



Legislative Council Economy and Infrastructure Committee

Inquiry: Inquiry into Local Government funding and services

Hearing Date: 26 June 2024

Question[s] taken on notice

Directed to: Municipal Association of Victoria

Received Date: 16 July 2024

1. **Bev McARTHUR, Page 17-18**

Question asked:

There are so many questions I barely know where to start. Let us go to your number one priority, active local democracy. We recently passed an amendment to the *Local Government Act*, which severely restricts the ability of many councillors to speak openly about what they are concerned about. The attacks on many councillors I have seen are completely outrageous, yet we are going to control their ability to speak openly and fairly at council meetings even more so. What representations did you make on that matter to the minister before this legislation was passed?

Kat PANJARI: We were involved in the engagement process for that change in legislation. It is outside the realm of this particular inquiry, so we would have to take on notice that question. We are very happy to provide you with that information.

Response:

With respect to the recent Local Government Act reforms, the MAV did make a submission on behalf of the sector as part of the consultation process undertaken by LGV in February/March 2024.

Notice of the proposed reforms and the opportunity to consult with councils and make a submission was, however, constrained by an extremely short consultation period. Whilst not an ideal substitute for more in-depth consideration of the reforms, the MAV conducted four online feedback sessions during February, with approximately 250 Mayors, councillors, CEOs and governance officers to inform the development of the MAV submission.

Whilst reforms under consideration did not specifically focus on ‘a councillors’ ability to speak openly and fairly at council meetings’, our submission and the feedback we received, was that councils and councillors were generally supportive of capacity building reforms such as a model code of conduct and professional development, as these tools would further aide in supporting their roles and quality decision-making responsibilities as democratically elected representatives.

We also expressed the view that we were not supportive of any reforms that would constrain the rights of councillors to natural justice or appeal mechanisms.

It is the MAV's view that no councillor should be constrained from speaking openly and fairly. However, this must be done within a framework of respectful and constructive debate, with appropriate and proportionate supports and controls in place.

2. **Tom McINTOSH, Page 20**

Question asked:

Have you been able to put a cost on political inaction, whether it is distraction or just outright unwillingness to deal with climate and what we are doing as Australia and as a major player in the world? Do you as a peak body see that collective cost?

Kat PANJARI: We can get back to you. I think we have got some comparative data to other OECD countries, but we have not probably measured that gap that you identify. We can certainly work towards that.

Response:

While the MAV has not quantified the cost impacts across local government of a failure to act quickly enough on climate change, local governments across Victoria have documented the types of impacts councils are seeing.

One of the most obvious challenges is the increasing frequency and severity of extreme weather events, such as bushfires, floods. These events strain emergency response systems, necessitate costly infrastructure repairs, and disrupt community services.

Another major challenge is coastal erosion and rising sea levels, which threaten coastal communities and infrastructure. In future scenarios, it is likely that councils will need to manage the protection and relocation of assets and potentially even communities.

Climate change also poses challenges for public health, with increased heatwaves leading to higher incidences of heat-related illnesses, particularly among vulnerable populations such as the elderly and those with pre-existing health conditions. Councils will increasingly need to enhance public health services, establish cooling centres, and green their existing public infrastructure.

Furthermore, climate change impacts biodiversity and natural ecosystems, with already largescale extinction of native species. Local governments are also developing and implementing conservation strategies to protect local

flora and fauna. This often involves restoring habitats, managing invasive species, and promoting biodiversity-friendly practices among local communities.

A 2021 report by the Climate Council (Neighbourhood issue: Climate costs and risks to councils) categorised climate risks faced by local government into direct, indirect, and community risks.

Direct risks involve damage to council owned or managed assets, and the need to repair or clean them up, as well as increased costs of maintenance.

Indirect risks involve the actions of secondary parties, such as increased liability.

Community risks are the impacts on community which may result in council either needing to deliver increased service levels or facing further restrictions to revenue.

The report draws on case studies to illustrate the different types of risks and impacts, and the burdens placed on councils, citing “Communities and the councils that support them are experiencing the brunt of more severe and frequent extreme weather events. These disasters risk human life, property, economies and councils’ abilities to fulfill their myriad of functions within the community”. For example, after storms in June 2021 brought significant damage and prolonged power outages to the Yarra Valley region, initial conservative estimates of the required financial commitment to undertake the necessary rehabilitation, restoration and recovery work were approximately \$65 million (Yarra Ranges Council 2021).

Worsening extreme weather, driven by climate change, is compounding costs for councils. This includes mounting damage to council owned assets, rising insurance premiums and increasing liability risks. Critical council infrastructure including roads, drainage and coastal defences, is being damaged by more frequent and/or severe extreme weather, and state and federal assistance is falling short of what’s required.

The competitive nature of grants, shrinking share of tax revenue and growing list of responsibilities paints a clear picture of the insufficient funding provided to councils to undergo essential climate change mitigation and adaptation work.

The Australian Local Government Association in 2019 estimated that a \$10 billion fund is required to support local governments and communities across Australia to address climate change, both in terms of improving the resilience of local communities and reducing emissions.

3. **Moira DEEMING, Page 21**

Question asked:

I am also just curious about the role of the MAV. I had imagined and I had been told that it was more about representing councils to government. Councillors are democratically elected to set the direction for their councils, but when I look at all these goals, they are very set goals and they are very specific and ideological; they have got United Nations goals in there and all those kinds of things. I would just love to hear – and you can take it on notice because I have run out of time – how those goals were developed.

The CHAIR: We will take that one on notice, if you are comfortable with that, just to ensure we get around.

