

# TRANSCRIPT

## LEGISLATIVE COUNCIL ECONOMY AND INFRASTRUCTURE COMMITTEE

### Inquiry into Local Government Funding and Services

Melbourne – Wednesday 26 June 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**

Kathryn Arndt, Chief Executive Officer, and

Rhys Thomas, Head, Local Government Programs and Policy, Victorian Local Governance Association.

**The ACTING CHAIR (Tom McIntosh):** I declare open the Legislative Council Economy and Infrastructure Committee's public hearing for the Inquiry into Local Government Funding and Services. Please ensure that mobile phones have been switched to silent and that background noise is minimised.

I would like to begin this hearing by respectfully acknowledging the Aboriginal peoples, the traditional custodians of the various lands we are gathered on today, and paying my respects to their ancestors, elders and families. I particularly welcome any elders or community members who are here today to impart their knowledge of this issue to the committee or who are watching the broadcast of these proceedings. I would like to welcome any members of the public who are watching via the live broadcast and anyone here today.

I will ask the committee to introduce themselves, and we will start with Mrs McArthur.

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

**Gaelle BROAD:** Gaelle Board, Member for Northern Victoria Region.

**The ACTING CHAIR:** Tom McIntosh, Member for Eastern Victoria.

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

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

**The ACTING CHAIR:** And on the screen –

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

**The ACTING CHAIR:** Great. As witnesses, would you mind just introducing yourselves to the committee?

**Kathryn ARNDT:** My name is Kathryn Arndt. I am the CEO of the Victorian Local Governance Association. Thank you for the opportunity to present today.

**Rhys THOMAS:** I am Rhys Thomas, the Head of Local Government Programs and Policy at the VLGA.

**The ACTING CHAIR:** I will just let you know that all evidence taken is protected by parliamentary privilege as provided by the *Constitution Act 1975* and further subject to the provisions of the Legislative Council standing orders. Therefore the information you provide during the hearing is protected by law. You are protected against any action for what you say during this hearing, but if you go elsewhere and repeat the same things, those comments may not be protected by this privilege. Any deliberately false evidence or misleading of the committee may be considered a contempt of Parliament.

All evidence is being recorded, and you will be provided with a proof version of the transcript following the hearing. Transcripts will ultimately be made public and posted on the committee's website.

For the Hansard record – well, I have already asked you to state your names, but can you please state your name one more time again and the organisation you are appearing on behalf of.

**Kathryn ARNDT:** Kathryn Arndt, CEO of the Victorian Local Governance Association.

**Rhys THOMAS:** Rhys Thomas, Head of Local Government Programs and Policy at the VLGA.

**The ACTING CHAIR:** Great. I will ask you to make your opening presentations and comments, and if you can keep it to about 10 to 15 minutes so we can move to questions, that would be much appreciated.

**Kathryn ARNDT:** Thank you. On behalf of the Victorian Local Governance Association – or the VLGA, as we are known – I would like to acknowledge the traditional owners of the land on which we are meeting today. I would also like to pay my respects to their elders past, present and emerging.

The VLGA represents councillors and councils across the state and supports them to deliver positive outcomes for their local communities through high-performance leadership and effective governance. We are member-run and non-partisan. I am very much aware that the committee will have heard from or will hear from organisations such as the MAV, FinPro and Local Government Victoria, who will be able to provide much more technical detail about some of the financing models of councils. The VLGA has a very different role in the sector, so our submission will not go into detail on some of those elements – we do not want to duplicate what the committee has already been presented with – and rather will just focus on some other higher level issues. Thank you to the committee and those members today for taking up this important issue, and we hope that the inquiry will lead to greater support for Victoria’s 79 local councils and the critical work they do in supporting local communities, delivering programs, planning for future needs and overseeing built and natural environments.

The VLGA is Victoria’s leading voice for local councillors and councils and the only body in the state dedicated to supporting councillors in the areas of good governance and community engagement. We believe that local democracy and the close and accessible relationship that councils have with their municipalities are essential and require a considered approach when it comes to state and federal government policy interventions at a local level. State government have powers to change how local government works. However, if done without adequate consultation, the mechanisms for which are provided for in the current *Victorian State–Local Government Agreement*, the results may harm local communities and undermine the important role of local government.

We will work through a few topics and themes relating to this inquiry’s terms of reference and address various issues as we go. We are most happy to take questions of course, but in the event we are unable to answer any questions we will take them on notice and come back to the committee with a response.

Victoria’s 79 local councils deliver close to 104 different services and programs to local community members on behalf of the Victorian and federal governments. Councils are best placed to deliver a wide range of essential services to the community because they are most closely placed to listen to and respond to community needs. Local government is a most trusted tier of government. It can successfully deliver high-quality urban infrastructure whilst applying provisions around place making, environmental protection, emergency and disaster response preparation and recovery efforts and long-term strategic planning when given the capacity and resources to do so. These services have expanded to a range of areas vital for a healthy and thriving community, including supporting local community connection through sports, arts and culture.

