

TRANSCRIPT

LEGISLATIVE COUNCIL ECONOMY AND INFRASTRUCTURE COMMITTEE

Inquiry into Local Government Funding and Services

Camperdown – Wednesday 7 August 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

Jim Nolan, Chief Executive Officer (*via videoconference*), Pyrenees Shire Council;

Mark Eversteyn, Chief Executive Officer, and

Ed Small, Director, Corporate and Governance Services, Moyne Shire Council; and

Andrew Mason, Chief Executive Officer, and

John Brockway, Manager, Finance, Warrnambool City Council.

The CHAIR: 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 pay 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 also welcome any members of the public watching by the live broadcast or in the public gallery today.

To kick off we will just get committee members to introduce themselves. We have obviously got a hybrid arrangement, so we will start in the room with Mrs McArthur.

Bev McARTHUR: Bev McArthur, Western Victoria Region.

Sarah MANSFIELD: Sarah Mansfield, Western Victoria Region.

The CHAIR: Georgie Purcell, Northern Victoria.

David DAVIS: David Davis.

John BERGER: John Berger, Southern Metro.

The CHAIR: And on the screen.

Gaëlle BROAD: Hi. Gaëlle Broad, Member for Northern Victoria.

Richard WELCH: Richard Welch, Member for North-Eastern Metro.

The CHAIR: Wonderful, thank you.

Thanks for appearing before us today. 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. You will be provided with a proof version of the transcript, and then transcripts will ultimately be made public and posted on the committee's website. For the Hansard record, could you all please state your full names and the organisations you are appearing on behalf of. We might start with Mr Brockway.

John BROCKWAY: Thank you. John Brockway, Warrnambool City Council.

Andrew MASON: Andrew Mason, CEO, Warrnambool City Council.

Mark EVERSTEYN: Mark Eversteyn, CEO, Moyne Shire Council.

The CHAIR: And on the screen.

Jim NOLAN: Jim Nolan, CEO, Pyrenees Shire Council.

The CHAIR: Wonderful, thank you. We now welcome your opening comments but ask that they are kept to around 10 to 15 minutes just to ensure plenty of time for discussion and questions.

David DAVIS: Five minutes each?

The CHAIR: Break it up however you see fit. Do not worry if you go over a little bit – it is fine.

Andrew MASON: Thanks very much. It is fantastic to see the committee in country Victoria and in Camperdown, and I was acknowledging my former councillor Bev MacArthur. We spent many nights in this room in the council chambers.

Bev McARTHUR: Too much information, Andrew.

Andrew MASON: I am now at Warrnambool City Council, and Warrnambool City Council is a regional centre with a population of about 37,000 people but supporting a regional population of 120,000. As such, we face some unique financial challenges, which we will elicit today. Before I hand over to Mr Brockway, our manager of finance, I thought that I would talk a bit about some cost-shifting issues, and I want to focus on some current issues that we are grappling with. Warrnambool City Council, as with other councils, is dealing with the traditional cost-shifting bugbears, which are that school crossing supervisors used to be a 50–50 split of funding – it is now 80–20. We should be getting an extra \$200,000 a year if it was brought up to a 50–50 split. Likewise, libraries – it is costing us \$2.1 million a year to run our library service. We should be getting an extra \$400,000 a year from the state government if it was a 50–50 split. Maternal child health services – again, a net cost to council of over \$300,000.

What I wanted to do was also talk about some very recent and annoying examples of cost shifting, and the first is – I think it has already been mentioned today – the central immunisation records. We were notified by the Department of Health of this change on 30 July. That in itself was annoying because we had already set our budgets. This is an IT system that we have to use. We do not have a choice to avoid it. The department is highly resistant to any discussion around user charges to recover that cost, and the cost to council is an additional \$35,000 per year.

David DAVIS: That is in total, or that is the –

Andrew MASON: That is the additional cost, the software cost.

Bev McARTHUR: Does that include the two dollar –

Andrew MASON: That is a flat charge of \$6000 plus the \$2000 per jab or injection or immunisation costs – we are estimating about \$35,000.

