELD: Thank you. Just to shift focus a little bit, you mentioned the issue around emergency response and disaster recovery funding. Can you highlight some of the challenges you face with disaster recovery funding and what you would like to see changed?

Allison SOUTHWELL: Absolutely. Thank you for your question. I think part of the challenge is the time. If you think about when that storm hit back in February and we lost all those trees and everything like that, we had teams out there trying to help the residents, but there is also a capacity issue with our teams. Then in some cases, particularly with large trees that fall not on council land or on private property, generally the state is providing that service but is not always there straight away. While financially we are prepared to share part of the responsibility, the timing of when the money does get repaid back to council can take years, so we are actually funding those costs and the opportunity costs of those. On top of that, if we go back to the February storms, people are seeing big trees just lying on their nature strips and footpaths and we sometimes do not even have the equipment to be able to do that. We rely on the state to bring in that heavy machinery and the crews to do that, but we are the ones that are facing the calls and the angst from the community. Like I said, we are prepared to share part of the responsibility. I think the bigger thing is around the timing and the turnaround and the administrative burden in trying to substantiate those claims through the DRFA. The evidentiary guidelines that are in there at the moment are incredibly onerous, and it can take months for us to be able to substantiate the claim let alone the time to assess and then the time for the cash to be returned.

Sarah MANSFIELD: Thank you. If I have got time for one quick one, you have highlighted the issue of upgrading IT infrastructure. This is something that I, from a previous life being a councillor, am familiar with, and I understand that it is not an issue that is easy to sell to the community but it can be really important and incredibly expensive for councils to do. Do you have any ideas about how the state government might be able to support councils in some of these big IT reforms that many councils need to implement? Is there something that could be done to assist with that, given how costly these processes can be?

Carol JEFFS: I think the most immediate thing that comes to mind is bulk purchasing and access to larger procurement. Australia is not a huge market, so we are all asking for quotes from the same companies. I think getting some sort of purchasing scale would be helpful with those sorts of things. We do, where we can, join up to shared services with other councils for a variety of services. Over time there have been several proposals for large corporate shared services. That is a very challenging thing to get off the ground when there are so many systems at play, but it would be something where the state could come in and say, 'You now all will be using this, and here's the transition program' – if that is worth it.

Sarah MANSFIELD: Thank you, Chair. Thank you.

The DEPUTY CHAIR: Bev.

Bev McARTHUR: Thank you, Deputy Chair. I just want to go back to this $60 million investment needed to upgrade kindergarten facilities, when we are told that three-year-old kindergarten, for example, is free. Why are ratepayers having to pick up the bill in this regard and to this extent?

Carol JEFFS: Different councils participate in kindergarten services in different ways. Our model is that we own the buildings, and the services are run out of them. That amount was based on our estimate within the original timeframes of ramping up our services to include four- and three-year-old kinder with our existing buildings. Some of our buildings are not expandable, particularly up in the hills area, so that would require the purchase of land and so forth. I have to say that we have had some very small but successful partnerships with the state recently for building kinders on school sites, which we would like to see not only more of but also sort of as the default position. That would relieve some of that financial burden for us.

Bev McARTHUR: So it is actually not true that kindergarten is free. The ratepayers are picking up the bill because they have got to pay for the expansion of the facilities and probably the ongoing costs of maintenance as well, I imagine.

Allison SOUTHWELL: Yes.

Bev McARTHUR: When you have this issue of people being unable to pay their rates, and the fire insurance levies on top of their rates, are you having to pay the fire insurance levy if a ratepayer is not able to pay their rates to the state government?

Allison SOUTHWELL: No. Part of the hardship is to work with the resident about making sure the appropriate communications are made. We support them. We only remit to the state what we collect.

Bev McARTHUR: What you collect, okay. Well, that is something. In regard to the fire prevention issue that you are engaged with in your managing of state forests, parks or whatever the state land is that you are managing that is fire-prone, why isn't the state looking after its own property?

Carol JEFFS: So, they do.

Bev McARTHUR: Well, why are you involved in any costs of fire prevention?

Carol JEFFS: Because we also own and manage some native forest reserves.