There is also a very real expectation – and we heard a little bit about this from the MAV – by communities for local government to advocate on their behalf for better health outcomes in their communities, considering diversity and inclusion, safe and affordable housing, changing climate conditions, the licensing of alcohol and gaming venues and reconciliation efforts, amongst other issues. The issues of importance of course vary across municipalities and reflect the diversity of the communities which make up the 79 Victorian local government areas.

Councils have limited options for raising their own revenue, primarily through the payment of rates. Rates together with user-pay charges, fines and government grants comprise the revenue base for delivering these services. They also collect revenue for other levels of government such as through waste and fire levies. Escalating CPI, interest rate increases and massive spikes in the costs of construction and utilities are all matters largely outside of the control of councils. When combined with the lasting impact of COVID on council income streams and the increased expectations on local government through regulatory change, there are serious and very real concerns about financial sustainability in the sector.

Finally, rate capping provides an artificial constraint on the quality of local council services, particularly in rural and regional areas and in fast-growing municipalities. As a result councils may not be able to fund the community services, programs and infrastructure needed or wanted by their communities. This could lead to the erosion of trust and confidence in local government and undermine efforts to attract high-performing staff and skilled councillors willing to participate in local elections. The outcome of this process would be a

diminished local government sector in Victoria that continues to experience issues and challenges around governance and performance issues. However, the expectation from communities will be that these services are still delivered and the question will be: if not by local government, then by whom? So our recommendation is that the Victorian government work with councils to develop a financial sustainability plan for the local government sector.

Local councils are particularly aware of the impact of cost shifting on their limited resource base. Cost shifting has been a major financial issue for many years and poses a risk to the ability to deliver services and local government's financial sustainability. Whether it is declining funding for libraries, as we have heard; kindergartens ageing infrastructure; regulatory and compliance functions; emergency services contributions; mandated rates exemptions; service gaps in support to disadvantaged members of the community, such as asylum seekers; or community transport, local councils are picking up the tab for other levels of government and being asked to do more with less. Research conducted recently by KPMG by an inner-city council identified that for some councils cost shifting could be up to 10 per cent of a council's total budget, and in that particular review I think I identified that cost shifting was costing that council \$8.9 million of their budget. So our second recommendation is that the Victorian and federal governments address cost shifting and meet their funding shortfalls to Victorian councils.

As we have heard today, councils have a rate cap imposed by the state government. This constrains the generation of revenue required to deliver additional services, programs and well-maintained infrastructure to not only current residents but future. While demand costs and community expectations continue to grow, revenue through rates and funding from other levels of government fall further behind. This is despite population growth in many municipalities and escalating demand for volume, quality and reliability in public services. Rural councils in particular face significant concerns about maintaining services in the future within a rate-capped environment. A one-size-fits-all approach is not appropriate for 79 diverse municipalities. The rate cap policy is a blunt tool that does not adequately address the complex issues of council financing, including unfunded infrastructure renewal upgrades, cost shifting from other tiers of government and the limited options for self-financing by councils, particularly in rural areas. The rate-capping policy was intended to stop councils from unrestrained rate rises, which was accomplished many years ago. There is also a question about people's ability to pay. It is time to update this policy to either remove the cap or expand the discretion councils have to set rates, provided they have strong and accessible financial hardship policies in place. Ironically, more vulnerable residents and those experiencing financial hardship depend most on council services and programs. An approach to rate capping that does not recognise the value of council services does more harm than good to this group.

The VLGA acknowledges the importance of clear, transparent and accessible policies that serve the public interest. We recognise that many community members face hardship, including difficulties paying council rates and charges, and any changes in council operations must be consistent across the sector and sustainable for councils facing financial constraints. Our third recommendation is that the Victorian government amend or review its rate-capping policy to allow councils to adequately fund services within an agreed financial hardship framework.

For local government to work as effectively as possible it is paramount that local councils can recruit and retain the skilled workforces they need. This requires a huge variety of skills and technical specialisations. Many roles are perpetual challenges for councils to fill due to local staff shortages and highly specialised roles that are not paid as well as similar roles in the private sector or other levels of government. Constraints on councils through cost shifting, limited grants and rate capping not only lead to reduced services but also limit pay and conditions for the local government workforce. This can reduce competitiveness and mean less secure jobs in local communities across the state.

