

# **PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE**

## **Inquiry into the 2024–25 Budget Estimates**

Melbourne – Thursday 23 May 2024

### **MEMBERS**

Sarah Connolly – Chair

Nicholas McGowan – Deputy Chair

Michael Galea

Mathew Hilakari

Lauren Kathage

Bev McArthur

Danny O’Brien

Aiv Puglielli

Meng Heang Tak



**WITNESSES**

Melissa Horne, MP, Minister for Local Government; and

Lisa Tepper, Acting Deputy Secretary, Customer and Regulatory Services,

Mike Gooley, Executive Director, Local Government Victoria, and

Colin Morrison, Director, Sector Investment, Local Government Victoria, Department of Government Services.

**The CHAIR:** Thank you. I declare open this hearing of the Public Accounts and Estimates Committee.

I ask that mobile telephones please be turned to silent.

On behalf of the Parliament, the committee is conducting this Inquiry into the 2024–25 Budget Estimates. The committee's aim is to scrutinise public administration and finance to improve outcomes for the Victorian community.

I advise that all evidence taken by the committee is protected by parliamentary privilege. However, comments repeated outside this hearing may not be protected by this privilege.

As Chair I expect that committee members will be respectful towards witnesses, the Victorian community joining the hearing via the live stream and other committee members.

Witnesses will be provided with a proof version of the transcript to check. Verified transcripts, presentations and handouts will be placed on the committee's website.

I welcome the Minister for Local Government the Honourable Melissa Horne, as well as officials from the Department of Government Services. Minister, I invite you to make an opening statement or presentation of no more than 5 minutes, after which time committee members will ask you questions.

**Visual presentation.**

**Melissa HORNE:** Thanks, Chair and committee members, for the opportunity to meet and discuss the local government portfolio. The government continues to support our 79 local councils across the state with this budget. The government's financial support to local government will be increased by \$161 million to a record level of \$875 million. At the same time, the Commonwealth is also increasing its support to the local government sector by \$40 million. As a government, we are supporting councils to help families access the services they rely upon.

Chair, the local government sector is in good financial shape, continuing to have low debt and record cash levels. The rate cap for the next financial year has been set at 2.75 per cent, in line with the forecast CPI for the year. Councils are able to apply of course to the Essential Services Commission for a higher cap amount should they wish to. Rates generate around 70 per cent of local government revenue, over \$6 billion in this financial year. In 2022–23 the sector raised \$13.64 billion in revenue with an expenditure of \$11.24 billion. This financial year the Victorian Local Government Grants Commission has allocated \$747.4 million to Victorian councils as financial assistance grants. These grants underpin the sustainability of Victoria's councils, particularly in rural areas, where they account for as much as 25 per cent of some councils' recurrent revenue.

We invest in councils because we know that they step up to support their communities in an emergency. We have continued to support 64 rural, regional and outer metropolitan councils to plan, prepare and help their communities through a \$4.89 million municipal emergency resourcing program. Chair, our climate is changing. Victoria was hit with seven significant natural disasters over the past year, major storms, flooding and bushfires, classified as emergency events with devastating impacts to our communities. That is why the government provided a further \$8 million through the Council Support Fund for immediate clean-up and relief and recovery activities.

Good governance is also critical to ensure councils make sound decisions and deliver the services their communities need. Over the past year I have appointed 11 municipal monitors. There are currently six councils with municipal monitors in place. One council was suspended and an administrator appointed. Three councils under administration are expecting the return of elected councillors in October, and Moira shire councillors will return in 2028. In response to the recent government interventions and integrity body reports I have introduced the Local Government Amendment (Governance and Integrity) Bill 2024 into Parliament. It will support better accountability and governance standards in council and introduce a uniform councillor code of conduct framework and mandatory training for all councillors.

Libraries have an important role in our communities, and that is why we have continued public funding across the state and invested more than \$463 million in funding since 2015. This government has created more than 120 library infrastructure projects over the past eight years. This funding will continue to build on the vital contribution public libraries make, support the expansion of community programs and outreach services and provide necessary services to local communities, particularly in disadvantaged and rural and regional areas.