Response:

The MAV Strategic Plan 2024-2027 Shaping our Future was developed in consultation and collaboration with the local government sector, partners, and stakeholders. In 2023-24, a series of consultation and engagement sessions were undertaken with senior representatives from all member councils. Councillors from metropolitan, regional and rural Victoria were engaged in the consultation process through the MAV Board regional groupings of councils. The MAV also consulted more widely to develop the Strategic Plan, gathering the input of sector representatives, state and federal government agencies and partner organisations.

In early 2024, the MAV Strategic Plan 2024-2027 was approved by the MAV Board of Directors, comprised of Councillors who are elected by the Councillor delegates in the 10 regional groups within which their participating member council is located.

4. **Sarah MANSFIELD, Page 22**

Question asked:

You mentioned libraries before. It is perhaps a good topic to explore the issue of cost shifting. I do not know if you can provide from your experience any information about the impact that cost shifting has had on the provision of library services.

Kat PANJARI: I think they have been well highlighted in the media. Emlyn, I am not sure if you have a specific percentage figure, but the creep from the state-funded part of libraries to local government is significant.

Emlyn BREESE: We will provide more detail on notice, but I want to say around 85 per cent of funding now is provided by local government to libraries, when it was previously a 50-50 share between council and state government.

Response:

The following data is derived from the Public Libraries Victoria annual statistical survey. Unless otherwise stated the period reference is from 2014-15 to 2022-23.

In the 1970s Victorian state and local government contributed evenly to the funding of public libraries. Today it is an 80:20 split of operational funding with councils providing the greater share. We estimate the size of this cost shift to councils, compared to an even funding split, is around \$83 million annually, and this has been growing each year.

Since 2014-15 total library revenue per capita has remained steady (0.9% increase), while expenditure per capita has increased (7.1% increase). Neither of these figures account for inflation.

There has been an increase in total opening hours per capita, but this is driven entirely by an increase to non-library outlets. Looking at just branches and mobile opening hours there has been a 5% decrease in opening hours per capita. A growing proportion of branch opening hours are also unstaffed hours.

The number of branches per capita has also decreased, from 4.6 per 100,000 persons in 2014-15 to 4.15 in 2022-23 (10% decrease). The number of mobile library vehicles per capita has decreased by 28% across the same period. Data on the number of stops serviced by library vehicles goes back to 2016-17, and there has been a 20% decrease since then.

5. **Sonja TERPSTRA, Page 22-23**

Question asked:

Just a question in regard to VICSES. VICSES units are mostly placed on leased council property. An MOU exists between the MAV and the Minister for Emergency Services, which was signed in 2017. These facilities support the VICSES units. For the most part we know that councils follow the terms of that MOU, which is about charging peppercorn rent or a nominal rent to the SES units for the use of those premises, but we are starting to see more councils charge SES units with a commercial rate. I am just wondering: what role would the MAV play in reinforcing the important partnership between councils and their local VICSES units to ensure that the units can remain in those premises and continue to serve the community, especially because there has been an MOU signed? I am just wondering what your views are on that.

Kat PANJARI: Thank you for bringing that to our attention. We will have to take that on notice and try to find out where that has come from and how that creep might have occurred.

Sonja TERPSTRA: Are you aware that that is happening?

Emlyn BREESE: There has been a fair bit of work within the MAV more broadly on this issue, but it is not something that I have been directly involved in. I will have to take that on notice for you, but I am happy to do that.

Response:

The Victoria State Emergency Service (SES) plays a critical role in Victoria's emergency management arrangements, including leading flood planning and response. Both the agency and its volunteer units are highly valued by Victorian councils. In our recent submission to the Parliamentary Inquiry into the 2022 Floods, we highlighted this valued relationship and noted that greater investment from the Victorian Government is needed to ensure the SES central agency and units are properly resourced to undertake their broad and critical roles.

The MAV is committed to working with our member councils and building on the relationship between local government and the SES, to ensure that both can continue to serve their local communities.

6. **Sonja TERPSTRA, Page 23**

Question asked:

Also, just to change tack to a different issue, I understand that the MAV offers insurance on a range of insurance products tailored for the local government sector. Could you outline what those insurance offerings are and how they operate?

Kat PANJARI: Again I am going to have to hand over to Emlyn, or we could provide the information for you.

Emlyn BREESE: I can give kind of a broad overview. It is about professional –

Sonja TERPSTRA: You can provide it on notice if there is anything –

Emlyn BREESE: Absolutely, happy to provide more detail on notice.

Response:

The MAV operates two insurance schemes for the benefit of the local government sector - the Liability Mutual Insurance scheme (LMI) which provides public liability, products liability and professional indemnity insurance and the Commercial Crime scheme, which provides coverage against theft and fraud for the sector. Each scheme operates in accordance with the Municipal Association Act 1907; the former being a mandatory function of the MAV and the latter a discretionary function. The MAV holds an Australian Financial Services Licence to enable it to offer the insurance schemes.

The primary driver of the MAV's insurance operations has been the failure of the commercial market to offer consistent and high quality insurance coverage to the local government sector. The LMI scheme in particular therefore provides the sector with continuity of high-quality coverage with pricing driven by the sector's underlying risk profile. For the State Government, the existence of the scheme provides assurance that the sector is well protected against the cost of catastrophic events.

Uniquely among Victoria's statutory schemes - the TAC, WorkSafe, VMIA and the Legal Practitioners' Liability Committee, the MAV's insurance schemes must compete with private sector insurers with significantly larger balance sheets and financial resources, a situation which adds significant complexity to its operations.