Similarly, the quality of elected representatives is compromised through the state of funding to Victoria's 79 councils. We work closely with Victorian councillors to deliver wideranging training and support so that they can become better placed to succeed and represent their communities. The sustainability of councils entails attracting high-quality councillors who are aware of what the role involves and are supported to deliver to the expectations and objectives of the role. With wideranging and long-lasting decisions being made with a high level of community impact, it is the VLGA's experience that to provide the most meaningful and positive change councillors require an investment in their capacity building and growth throughout the four-year term. The financial sustainability is directly related to these challenges, as councils under financial pressure do not

have the necessary resources to invest in local leadership programs, undertake comprehensive councillor induction or commit to ongoing professional development programs for councillors. This problem has been recognised in Victoria, and mandatory training and development programs for councillors are being expanded to include changes to the *Local Government Act*, and most of these changes will require 79 councils to invest in professional development programs such as the VLGA offers. So our fourth recommendation is that the Victorian government address workforce parity issues in the local government sector, and our fifth that the Victorian government ensure requirements around councillor training and professional development are adequately funded through additional grants.

The *Local Government Act* prescribes that the role of a council is to provide good governance in its municipal district for the benefit and wellbeing of the municipal community. The VLGA recommends that the state government work with the local government sector to inform residents and ratepayers on the role of councils and acknowledge the very real and necessary services councils provide to their communities for the benefit and wellbeing of those communities, as the legislation requires them to do.

There is also an important component around increasing voter participation and engagement, with further education around what services councils are and are not in charge of. A reduction in the apathy from the community to engage in the democratic process will result in an elected councillor group that is a more accurate representation of the views and opinions that make up that municipality. These are the pillars of the sustainability of local government and require financial support where possible. So our final recommendation is that the Victorian government partners with councils to deliver an information campaign around the roles and responsibilities of local government to coincide with this year's local elections.

In closing, thank you once again, committee, for your time, and I am happy to take questions.

**The ACTING CHAIR:** Great. We will move to questions. We are going to start with Ms Mansfield.

**Sarah MANSFIELD:** Thank you. Thanks so much for that presentation. I am a long-time listener of the podcast, so I am quite passionate about all things local government. We heard some questions earlier around whether it might be appropriate for councils to have a more well defined or prescribed list of services and other functions that they undertake. In your view, is that a direction we should be heading in, or do you think that there is value in councils being able to determine their own community's needs and therefore what services and infrastructure they might need?

**Kathryn ARNDT:** Thank you for that question. I guess there is that provision within the *Local Government Act* – in fact it is a requirement – for deliberative engagement and community consultation, and the intent of that provision is as we heard earlier consistent with a principle-based legislation where communities are actually being asked or councils are being required to engage through consultation mechanisms with their communities to determine what their priorities are. The reason for that of course, or the intent of that, is that all 79 communities are all very different and the demographics which make up each municipality are, so to provide for an engagement process to inform what those services might look like and to also provide that community with some ownership of their council's community plan, I think, is very important.

**Sarah MANSFIELD:** I guess again often it is put out there that councils should be just about roads, rates and rubbish, and we have heard plenty of examples already in this hearing about all the other things that councils do. Do you have any good examples of where a council has been able to go through that process, determine a community's need and I guess address that because they have had that ability to determine what services or infrastructure they provide? You might not have one off the top of your head.

**Rhys THOMAS:** I might take that question. 'Good example' is a tricky question because councils exiting from services is always challenging and you have very different views in communities about what constitutes core services. Some examples might be – I think I heard one referred to by the committee earlier, the City of Yarra's decision to stop maintaining or to stop subsidising the maintenance of state-owned roads. That was a necessary decision as a consequence of the ongoing cost shifting in that space. That was not without controversy. We saw Strathbogie Shire Council found itself forced to withdraw from school crossing supervision in some situations. Again, that was not well received by the community, but the council had no choice. In that particular case, by law there can be no other provider of school crossing supervision; it must be the council. So you can imagine the impact that that had on those local communities.

We have seen councils face up to departure from aged care, which is obviously part of the federal restructuring of that whole industry. That has been challenging for councils. Early childhood education has been changing over time, and there are arguably very good market providers in that space. Councils have faced up to those things, and they have certainly made some changes. That is what leaves us in a position where it is not really useful, in my view, to attempt to define what constitutes the core service of local government, simply because every community has different priorities and they would not necessarily want their council to invest in some areas at the expense of others.

**Sarah MANSFIELD:** Thank you. We heard from the MAV earlier about the important role that councils play in supporting diversity and inclusion in communities. I note that the VLGA has a rainbow working group. I am just wondering what they are focusing on at the moment and how that intersects with what perhaps councils do with respect to services and other programs they might run around diversity and inclusion.

**Kathryn ARNDT:** Thank you for that question. The rainbow working group is a historical group of the VLGA; it is not currently an active group. But a piece of work that did come from that group is the rainbow handbook, which is a tool, a guide, for local government to create communities that are inclusive for their LGBTIQ communities and provides some case studies on that. We are not currently actively running a rainbow working group, but that is a product, which is still relevant today, that councils do use and rely on.