We are also fulfilling our election commitments to create a tailored local government fair jobs code as this government knows how important secure work is for Victorians. We have established an advisory committee with key stakeholders to develop the code, which focuses on minimising insecure work in the local government sector, including outsourcing, labour hire and casualisation. It will create a framework to promote fair labour standards for local government workers, and I really look forward to continuing the journey to make this a reality in the local government workforce.

**The CHAIR:** Thank you very much, Minister. The first 8 minutes are going to go to Mrs McArthur.

**Bev McARTHUR:** Thank you, Chair. Thank you, Minister. I am glad you have mentioned monitors, because I am going to take you to the City of Greater Geelong, because today we have learned that the CEO of the City of Greater Geelong will receive a whopping pay rise – \$543,000, she will be earning. That is more than her counterpart at the City of Melbourne and indeed your Premier – our Premier. And this is on the back of the ratepayers of Geelong having a 5.8 per cent rise in rates, now up to \$1500 on average, and a 6.4 per cent rise in the waste levy to \$460 per property. But it gets worse, because the CEO's salary in 2027–28 will go up to \$620,000, which is more than the Prime Minister. Minister, is this acceptable, and especially in Geelong, where we have got monitors in now at over \$1000 per day, but they were there before, and they cost \$107,626 over a 12-month period? Ratepayers of Geelong have had to pick the bill up for that. Now there is this half-a-million-dollar salary of the CEO. If you apply a rate cap, Minister, shouldn't you be applying a salary cap to these CEOs?

**Melissa HORNE:** There are a few things in your question. Thank you very much, Mrs McArthur. I suppose if we first have a look at the CEO's salary, there is obviously an independent tribunal that is setting that, but it is part of the budgeting process which council signs off on. That is to do with council governance and the way that councils operate in that tier. In relation to the point that you made around monitors and who pays for the monitors, it is unequivocal in the Act that it is the council that pays for those.

**Bev McARTHUR:** The ratepayers are paying for monitors. They have paid a huge amount already. They are still there now. And now we have got this CEO on a stratospheric salary, and what value are the ratepayers getting out of all this? If it is so bad in the City of Geelong, why don't you sack the council and have an administrator? It would be cheaper for the ratepayers.

**Melissa HORNE:** You can appreciate the steps that you need to go through in order to get to that extreme point – significant governance failure – but it is also based on a body of evidence that has occurred. At this point in time the evidence that occurred was to recommend that monitors were appointed when there was the initial CEO recruitment process that was underway. Based on the integrity bodies that provided me with that evidence, I did as required. Then when those monitors came to an end – Peter Dorling and Prue Digby, their term had come to an end, and they had provided –

**Bev McARTHUR:** But he is back there now, Mr Dorling.

**Melissa HORNE:** Yes, because –

**Bev McARTHUR:** A great wicket.

**Melissa HORNE:** The CEO had been recruited and it was the recommendation that some oversight continue to occur, particularly in relation to financial aspects.

**Danny O'BRIEN:** Minister, can I go on to financial aspects. You said in your presentation how you are supporting local government, but if you look at page 26 of budget paper 5, you will see that there is nearly a third reduction in the current grant expenses to local government over the next four years. How is that supporting local government? It goes from \$1.476 billion to \$1.017 billion in the forward estimates.

**Melissa HORNE:** Sorry, what page was that, Mr O'Brien?

**Danny O'BRIEN:** Page 26, the grant expense. I could probably throw in at the same time that for capital expenses there is a similar reduction over the out years – there is actually less money going to local government from this budget.

**Melissa HORNE:** As you can appreciate, when we set our budget it is done prior to the federal government's budget being handed down. That is why it shows sometimes that this is a bit lumpy and bumpy, because often it depends then on when the Commonwealth makes those payments in order for us to be able to account for that. Nevertheless, as I said, we are supporting local government. But also we have just had advice through the federal government's budget process that they are continuing to support it and will increase their support as well. It is just when the payments are made.