Another example is the recent waste charges that were mooted that mean that council would no longer be able to do street sweeping and public place rubbish collection – a cost to council of about \$2 million if implemented. It has been put on hold, but a cost to council of \$2 million. Of note, out of that 164 bins are located on state government Crown land at a cost to collect every year of \$200,000. There has been no discussion. The state government has been silent on what would happen to those bins in the event that the waste charges were implemented.

David DAVIS: Which bins? I am just trying to visualise which bins these are.

Andrew MASON: This is rubbish bins down on the foreshore at Warrnambool, bins at recreation reserves, but predominately in our coastal reserves.

Bev McARTHUR: Which are Crown land.

Andrew MASON: Crown land, not council land. But we are currently servicing and collecting those bins through our waste charge.

The other example that I would like to bring forward is the recently announced kerbside collection standards that the state government has announced. There was a regulatory impact statement included as part of these reforms, which failed to mention any real cost. The modelling that was used in the regulatory impact statement totally fails to recognise that if you have opt-in and opt-out green bins, that is going to mean the cost of a contractor picking up those bins is going to go up, and it also fails to recognise the regulations, so the council have to employ – or check the people who have opted out are doing the right thing with food and green waste recycling. Does that mean, for example, that I am going to have to employ someone to go and do a chook patrol to make sure that people have got chickens to manage their food and green waste? It is just another example of state government introducing these things with little consultation and just not recognising the cost. I might hand over to my colleague Mr Brockway.

John BROCKWAY: Thank you, Andrew. Cost shifting is happening at an alarming rate, in my experience. I have been in the industry 10 years and have not seen it this bad before. Some examples that we have got in our submission: our WorkCover premium has increased; it has almost doubled from \$600,000 a year to over a million dollars now. That is on the back of an unchanged safety record, so it is purely in the industry rates that that has gone up. Our VEC costs in regard to our election that is coming up have almost doubled.

We have got significant increases forthcoming in the EPA landfill levy, a 28 to 30 per cent increase from next year. For a city like Warrnambool – we have approximately 6000 tonnes of waste that goes to landfill per year – that is going to cost our ratepayers an extra \$1.8 million per year, so that is quite significant. The feedback from the EPA when asked about the basis for the increase has been to align it with the New South Wales rate. I can kind of understand that argument if you are in a border region and you do not want cross-border dumping, but we are not in a border region.

Windfall gains tax is going to have an impact on our social housing and affordable housing projects, so that is something that we need to engage with the government about. There is not a lot being said about that, but if we can negotiate a position, then we can act quicker and more efficiently in providing social and affordable housing.

The rate cap is well below inflation, and it has been for a number of years. There have been no catch-up clauses. It is a blunt instrument. If we look at New South Wales, they have a tiered system of a rate cap, so different rate caps for different areas, and that reflects that costs are higher in regional areas. I am not saying that the ratepayer has to wear the issues, the financial challenges, that council has; there is also something to be said for the state government advocating for a larger slice of the federal assistance grants pie. It is probably across the nation; we need more tax returning to local governments as a whole. We do not want to see it taken off other jurisdictions and given to us, because that will just hurt them.

The fire services levy has been talked about today. That is collected by local government. There are issues in managing that; we do receive a small administration grant back from the state in regard to that. My biggest issue with the fire services levy is that it is something that is on the rates notice that increases far above the rate cap. When we are talking to our ratepayers and trying to explain their rates notice, they are expecting a 2.75 per cent increase in their rates, and they are seeing a much higher number. The reason is because the fire services levy is increasing much higher than the rate cap.

I will leave it there.

Mark EVERSTEYN: Thank you very much. I will just also introduce my colleague Ed Small, our Director of Corporate and Governance, from Moyne shire as well.

Ed SMALL: I apologise for being late. I misjudged the length of time from Port Fairy.

Mark EVERSTEYN: I will start off, and then I will hand over to Ed for some other remarks. Thanks very much for the opportunity to be here today. As Andrew mentioned, we are really grateful that this can happen in Camperdown today. Moyne shire is a region of about 5500 square kilometres and about 17,000 to 18,000 population, predominantly farming, and has major towns such as Port Fairy, Mortlake and Koroit.