The VLGA is also very active in our local women leading change program, which is a program that has run over probably 20 years and where we support and encourage women to stand and participate in local government. The reason being of course, given that women make up over 50 per cent of the population, to have gender parity around decision-making tables. The demographic of the decision-making table should reflect the diversity of the community.

**Sarah MANSFIELD:** Yes. I think I am almost out of time.

**The ACTING CHAIR:** Yes. No problem. Mrs Deeming has to leave on a personal matter, so we will go to Mrs Broad.

**Gaelle BROAD:** Thank you very much for coming today and for your presentation. I am very interested in talking about the cost shifting between the state and local councils, because I guess speaking to local councils you hear about libraries, which you have talked about; kinders; ageing infrastructure; emergency services; the school crossing providers – I know you talked about Strathbogie too; and the licensing. I know with waste collection, for example, the state government introduces a new bin, but then it is up to councils to implement the collection of that bin. I know regional because I cover a lot of regional and rural areas. It can be a significant distance between bins and a huge extra cost. You talked about how the state government should address that cost shifting, but how?

**Kathryn ARNDT:** Well, I think that is the million-dollar question, isn't it? I think there has to be recognition of it. As I mentioned in my opening statement, there is currently a *Victorian State-Local Government Agreement*, and that document, that agreement, which is a number of years old now, really does need to be, I guess, reactivated, because that is the mechanism by which the state government can work collaboratively with local government prior to introducing policy and legislation that might have an impact on the sector.

**Rhys THOMAS:** If I might add, I think ultimately it comes down to funding and regulation. With federal government funding, obviously we have got the financial assistance grants, and the untied funding comes to councils through the Victorian grants commission. There was a pause that was done with the indexation of that funding back in 2015, 2016 or thereabouts. While that has now resumed, it has left a \$70 million hole in Victorian grants each and every year, and that figure only grows over time. That hole needs to be filled, and it needs to be filled either with increased fees and charges on communities or through reduction in expenditure on programs and services. We then have the impact of the rates-capping system – or to give it its legislative name, the Fair Go Rates system. And we would say, 'Fair for who?' because the Essential Services Commission conducts a review each year and recommends an indexation and an increase in that grant, and consistently at the state government level the government has determined to set a cap lower than the amount that the experts have recommended. That again creates a compounding problem each and every year.

Then there are other areas where fees that we are able to charge have not kept pace with the cost of delivering services. In the case of councils' issuance of planning permits and the assessment of planning applications – and it has never been more front of mind than it is now with the housing crisis we face – the planning application fees have simply not kept pace with the cost of processing those applications given their increasing complexity. The fact that we have seen permit delay times blow out right across the sector is in part due to that reduced funding, which has over time meant that there is not a stream of planning professionals coming into councils. Council departments are smaller than they need to be to process the sort of workload they have. That is another example: if the planning application fees had kept pace with cost of those assessments, then perhaps the planning system would be in slightly better shape than it is now.

**Gaëlle BROAD:** I am interested – you talked about some flexibility earlier when you were asked about the fundamental roles. Part of our terms of reference is looking at the core service delivery objectives. Noting that there is some flexibility, do you have a list of what you consider to be fundamental functions that councils are expected to deliver?

**Kathryn ARNDT:** I could not probably go through the 140, but absolutely we see, as the level of government closest to the people, they are delivering maternal and child health services, parks and gardens and footpaths for residents to use and avail themselves of. Rhys, you have a nice analogy when you describe the services that councils deliver.

**Rhys THOMAS:** I do. In some ways I think councils provide one service, and that is good governance to local communities. Good governance means talking to those communities about what they want from their local council, and that can be different in many communities and it can be different from community to community. When I talked about some of the controversies of councils who sought to exit various services I used the example of the City of Yarra maintaining state-owned roads and how it was a controversial decision to reduce their service. Well, there are many councils in Victoria that not only do not do that service but have never done so because their community has never asked that of them. Is there such a thing as a core service for local government? There is – it is good governance.

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

**Bev McARTHUR:** Thank you, Chair. Thank you for your presentation. You mentioned before 'Fair for who?' with that whole issue of the services. Do you have a view on how fair it is that the rate-in-the-dollar system of collecting revenue from ratepayers varies dramatically by geography? For instance, those in rural and regional councils will pay a much higher rate in the dollar than those in inner Melbourne areas. Isn't that the most unjust system for collecting revenue?

**Rhys THOMAS:** I can see an argument that would present it that way. There are two ways to look at rates of course: there is the rate in the dollar, and then there is the actual average rate paid. In many cases municipalities that have a lower average property value would pay a higher rate in the dollar, but it may result in a lower actual amount paid. I would think that most property owners, occupiers and other people liable for rates in Victoria are probably more interested in the number with the dollar sign in front of it than they are the number that is the rate in the dollar.