**Danny O'BRIEN:** You are indicating it is bumpy. It is entirely bumpy; it is all downhill. If you did not know at the time what the federal government contribution was, why would it not go up? If you are estimating the out years, this is clearly showing a third reduction in the current grants to local councils.

**Melissa HORNE:** Colin, you deal with the grants commission and how that operates. Can you take the committee through that process, please?

**Colin MORRISON:** Yes, certainly, Minister. As you indicated, the state budget usually precedes the federal budget each year. The state budget contains an estimate of what will be in the federal budget by way of financial assistance to local councils in the coming year.

**Danny O'BRIEN:** And the estimate is that it is down.

**Colin MORRISON:** Unfortunately, after the federal budget, sometimes, at the time of the federal budget or subsequent to that, the federal government makes the decision to bring forward part or all of those payments into the current year. That leads to, as the minister indicated, significant fluctuations in the funding from year to year and makes it very difficult to predict going forward.

**Danny O'BRIEN:** Minister, council rates are being capped at 2.75 per cent for 2024–25 in line with the forecast CPI for the same year. What advice have you received from your department as to whether the CPI is a true reflection of the cost increases to local government goods and services, such as the cost of road construction and salary increases?

**Melissa HORNE:** It is based on advice that is received by the Essential Services Commission, where the rate cap actually ends up being set. One of the things you have got to weigh up is we are in a cost-of-living crisis. We have got families doing it tougher than ever before, and to be able to ensure that we do set that rate cap at what would be a fair and equitable amount is always top of mind. But it is based on the advice from the ESC.

**Danny O'BRIEN:** But is it fair and equitable given that your government has just agreed to a pay increase for public servants that is well over CPI and with a nearly \$6000 cash bonus to boost that? How can local government compete with state government for skills in particular when it is not able to go above CPI, like your government has?

**Melissa HORNE:** There is always the option for councils to apply to the ESC to go into a higher cap.

**Danny O'BRIEN:** But that would be all of them, given the example I have just given.

**Melissa HORNE:** None of them have since the rate cap was introduced.

**Danny O'BRIEN:** But that is my point. They do not have the ability to compete with the pay rises, for example, you are giving for public servants for the skills that they need.

**Melissa HORNE:** Sorry, I think you have misunderstood what I was saying. If a council wishes to change what the rate cap is set at, then they are perfectly capable of going to the ESC and having that conversation.

**Danny O'BRIEN:** I am sure they would love to do that and show their ratepayers that they want more money. The point I am after is that you are reducing the current grants to councils. You are capping them at CPI when their expenses are actually higher than that.

**The CHAIR:** Apologies, Mr O'Brien, we are out of time. We are going to go straight to Ms Kathage.

**Lauren KATHAGE:** Thank you, Chair, Minister, officials. We all saw the floods and storms that we have had since Christmas; I know there was flash flooding in my town and in Whittlesea. We have all seen that and the impact of that. I can see in BP3, on page 8, a line item for funding support for disaster-impacted communities; there is \$8 million there. Can you tell us a bit more about that?

**Melissa HORNE:** Thank you very much. Look, without a doubt, councils are at the forefront when it comes to responding to the disasters that we have seen across our state over the past few years. Following those significant impacts from the floods in October 2022 the government moved to establish a \$35 million Council Support Fund. This was because the storms and the floods at the time had caused significant damage, and on top of that, following storms and floods in December 2023 and in January this year there was more of that, so that is why we moved to provide that additional \$8 million to support the 28 affected councils at the time. This was specifically for that immediate clean-up and recovery, and we know that many of those councils, and certainly many of those councils that I spoke to, were impacted by consecutive emergency events. What has never occurred before was that councils – when a disaster occurred, when a natural disaster occurred, it was always councils that were going out first and foremost and doing things like cleaning debris, sweeping mud off the roads, that sort of thing, and I remember in 2022 actually going down after those floods into the City of Maribyrnong down along the river there and just seeing the utter devastation and the amount of debris and mud all over the roads.