To start with the cost shifting from state and federal government to local government, there are a couple of things we would like to highlight, really just some particular examples following on from those at Warrnambool. One we can point to as one of those examples is the emergency management planning, which

has been coming through to us since 2014 at \$60,000 per annum. However, that has not been indexed with CPI. Had that been indexed with CPI, today that would be about \$86,000 per annum. In order to protect those vital services for the community, council and local government need to find those funds.

Another example is our library. The prior funding model had that contribution at about 50–50, and that has now dropped in terms of those support funds down to about 20 per cent. So that gap also been covered by council and local government.

The most dominant issue in Moyne shire is certainly the roads. If you have a look at our customer satisfaction survey, I think we do quite well across most areas. However, roads are certainly the standout, and that has very much been a consistent story over quite some time.

In terms of touching on the ability of local government to meet core services, just on some of those numbers from our customer satisfaction survey, our overall most recent score that was published about a week ago was 60, which rated quite solidly against our peers. Many of our services rated above 60. Things like waste management and those critical services were also very, very strong. However, sealed roads only rated 38 and unsealed roads at 33, and this is well below the state average of 45. So that is absolutely the need in Moyne shire.

Interestingly, when we have a look at our profile of over 3000 kilometres of roads that we manage – we maintain and we build bridges within that as well – we have about 12,500 to 13,000 ratepayers. I think a really interesting metric as we move towards thinking about more effective models to try and strike the best possible balance is that when we look at those metrics it is about four ratepayers per kilometre of road in Moyne. I think that would be a very interesting statistic and metric to look at right across the state, because ultimately those roads need to be maintained. That is not only from a safety standpoint, but also we have seen a lot of new industry come into Moyne. We have been one of the early regions with wind farms and renewable energy. That has brought new heavy vehicles into our region on a regular basis, so we are seeing new pressures put on that infrastructure.

So those are elements when we come then into really important things like the rate capping. While that has led to some real challenges for us, which I will come back to in a moment, by the same token they have been really important to our farmers and ratepayers who are obviously susceptible to the rise and fall of one year to the next. We do understand that balance, but ultimately what we are seeing in our revenue streams versus our costs is about a \$1 million gap opening up on a consistent basis. As a result of that, we are dipping more and more into our cash reserves. We are certainly on a trajectory where not only are we relying on those grants every year out of state and federal means to cover all of our costs to maintain the services, but we are on a trajectory where it is coming to a head essentially. It is a balance at the end of the day; that is really the key message. But roads are where we are not getting it right, where we need to do better and ultimately work together on those solutions. With that, I will hand over to Ed to close out.

Ed SMALL: Thank you very much, Mark. I have got a few other things I would like to touch on briefly, and you probably saw these in the FinPro submission. The principle of minimum grant, which comes from the grants commission, is a useful one to look at. It effectively guarantees the large metro councils a proportion of the funding. Having come out of the metro councils, it is only a very small proportion of their revenue, while it is actually quite a significant proportion of the rural councils' revenue.

David DAVIS: There is a significant equity issue, though, isn't there?

Ed SMALL: There is an equity issue.

David DAVIS: You do not want to argue that metropolitan taxpayers should not get a cent.

Ed SMALL: There is a line drawn somewhere, is there not? There is an overall bucket of money, and how to allocate that bucket is always the challenge. I mean, the minimum grant itself is a construct. It is a principle that we are talking about.

Also, there is a strong understanding in local government in the rural areas: it appears that they regard themselves as a provider of last resort. The argument with swimming pools is utilised periodically. It costs a lot to provide a swimming pool and a lot to maintain it, but they are certainly a key asset of the community which

we do not feel we should move away from. But alternatively the amount of money required to sustain them is very, very hard to find. Those elements of equity across the whole Victorian community are part of the discussion. Other than that, I feel our paper summarises the submission we wanted to make. Thank you.

The CHAIR: Thanks very much. Jim, did you have any remarks?

Jim NOLAN: Thank you, Madam Chair. Thanks for the opportunity to speak to the panel and the submission this afternoon. I guess just from a Pyrenees perspective, Pyrenees is small rural council with around about 7500 residents and an area of about 3500 square kilometres. Roads and road maintenance is one of the core services that council delivers, with about 2000 kilometres of roads and around the same number of major culverts, and about a third of our budget is actually spent on maintaining, managing, renewal and upgrade of our roads and road-related assets.