**Bev McARTHUR:** I will give you some. Take the Buloke shire, for example, compared to, say, the Stonnington municipality. A property of, say, \$1 million would attract – and this was a few years ago, I think – \$1000 in rates in Stonnington. A million-dollar property in Buloke would be \$6000. The budget of Buloke would be \$25 million, which would be the budget that Stonnington would receive from pet registrations. So clearly municipalities outside the inner urban areas have great capacity to not actually levy high rates in the dollar on their constituents because they have got a much more concentrated population, and their ratepayers are clearly much more advantaged than those out in the disparate areas. Isn't that something you are interested in?

**Kathryn ARNDT:** We have certainly given evidence to a parliamentary inquiry back in 2018 on the Environment and Planning Committee inquiry into rate capping which said something along those lines. What we actually said and tabled at that inquiry was that while a single rate cap for all councils may be easier to administer, it ignores the broader picture of the rate effort in council revenues and the socio-economic status of various councils, and we recommended that alternate measures may be more appropriate.

**Bev McARTHUR:** Shouldn't everybody in Victoria pay the same rate in the dollar? Every other tax is the same rate in the dollar.

**Rhys THOMAS:** To use the example that you cited, the system that you are proposing would see the small number of property owners in Buloke shire who own million-dollar properties – and I imagine that they would be some of the most valuable properties in that shire – paying the same rate as what would probably be a fairly modest small townhouse or apartment in Stonnington shire at that same value. There are different ways to look at it, but I think if we move to a single rate in the dollar across all of Victoria, we might see some pretty significant inequities indeed.

**Bev McARTHUR:** Compliance costs – and you did mention that you might be rolling out the mandatory training that has now just passed the Parliament. I asked the minister in committee: was the government going to pay for all this? Of course no. So ratepayers are going to be burdened considerably with these extra compliance costs that state government are imposing on local government: mandatory training of councillors, the whole aspect of how we manage councillors. If the government want to roll out these programs, should they pay for them or should ratepayers?

**Kathryn ARNDT:** The reforms that recently were enacted in Parliament were developed in consultation with the local government sector. There is recognition across the sector, across councils themselves, and perhaps it was heightened by the fact that this term of council were elected in COVID in lockdown and they were not actually able to engage with each other in a way that previous councils may have been able to. We have seen a number of monitors put in place in councils –

**Bev McARTHUR:** Should the ratepayers have to pick up that bill as well?

**The ACTING CHAIR:** This will be the last question, Mrs McArthur.

**Kathryn ARNDT:** There are significant costs associated with that.

**Bev McARTHUR:** \$125,000 in Geelong, for example, and they are still ongoing – with a \$500,000 CEO.

**The ACTING CHAIR:** Mrs McArthur – just to close off there.

**Rhys THOMAS:** We are recommending today that the government should invest in supporting the sector in the delivery of that induction training and ongoing professional development for mayors, deputy mayors and councillors. So yes, we would see a role for the state government in funding that. It is hoped, of course, that the reforms can be successful and reduce the burden on the sector for the need for appointment of municipal monitors for councillor conduct matters at various different levels of that process and of course the very rare commission of inquiry and administration costs that have unfortunately affected a couple of councils in this last term.

**Kathryn ARNDT:** If I might just make one more comment, communities should really be demanding that their elected representatives at the local level undergo ongoing professional development. Councils have very distinct and wideranging responsibilities under legislation. They are basically elected to govern multimillion-dollar businesses that employ thousands of staff and deliver, as we have talked about, very critical services. So it is important that those elected representatives have the opportunity to engage in professional development that will allow them to be as successful as they can be in fulfilling those responsibilities.

**Bev McARTHUR:** Well, those rules have been weaponised to actually attack people who have a different point of view.

**The ACTING CHAIR:** I am sorry, Mrs McArthur, you are out of time. Our colleague Mr Mulholland is waiting. I will throw to you, Mr Mulholland.

**Evan MULHOLLAND:** Thank you, Acting Chair. We have seen some stories about maternal and child health services delivered by councils, with some councils saying there is a shortfall in funding and they do not have the resources to address staff shortfalls, particularly in growth areas. Do you believe that local government is the appropriate entity to deliver maternal and child health services at the local level, and what constraints do you think that this issue is having on the local government sector?



**Rhys THOMAS:** Maternal and child health services have always been delivered by local councils. In fact their origin is in local government. The community satisfaction surveys which get run consistently or have been done for many years – and the last one was released just last week – show that maternal and child health services are very highly valued by members of the community, rated as very important, and pleasingly there are very high satisfaction rates as well. I think the short answer is, as we have said consistently this afternoon, it is for communities to decide what services local governments should deliver, and communities have consistently and loudly said that maternal and child health services should be delivered by their trusted local councils.