Bev McARTHUR: Oh, you have got your own native forests.

Carol JEFFS: Correct – in addition to state forests and national parks in our area.

Bev McARTHUR: So this is only a cost of your own state forests that you are talking about, you are not contributing ratepayers money to any state forests or parks?

Carol JEFFS: No, not in that fire prevention sense. What we do contribute towards is community preparedness for prevention and emergency, and that can be significant and is really important to our community. Again, that is something that we would really like to partner with the state on and which we find we need to do anyway because the risk is so high.

Bev McARTHUR: A third of your budget goes in wages. In a rural municipality of mine, the CEO decided that it was the size of a certain business and that there was no need for directors and managers at that level. Have you looked at comparing your business operation with a business entity and looking at the overhead costs that you are incurring compared to how a business would run?

Carol JEFFS: No, I have not done the exact measurement, but I think that it is challenging to compare it to a business. We run over 100 different services, and so the complexity of it is different to running a single-service business. But over time I have been very mindful about the size of our leadership at the top, and I think we have shared about 6 or 8 positions. My view about that is that it is the right thing to do to continue to try and rightsize. We also outsource a lot of our services, so in terms of our staffing cohort, that is not people on the ground doing everything. We try and rightsize the leadership for the organisation.

Bev McARTHUR: The CEO in Geelong, for instance, is paid more than the Premier. You are not in that position?

Carol JEFFS: I do not think so.

Bev McARTHUR: Over $500,000?

Allison SOUTHWELL: No.

Bev McARTHUR: What do you think a better way of funding local government might be? Should we still continue with this collecting of rates, where there are differentials depending on where you live or how political you want to be about how you apply them? They vary from council to council and from rural area to metropolitan area, and many rural and maybe peri-urban councils do not have the capacity, as you said, to raise revenue from parking or pet registrations or whatever it might be and yet have numbers of kilometres of roads to look after, for example. So how could we fund local government better, more sustainably, and make sure you just do your core services and do not move out into areas that are probably discretionary?

Carol JEFFS: Do you want to answer that? I will have a go. I think that, firstly, the idea of core services and discretionary services is happening. I think it is worth remembering, though, that councils are elected bodies and there are services that communities are asking for and need, actually, as I have just highlighted. Sometimes there is a gap. I do think that we could be receiving a greater share of the overall tax revenue from Australia, as a sector, and I think that is part of the key. Whether whoever is managing that wants to tie those grants to core services or not, there are key things about maintaining assets, for example – and our unsealed roads are a key example of that – which might be worth thinking about. But our overall ask is a bigger share, and whether that is tied or not, I do not think it would really make a huge amount of difference to us.

Bev McARTHUR: And if we had a bigger share of the overall tax revenue for local government, we could do away with property taxes – i.e., rates – so that everybody pays the same amount of tax no matter where they live.

Carol JEFFS: Potentially. I mean, council rates are a tax, though; they are a property tax.

Bev McARTHUR: Exactly. But they vary depending on geography, unlike other taxes.

Carol JEFFS: Possibly. If the quantum was the same, it could work.

Bev McARTHUR: Just going to waste, I often hear from councils that you see it as a problem, yet industry often sees waste as an opportunity. Have you worked on a system where you might turn waste into an opportunity – in other words, waste to energy, the circular economy opportunities which I see around the world?

Carol JEFFS: Sure. We are part of a regional consortium that is in the process of doing just that, so yes, we have been working for a long time and it is finally working.

Bev McARTHUR: So you are going to have a waste-to-energy plant down here somewhere – is that what you are saying?

Carol JEFFS: Yes, we are working on that.

Bev McARTHUR: Wonderful. Tell us about it.

Carol JEFFS: I think there are 10 councils regionally who have partnered up using our powers under the *Local Government Act* to come up with a solution and also partner up with a partially federally funded facility in the Latrobe Valley. So that is where we will be sending our landfill, and that will allow us to not be sending rubbish to the landfill anymore, which is pretty exciting.