Pyrenees is very susceptible to natural disasters, and this is a significant risk to our financial sustainability. We have incurred major floods and bushfires – floods in 2011, 2016 and 2022 and major fire events in 2019 and 2024 – and then significant periods of drought during the millennium drought and then in the early 2020s. The response to and recovery from natural disasters have effectively really impacted now on our bottom line and put at risk our sustainability.

Certainly the recent changes to the DRFA guidelines have made it very difficult for the council to recoup all reasonable costs associated with the restoration of essential public assets. The administration process associated with claiming eligible costs is really challenging for a small rural council. We maintain that it is actually small rural councils that are disadvantaged. The nature of the disasters that we have incurred – in the 2022 flood event, for example, there were around 1000 sites that were impacted by that flood, and the cost to collate and administer and provide the appropriate level of evidence to support claims for any one particular site, whether it be \$10,000 [Zoom dropout] or half a million worth of damage, it is pretty much the same. As a result of the frustration in the claims process we have actually reduced the number of affected sites from that flood event to just over half, and we have effectively agreed to wear the cost associated with maintaining and renewing those affected sites that are of a smaller value because they just do not fit with the administration associated with making those claims. In any case, council's officers have presented to a separate inquiry, in respect of natural disasters, and I perhaps will just make reference to that, but it certainly puts our bottom line at risk.

There are a few other things that I will perhaps just reference, picking up what has already been said. As far as rate capping is concerned, Pyrenees was one of the few councils that actually applied for a variation. In the first two years, we applied for a variation to the rate cap in order to raise funds to renew our road assets, and that was on the basis that our funding was not sufficient to be able to renew our assets at the rate that was necessary. We have not continued to seek a variation beyond those first couple of years, essentially because the cost to actually prepare a variation and the challenges associated with a variation were, we believe, unreasonable. Apart from that, rate capping and removing the rate cap is not necessarily going to solve our financial sustainability issues.

Essentially, what Pyrenees requires is direct and untied additional grants, whether that be through the federal assistance grants or some other direct grant from the Commonwealth or the state. I expect it would be reasonable too from the Commonwealth. Certainly the federal assistance grant formula has regard to a number of factors that factor in some of the matters that present small councils at a disadvantage, which are a dispersed population, a large asset base, low population numbers and our inability to raise revenue have all been factors that need to be considered in the distribution of any government grants. The benefit of a direct, untied grant is that it enables councils to be able to plan for the long term when it comes to the renewal of assets and the provision of services. To that extent other funding programs – which have been very welcome and which we now intend to rely on – are the rates recovery fund, acknowledging that there was an increase in funding effective from the start of this financial year. Effectively federal assistance grants and rates recovery become bread and butter for council in terms of being able to deliver those core road renewal and reconstruction projects.

In terms of operating grants from the state government, there has been some reference to maternal and child health, to libraries and to emergency management. I will perhaps just mention that that is a factor for Pyrenees. In the case of libraries, our support from the state is approximately \$123,000, and that amount has remained unchanged for the last three years. I do not know the exact percentage of our total expenditure for libraries, but

it is [Zoom dropout] below 50 per cent of the cost to operate our libraries. We have a library at both Beaufort and Avoca. They provide a range of services; they are visitor information centres as well as libraries and provide a number of other social and other services to the community. But the non-indexation of that grant is a concern for council, as has been mentioned by other parties to this hearing.

In respect of the ability to obtain capital grants, there are some challenges in that as well. Some of the considerations there are the timeframe actually between lodging an application, securing the grant and being able to deliver it. We have seen in recent years significant cost escalation in the cost of delivering projects. The need to provide matching contributions makes many grant applications non-viable from a Pyrenees perspective because we do not have a lot of contributing funds to be able to undertake these works. In recent years with the federal LRCI program, we found the flexibility in that program to be able to use those funds to match Victorian government funding programs has been really beneficial. I will just give an example of one of those –

The CHAIR: Mr Nolan, we might just have to keep it to 1 more minute, if that is okay, just so we can get to questions.