**Evan MULHOLLAND:** Okay. And just expanding on that, just to talk about grants, do you think local government grants should be delivered as a form of more united funds rather than requiring councils to apply for individual grants and programs here and there? Should the state government perhaps establish a program where funding is allocated to councils for them to determine how best to use those funds, such as child care or other services that councils deliver?

**Kathryn ARNDT:** I think that, again, this is a conversation that the state government needs to have with local government. It forms one of the recommendations that we have presented today, and that is that the two sectors have to sit down together and work out what will be the most effective funding model to allow councils to protect their financial sustainability but deliver those essential services. If I could just take on notice, we cannot present a detailed model of what that might look like, but I think it is absolutely worth exploring and needs to be part of that conversation.

**Evan MULHOLLAND:** Are there any particular services that councils have to deliver that are causing the most strain on council budgets, whether it be waste or child care or maternal and child health? What would be the most pressing?

**Rhys THOMAS:** I think that is probably a question that our friends at FinPro will be able to answer, and I think you are talking to them this afternoon. It would be a great question to ask them. But clearly the ones that are front of mind for councils at the moment are aged care, which is a significant expense and going through a significant restructure, and the collection of household waste. The fact that the waste levy just a few years ago was \$65 I think in 2021 and is now \$169 this year for councils to dispose of waste per tonne, and overlay that with the mandatory introduction of a four-bin collection system, which means in most cases four trucks going down streets throughout the bin collection rotation system and all the training, education for the community and everything that goes along with it, are pretty significant changes to what for many is a fundamental council service. Those two areas of aged care and waste are probably the two most significant front-of-mind cost shifting matters right now. But I could list the 140 council services, I think, and we could probably find examples of cost shifting in all of them.

**Evan MULHOLLAND:** And are you concerned at all about – not the infiltration but the emergence of the CFMEU in local government waste service delivery and the effect that that might have on costs?

**The ACTING CHAIR:** That is the last question by the way, Mr Mulholland.

**Kathryn ARNDT:** Look, I do not really think we can provide comment on that.

**The ACTING CHAIR:** Okay. There will be time for other questions, if you would like, when we come back around, Mr Mulholland. I think where you left off at the end of Mrs McArthur's questioning was talking about good governance and how councillors are, like all of us, here to represent and serve community. I just want to touch on how you are assisting councillors and councils to set up and deliver those good governance practices.

**Kathryn ARNDT:** Well, in a variety of different ways. The VLGA has for many years been involved in delivering, in partnership with councils, candidate training in the lead-up to elections, because we believe absolutely strongly that the capacity and understanding of those individuals who are considering – you know, it starts there. It is almost the whole life cycle of the councillor, from their candidacy to their end of term. They need to be made aware of what the responsibilities are of a councillor, what the responsibilities of a council are and what the role of a council is. We talked in our presentation about the need to educate the community on those as well, because unfortunately the actual process of getting elected as a councillor at times almost contradicts the fact that as a councillor, once selected, you represent the interests of your entire municipality. So where you may have run a campaign based on a single policy issue for a particular cohort of residents, in fact

with that single policy issue you are part of a group that has to vote on that as a collective and you have to consider the council's community plan, budget and strategic plan. You need to consider that for not just your ward but the whole municipality, so that education piece is critical, not only for the candidates but also for the voters.

Then comes the actual election. Of course we have a system of local government where one of the very first things a newly elected group of councillors have to do is elect their mayor, and it will probably be, just given the timings this year, within one or two weeks of the election being declared. So potentially a group of individuals comes in, having not worked together before and not really knowing each other, and elects the leader of that council, the mayor, who has significant responsibilities under the Act as well in terms of how that group operates as a collective. So we offer support and training for councils on the role of the mayor, what that looks like and what they should consider and then ongoing training, which starts with the induction.

It is really important again to be working with these new councillor groups to talk about how they want to work together, respectful decision-making and what their role is as well as the nuts and bolts of how you understand a strategic plan and a budget and some of those very technical skills. But then we are providing thought leadership and ongoing professional development throughout their term, so bringing them in to hear from experts and speakers and thought leaders not only who work in the local government sector but who talk about the issues that councillors have to consider when they are making decisions. So we are the Victorian councillor support network, and we are there to support councillors along their journey to help them be the best that they can be.

**The ACTING CHAIR:** And where there are challenges, how do you step into that space?

**Kathryn ARNDT:** We are often asked to come in by councils – and we find the third year of the term seems to be when council groups are getting a little fatigued – to work with the mayor and the councillor group on how they want to revisit what they talked about when they were first elected, how they want to work together and how they work through some of those difficult, controversial decisions that they have to make. We have talked a lot about this with the state government as well, and for some of those softer skills, training is really important.