Bev McARTHUR: I mean, I saw 10 councils in Scandinavia combined to have a waste-to-energy plant which is so profitable that they were also importing waste from the UK. So it is a great opportunity. You will not be causing methane by putting waste into landfill. That is most encouraging. Tell us about the lack of funding that you are enduring for ensuring that you can build and maintain roads at a significant level.

Carol JEFFS: We do receive some funding, particularly at the federal level, for black spot improvements. All of the maintenance, though, is paid by ratepayers, and I think that there are two things happening. One is that the costs are increasing and the revenue is fixed through rate capping. The other thing is that community expectations are also increasing, so the tolerance for potholes or road maintenance has become thinner. Some people would say that is fair enough, but that has been a factor that has changed at the same time as costs have increased but not revenue.

Bev McARTHUR: The other thing that I constantly hear, especially from older road engineers, is that the standard of road making has declined. I do not know whether you contract out roadworks or you have your own staff that do all your roadworks.

Carol JEFFS: Oh, we have some of each.

Bev McARTHUR: Some of each? What guarantees do you demand of your contractors when they are building a road? A year? Two years?

Carol JEFFS: They do have, like any construction, a defects period which they are accountable for, and we do make them come back and fix it if it is not up to standard. And we have been involved in the past in more innovative construction and maintenance contracts where because they have to maintain it, then they make sure it is built better at the start. So we have done some interesting things like that as well.

Bev McARTHUR: That is good. Do you combine with other municipalities to share resources and equipment in this area, or are you totally self-sufficient?

Carol JEFFS: We have got enough of our own to worry about. Maybe we could charge them double to manage their roads. That could work for us. But no –

Bev McARTHUR: You may do roads better than the state government, do you think?

Carol JEFFS: We also deliver some on behalf of the state government.

Bev McARTHUR: So is your road building and contract management better than the state roads, do you think?

Carol JEFFS: I had better not comment on that, I do not think.

Bev McARTHUR: Oh, have a go, because we might move the whole area over to you if you are doing a better job. Maybe you could go to somebody else, Deputy Chair.

The DEPUTY CHAIR: Mr Berger.

John BERGER: I am mindful of the time, Deputy Chair. Have I got a couple of minutes?

The DEPUTY CHAIR: Yes, you have. You have got time. Go.

John BERGER: Thank you. Thank you both for your appearance this afternoon. I just noticed in your submission that you were talking about some of the workforce challenges that you have had. What are you doing to identify the skills gaps you are experiencing? Secondly, what is council doing to recruit and retain workers?

Carol JEFFS: We are required to but also embrace a strategic workforce plan that must be prepared under the Act and that identifies a range of skills gaps and also areas that we need to focus on for the coming four years. We do have a reasonable amount of in-house training and reward programs and so forth. As Allison mentioned before, we focus very much on having a good culture where people enjoy working because we cannot match the salaries of some of the other councils or in fact businesses or the state government. So we focus a lot on making it a great place to work. We do partner up with other organisations to think about training and a pipeline of those skills for engineers, planners, building inspectors and those sorts of things on a sector-wide basis because often there is a factor of education and attraction to the whole sector, not just council by council. We do spend a reasonable amount of time in the attraction and retention space, as well as maintaining a great culture.

John BERGER: I think it is useful to put that into the report because there are a number of councils that are struggling with that and perhaps some of your experiences might be helpful for them to adopt if it is appropriate. Thanks, Chair.

The DEPUTY CHAIR: That is okay. Michael, one very quick one.

Michael GALEA: Thank you, Chair. One quick one – we have talked a bit about storms today and other natural disasters that befall the shire. The role that council plays is hugely important in providing support to communities, but the role of communication is really critical to that. Do you support the calls for the telcos in particular to do better in making their mobile networks more resilient in the face of power outages?

Carol JEFFS: Yes, absolutely. It was absolutely terrifying for our community to be stuck in their house and not able to call anyone. It was also terrifying for us doing initial assessments after the storm had passed not knowing quite what we would find. So that needs to be rectified really quickly.

Michael GALEA: Thank you.

The DEPUTY CHAIR: Thank you for your very helpful evidence and a number of things taken on notice. We are very appreciative. Thank you very much.

Witnesses withdrew.