Jim NOLAN: I will just make mention of one specific thing to Pyrenees that may have not been mentioned, and that relates to valuations. During the 2023–24 year the valuer-general appointed a valuer and valued our properties across the shire, and there was a shortfall – well, the valuations needed to be adjusted. There were an unusual number of appeals from ratepayers. Those appeals were found to be [Zoom dropout], and as a result council is required to pay back about \$100,000 worth of rates to ratepayers because of the inappropriate valuations that were attributed, and that is revenue that council does not get back, and it also impacts our starting position for the next financial year. The result of which was that instead of an increased rate cap of around 2.7 per cent, which was intended by our council, the effective rate cap for us in this financial year is about 1.7 per cent. So there is a loss of revenue not only in the year which those valuations were inaccurately attributed but it has a compounding and ongoing effect on our revenue. I might just leave it there. I am happy to answer any questions.

The CHAIR: Thanks, Mr Nolan and everyone else, for your remarks. Members, we have about half an hour. Mr Davis needs to take off, so we are going to start with him.

David DAVIS: I apologise. I have got to go to a Jewish function in the city, so I am going to leave in a couple of minutes, but I just had three quick points. The first is I have been asking councils for a time series on libraries, maternal and child health and arts and cultural funding to look at state funding and what councils have been putting in. I think that long-term chain is actually quite important, so I would certainly appreciate if you could do that as an on-notice question. The second one is country roads and bridges. That program, in my experience, was well received by country councils, and I wonder what your response is to that successively. Finally, perhaps first before I go to Andrew and John with the new immunisation levy, tax – whatever word you want to call it –

Bev McARTHUR: Jab tax, Mr Davis.

David DAVIS: Tax. I am open to the exact word, but ‘tax’ is a three-letter word that is a bad word. Does this provide the right incentives and encouragement to local government to partake in immunisation programs, or does it discourage councils from delivering immunisation programs, as indeed we heard from another council before?

Andrew MASON: It is a bad thing. It will not necessarily force us out, but it will certainly make us review it, and I have already started a conversation with the department around maybe we need to look at a user charge for immunisations, which seems to be totally counter to the whole idea of having public health immunisations.

David DAVIS: Aiming, for example, for 95 per cent for children immunisation rates.

Andrew MASON: Yes. Of course.

David DAVIS: It is counterproductive. I will leave you to make something about country roads and bridges as the other point.

Andrew MASON: I will leave the country roads and bridges to my colleagues because as a regional city Warrnambool was not eligible.

Mark EVERSTEYN: Thanks for that question. We have certainly enjoyed those grants that came through in recent years. It has really unlocked a lot of overdue works. We have just come out of our most recent financial year being able to, pleasingly, report to our community that an extra three and a half million dollars worth of works were completed compared to the year before, and it was by far our strongest rate of completion against that plan for quite some time. So we had a jump from 70 per cent to 92 per cent of targeted completion. That was on the back of working smarter and really applying those funds in the most effective and efficient way that we could.

David DAVIS: I think the program finished in 2015, the formal program.

Mark EVERSTEYN: Probably the key point I would like to just highlight –

Bev McARTHUR: Labor scrapped it.

Mark EVERSTEYN: I think the key point I would highlight there is we know that in terms of our need for roads we are only keeping up with about 80 to 85 per cent of the need, so that means every sixth or seventh year or two or three months of the year – pro rata – there are no roadworks being completed in that cycle. While additional funds are absolutely welcome and we will always put them to good use, we are a long way from the need, and the gap is getting wider between the condition of those roads and the funding required.

The CHAIR: Thanks, Mr Davis.

David DAVIS: Thank you.

The CHAIR: Members, I just want to note that we have got 25 minutes left, and a lot of people have to leave right on time because they have post-work events. So participating members on the screen, I will do my best to get to you, but I just thought I would flag that I need to prioritise full members of the committee, and we will go to Mr Berger.

John BERGER: Thank you, Chair, and I think I might direct my question to Warrnambool. In your submission you highlighted administering the Great South Coast designated area migration agreement. I am just wondering if you can expand a little bit on that and tell us what that is about.

Andrew MASON: It is a federal program. Warrnambool and the Great South Coast region has been identified as an area of skills shortage, or demand, and so Warrnambool City Council administers the designated area migration scheme, the DAMA for short. That allows employers to apply to recruit overseas workers in designated skill-gap areas, and Warrnambool effectively administers or does the administration on behalf of those employers. Largely that has been used for abattoirs and farm labour jobs to date, but we are also keen to explore opportunities around how we could use it to address skills shortages in the early years sector.