**The ACTING CHAIR:** All of us will be mindful of that third year; we are approaching that soon in this term. Just on the point of leadership and coming back to that leadership for community – as you said, so many services and business functions are provided – to that leadership-specific point for councillors, mayors and deputy mayors, what do you do in that space? Have you got much engagement in that space?

**Kathryn ARNDT:** In terms of providing –

**The ACTING CHAIR:** Yes, that understanding of leadership and setting up particularly mayors and whatnot to be leaders for their communities and other councillors – just understanding that and executing that.

**Kathryn ARNDT:** Yes, absolutely. We do that as part of the training and support that we provide. Under the reforms that have come through there will be a model code of conduct, but it is ultimately the mayor that is responsible for overseeing the implementation and the upholding of that model code of conduct. So we provide training on what that looks like and how they can do that. We also provide a confidential advisory helpline where we often get calls from council staff, governance and elected representatives just to talk through some tricky governance issues. We believe that early intervention and support in a non-confrontational way often has better outcomes than if an issue escalates and gets to that councillor conduct panel process, which is also under review at the moment.

**Rhys THOMAS:** I think one of the things in the recent reforms to the Act that the VLGA has probably welcomed more than anything else is the introduction of induction training for mayors and deputy mayors so that we or our friends in other organisations can assist councils with equipping mayors to take on that leadership role. VLGA has been active in that space for many years with our signature FastTrack program, which many councils and certainly many mayors across Victoria have participated in, and that is to enable councillors to step up from a role as a councillor into the role as a leader of the councillor group. That is very challenging in the very first year, particularly when you get councillors who step in to the mayoral role in their first year of council, and we work very hard in that space to equip our leaders to be able to demonstrate community leadership as well as leadership within their councillor group.

**The ACTING CHAIR:** Thank you both. We have enough time for members who want to ask extra questions – a couple of minutes for questions. Ms Mansfield.

**Sarah MANSFIELD:** Thank you. You mentioned that one of the key recommendations was about addressing workforce parity. I guess I am keen to understand a bit more about why that is important and what the consequences of not addressing workforce parity might be.

**Kathryn ARNDT:** Are you referring to the skills shortage? I am just not entirely clear on the question.

**Sarah MANSFIELD:** I think it was one of the recommendations you outlined at the start. I think it was about a skills shortage but also making sure that we get the best people working in local government and we can attract them.

**Kathryn ARNDT:** Yes. That was related to the issues of the financial burden of councils and their ability to attract and retain staff. I do believe that Local Government Victoria is working with LGPro on that issue at the moment. The VLGA is not involved specifically in that working group looking at the skills shortage and ways in which to address that, so I guess I would have to take that question on notice.

**Sarah MANSFIELD:** No problem. Thank you.

**The ACTING CHAIR:** Thanks, Ms Mansfield. Mrs Broad.

**Gaëlle BROAD:** Thank you. I am just interested – the cost shifting issue does not seem to be being addressed; we have heard that today. If local councils are experiencing financial challenges, where do they go for help?

**Kathryn ARNDT:** Under the current rate cap policy there is an opportunity for councils to apply for a rate cap variation to the ESC. Now, since the introduction of the rate cap policy I would say only a tiny number of councils have actually done that. I do know that when I caught up recently with the chair of the ESC she mentioned to me that they had not received any applications from councils for a variation and therefore things must be okay financially for the sector. I did explain to her that actually I would not use that as a measure because the process of applying for that variation is so cumbersome and burdensome and to move it just ever so slightly really does not do anything to address the issues or constraints that that council is facing.

**Gaëlle BROAD:** Okay. I have heard that people are struggling to pay rates. I know in Bendigo the incidence of people not being able to pay has increased. So you feel that councils are under financial pressure but it is just not being reflected in the mechanism that is available?

**Kathryn ARNDT:** Yes. Again, we would question the mechanism that is available. I think there absolutely is a role for the state government to look at other ways in which it can support and fund the local government sector. Local government is a creation of the state effectively through the *Local Government Act*. There needs to be recognition of the two sectors working together. As I said in here, if councils stopped delivering services, the communities who have asked for them would still want them, and then who is going to deliver those services?

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

**Bev McARTHUR:** Thank you, Chair. The government, without consultation with the local government sector, is rolling out recognition and settlement agreements and imposing them on local municipalities. Should that have occurred without consultation?

**Kathryn ARNDT:** I could not provide comment on that specific example; I am not aware of that. There is the Victorian Aboriginal and local government strategy, which local government is represented at, so I am not sure if –

**Bev McARTHUR:** These are totally different. They are the agreements that have been negotiated with certain groups of Indigenous communities –

**The ACTING CHAIR:** I am not sure if this sits within the terms of reference.

**Bev McARTHUR:** But it is a cost issue. These agreements have been negotiated and now imposed on local government. Local government will have to implement these agreements, which require them to negotiate about road names, roadworks, roadside vegetation, employment opportunities – they get first priority et cetera, et cetera – waterfrontages and so on. This is a whole new area of activity that is being imposed on local government but without any ability for them to pay.