Councils took all the cost of that; that was a historical thing. As a result of that, it was because they were there at the coalface doing that high-impact, high-intensity work that it seemed only fair that the state government should be able to step in with this Council Support Fund, and it has been terrific. It has meant that councils can actually do things and have that certainty so that when, say, the catastrophic event that occurred in Mirboo North that I remember Mr O'Brien sent me footage of which was just astonishingly – it was that tornado that ripped through there – it provided the council with that certainty that they could go out there and get stuff off roads, get people back up and running. That was so important. It is making sure that it is supporting councils to lead that recovery effort after those events occur and making sure that we do have also emergency management capability for councils with that municipal emergency resourcing program, which is that \$4.89 million to assist them. There are still kinks that need to be ironed out with the federal government's DRFA sort of process, which is a matter for the Minister for Emergency Services, but being able to give councils that immediate cash injection really is a welcome thing.

**Lauren KATHAGE:** So you are saying immediate cash injection – were you able to have a pretty quick turnaround to get funds out?

**Melissa HORNE:** Absolutely, and just being able to ring a council and say, 'Hey, we've got half a million bucks coming to you' or 'We've got this coming to you' – the relief from mayors and CEOs is absolutely palpable.

**Lauren KATHAGE:** You said you visited some sites. You mentioned Maribyrnong. You saw some footage of Mirboo North. Are you able to talk about any other places you have visited following disaster?

**Melissa HORNE:** I feel like I have been all around the state, to be honest. Following the bushfires that occurred earlier this year I went up to Ararat and Northern Grampians and saw their relief centres, saw the work that they did. In fact I was in, I am just trying to think – where is the mayor that was setting up the relief centre in Maryborough? Just before they were expecting the fires to come.

**Danny O'BRIEN:** Beaufort.

**Melissa HORNE:** Beaufort, yes. I have got to give that mayor a bit of a shout-out, because they were setting up a relief centre and she was actually talking to people in the community who were coming up. It was a relief centre at showgrounds, so people were just quietly coming in in their caravans or bringing in their animals, things like that, and she was there going, 'Hey,' knew every single person in the community, was organising for people to agist horses on a property, getting feed in there. It was just – she was a true local hero.

I have been up to Rochester a number of times and seen the devastation that those floods caused. People are still not back in their houses. So to be able to go up there and support local councils in doing that really important work – including too they did an amazing job, Campaspe shire, of rebuilding their childcare centre up there and making it absolutely flood-proof. They have refurnished it so that furniture, if it is flood affected again, will not actually deteriorate because of the way that the furniture is designed. Their childcare centre has got vinyl all up the walls so that if muddy water ends up coming through it they can easily clean it out. It was real ingenuity, and council needs to be congratulated for understanding and taking the learnings from that devastating event and then applying it to how their local infrastructure operates. It was pretty impressive.

**Lauren KATHAGE:** But there were some good things that happened in January. In Mernda our new library opened, and on the very first day, Minister, there were 500 people who came into the library. We were so excited – 500 people on the first day! My family loves to visit the library. I see on page 201 of BP3 that it talks about continued support for the delivery of public library services. What does that look like? Can you give an overview of that?

**Melissa HORNE:** That is unbelievable that that many people turned up. That is incredible, because libraries do many more things than just being a place where people can borrow a book. They are places of refuge during heatwaves or when it is particularly cold. They might be the only place that they can get internet connectivity. It might be a place where they can have kids' story time – those sorts of vital services – or indeed be able to go in there and have a librarian help them with a CV or being able to jump online and do a job interview, which is what I saw down in Leongatha, I think, a couple of years ago. So they do much more of that.

But in terms of funding, as I mentioned, since 2015–16 we have supported libraries across the state with more than \$463 million in funding. This goes to three separate areas. There is the public libraries funding program, and in total that has been \$402.4 million. We have got the Living Libraries infrastructure program, which is \$49.3 million over that period of time, and of course the Premiers' Reading Challenge Book Fund, which has been \$9.9 million. Can I just say it was just awesome to have our newly minted Premier out at Essendon Primary School launching her very first Premiers' Reading Challenge this year. She certainly got a kick out of reading a book. I cannot remember what the book was –

**Lauren KATHAGE:** 'She Built It', or something like that.

**Melissa HORNE:** Yes.

**Lauren KATHAGE:** I asked the Mernda library to get a copy. I saw it.

**Melissa HORNE:** It was terrific. That is where that funding is going to, and it is terrific to be able to maintain and continue that funding.