**The ACTING CHAIR:** You have 30 seconds, Mrs McArthur.

**Rhys THOMAS:** I do not think we are in a position really to respond to that without understanding –

**Bev McARTHUR:** Perhaps you could look into it, because it is a major issue for local government, especially in rural and regional communities.

**Rhys THOMAS:** Some of those things you mentioned I know councils are already doing, but without any further understanding –

**Bev McARTHUR:** These are actually negotiated agreements.

**Rhys THOMAS:** we could not understand what the implications would be for councils. Thank you.

**The ACTING CHAIR:** Okay. I was going to go to Mr Mulholland. Mr Mulholland, did you want another question?

**Evan MULHOLLAND:** I was keen to just expand on your point about aged care and aged care funding being a significant expense that is being borne by local government. What do those costs look like? You might want to take it on notice, but in terms of dollar figures, on average how much more would aged care be than, say, waste services in terms of the contribution to the budget?

**Kathryn ARNDT:** I could not provide you with a specific figure, but some of the costs associated with the changes to the federally funded aged care services have been for councils the costs associated with the enterprise agreements and the transfer of their workforce or offer of redundancies to a workforce if they have had to make that decision not to continue to provide the service. That has had significant community backlash as well as staff backlash and the cost of consulting with the community around the fact that the council might need to consider exiting the service because they are no longer funded to deliver it in the way in which they had been before – or then alternatively the decision for councils to continue to provide the service but the cost of doing that in a funding model that has changed and is less.

**The ACTING CHAIR:** Great. Sorry, go on, Mr Mulholland.

**Evan MULHOLLAND:** A quick one. I think Ms Broad touched on roads, but I know in my community, particularly in the outer northern suburbs – it is constantly raised in places like Beveridge and Wallan, in regional towns that are becoming much more outer metropolitan towns – councils are struggling to keep up with the amount of road maintenance issues. In terms of a policy solution to that, in what way would you recommend road funding be delivered to councils?

**Kathryn ARNDT:** That is probably outside of the scope of the VLGA to comment on here, but I am happy to have a look at that and come back to the committee.

**Evan MULHOLLAND:** Okay.

**The ACTING CHAIR:** Thanks. I think we are nearly done, but Mrs Broad had another question.

**Gaelle BROAD:** Yes. Thank you. I am just interested in your thoughts if you could speak to rural and regional councils, as opposed to metropolitan councils, because we know rural areas do not have the parking meter revenue and that sort of thing. What do you think of that challenge? Can you speak to what you are hearing from members?

**Rhys THOMAS:** Well, I suppose one of the challenges for rural and regional councils is that they are more heavily dependent on federal grants than their metropolitan counterparts. So there are a number of rural councils where the rate collection proportion is down around 50 per cent rather than the 70 per cent or even

higher than you might find in metropolitan Melbourne. That means that the pause in federal assistance grants that happened in about 2017 had a very significant impact on some of those rural councils, particularly the smaller ones, and the communities also have probably, as you pointed out, a lower capacity to raise revenue from other sources – parking meters obviously, parking infringement notices or leisure fees for facilities, where their local pool may be the river. It is a very different operating environment. Unsealed roads are very different to maintain than sealed roads. Drainage is very different. The impact of natural emergencies and disasters on rural communities is very different to what we experience in Melbourne. That is why we think that it is important that councils should define with their local communities what their core focuses are and what their services are and should be funded in a way that is untied, to enable the councils and their communities to determine where best to invest the money that they do have.

**The ACTING CHAIR:** Thanks, Mrs Broad. Yes, I think on that point we heard earlier today that the impact of that pause on indexation has had an effect of \$70 million.

**Rhys THOMAS:** Seventy million dollars is what Local Government Victoria tell us – and growing.

**The ACTING CHAIR:** Yes, and given that rural councils receive 45 per cent of that – I think the figure was \$31.5 million every year that they are missing out on because of that impact, and it is growing every year.

**Rhys THOMAS:** That is right. Every one of those small municipalities has got a \$1 million hole in their budget each and every year.

**The ACTING CHAIR:** Yes, every year.

**Rhys THOMAS:** When you think about what could be done with that \$1 million, you start to understand the impact on those communities.

**The ACTING CHAIR:** Yes.

**Bev McARTHUR:** You probably have the state government enforcing more and more programs on them as well.

**The ACTING CHAIR:** It is a significant impact. Okay. I would like to close the meeting if everyone is happy. I would like to thank you both for attending, your submission, your presentation and taking questions so thoroughly and well. Thank you very much.

**Witnesses withdrew.**