**Lauren KATHAGE:** Thanks. The second one you mentioned was the Living Libraries infrastructure program – \$49 million, I think you said. Can you tell us more about that one?

**Melissa HORNE:** Sure. That is a really important program because it does a variety of different things. It is really up to the libraries to determine what it is. But one of the really cool things that I recently saw down in Portland was that they had used a proportion of the Living Libraries infrastructure program to buy and then fit out a minivan to be able to get around regional communities. But it was not just saying, 'Here's a heap of books in the back of a van.' It had its own little cafe associated with it. It had pullout blinds and shades where people could come and sit and check out the books that they have. It was beautifully painted with some Indigenous artwork as well from the local community. It was a pretty snazzy little way –

**Lauren KATHAGE:** One of the greatest things about the Mernda library is it is right next to the fruit and veg shops, so when I am looking for something for dinner I can just look at a cookbook in the library and then go to the fruit and veg shop.

**The CHAIR:** Thank you, Ms Kathage. In the light of shifting the conversation, we are going to go straight to Mr Puglielli.

**Aiv PUGLIELLI:** Thank you, Chair. Good evening. Minister, last year you spoke about the guidance and support that your government is giving to councils who are experiencing increasing disturbances, say, at council meetings or council-run events. You outlined some measures like visitor sign-in and how to give disruptive members public warnings. You flagged the working group as well, which was established. Are local councils being provided with any funding to support measures that would keep them safe in this budget?

**Melissa HORNE:** They get grants, and how they determine that is then entirely a matter for councils.

**Aiv PUGLIELLI:** Sorry, which are those grants?

**Melissa HORNE:** They get money from the state and also from the federal government to be able to do that, but in terms of what they then do – we have had different experiences depending on where the councils are. Council chambers too are quite different. Some are very open. It is a bit horses for courses.

**Aiv PUGLIELLI:** I suppose just to continue and be more specific, and if you could maybe speak about some of the grants that might answer this, have you provided any funding specifically to enable in-person meetings open to the public to continue or, for example, should we expect councils to have to pay for their own security for these public hearings?

**Melissa HORNE:** Well, that would be a matter for the operational budget for councils.

**Aiv PUGLIELLI:** Okay, so they receive a grant, and then they operationalise those grants, as you have just indicated.

**Melissa HORNE:** The vast majority of councils' revenue comes from rates. Then there are also the untied grants from the Commonwealth, which are very close to being disbursed now following the federal government's grants, and then there are grants from the state as well, but how they operationalise them is a matter for the individual councils.

**Aiv PUGLIELLI:** Absolutely. In terms of the state grants, could you list a few of those off?

**Melissa HORNE:** Oh Lordy, what have I got?

**Aiv PUGLIELLI:** It can also be on notice if need be.

**Melissa HORNE:** As I have mentioned, there is the Council Support Fund. There are also things that we do along roadside weeds and pests, for example, and there is money for libraries – those sorts of things.

**Aiv PUGLIELLI:** But ones that might pertain perhaps to the security of a council meeting.

**Melissa HORNE:** Mike, in terms of security for council meetings, it is a matter for local council.

**Mike GOOEY:** It is, yes.

**Aiv PUGLIELLI:** Right, so nothing in the budget.

**Melissa HORNE:** No.

**Aiv PUGLIELLI:** Thank you. Thank you, Chair.

**The CHAIR:** Thank you, Mr Puglielli.



Minister and officials, that has brought our time to an end for this session this evening. Thank you very much for coming and appearing before us. The committee will follow up on any questions taken on notice in writing, and responses are required within five working days of the committee's request.

The committee is now going to take a very short break before beginning its consideration of the casino, gaming and liquor regulation portfolio at 6:05 pm.

I declare this hearing adjourned.

**Witnesses withdrew.**