John BERGER: Yes, because we have heard quite a lot today about the skills shortages around the different shires. I suppose, in your experience, what are the greatest? I know the abattoir is one of them, but are there any other higher skill sets that you require for assistance in your shire?

Andrew MASON: I think skills shortages exist across a whole range of sectors in south-west Victoria. Certainly with farm labour and those types of jobs there is a known skills shortage. Early years has been a huge problem for council, given that we operate kinders, and then the health sector both at that sort of highly skilled level but also at other levels within the health sector. We have had a role in doing that. The DAMA, by necessity and by requirement, sets high thresholds for people to be able to access it. It is reasonably costly for employers to access, but we have been hitting 300 or 400 workers. We have a cap on how many workers we can recruit, and we have been consistently meeting that cap every year.

John BERGER: Thanks, Chair.

The CHAIR: Thanks, Mr Berger. We heard from some other councils earlier about the impact of limited maternal and child health services, for example, that they had fears that it would drive families away from those areas and move to areas where there was better access to services. I am aware that there is sort of a bit of

diversity among the three of you in terms of that, but is that something that you have experienced, whether it be maternal and child health or another operation of council?

John BROCKWAY: Warrnambool is in the unique situation where we are a regional hub that is well removed from metropolitan Melbourne. So we actually operate on the other side of that. We offer a lot of community services that other councils do not offer, because we do not have the not-for-profit organisations in the area to provide those services, so we are really a provider of last resort.

Mark EVERSTEYN: I would just add to that. I think from a Moyne perspective we have some frontline services imaging some of those sorts of things in some of the other towns, but we are very reliant as a community on Warrnambool being that hub.

The CHAIR: And people travelling for those services.

Mark EVERSTEYN: Yes, exactly right. It has been really pleasing to see the investment and what has been happening in Warrnambool to save people that longer commute to Geelong and all the way through to Melbourne. We are big supporters of more investment in Warrnambool and maintaining what we have today in those towns that are helpful, particularly for people with young children and older folks. Minimising their travel makes a big difference to them, for sure.

The CHAIR: Thank you.

Jim NOLAN: From a Pyrenees perspective, we have around about 13 small rural communities to service. From a libraries perspective, we have a mobile library service that we take to most of those communities on a regular basis, which is a really welcome service, and it is an opportunity for people to connect through that service. From a maternal and child health perspective, we also travel to the larger of those small communities, so we take the service to where it is most needed rather than expecting that people are going to travel. I suppose it just further highlights one of those disadvantages of a small rural council – the distances that people have to travel for services.

The CHAIR: Thanks very much. Dr Mansfield.

Sarah MANSFIELD: Thank you. I have asked a number of other councils who have come before us today about this issue. I am interested in your thoughts about how the grants process could be improved. Apart from, obviously, maybe there being more funding available, are there other ways structurally that the grants process, which councils are increasingly relying on for revenue, could be improved? I am happy to go around each council.

Jim NOLAN: I am happy to speak to that one. I just refer back to the question from I think it was Mr Davis regarding the country roads and bridges program. From a Pyrenees perspective, I think that was a four-year program, and we received about a million dollars a year for those four years. It was a very welcome grant because it was essentially untied. Council had the ability to be able use that money where it felt it was most needed. It was a very straightforward acquittal process where we demonstrated where the money was spent and we provided evidence that the money was spent on roads, but we had the flexibility to be able to put it where it was needed. That is the sort of grant that we would welcome.

Certainly the challenges that we have are where there are matching contributions. I am aware in some of the recreational capital grants there is a scale of contributions. In the case of small rurals it is a three-for-one grant, for large rurals it might be two for one, and for regional cities it might be one for one. I think there is some recognition of a sliding scale there, which is beneficial, but it still is a challenge for us to be able to come up with that matching contribution.

The other challenge really relates to the reporting requirements where there is a significant amount of evidence to be provided, and also the process and the cost associated with making applications for grants, particularly where they are unsuccessful. We have had some examples of that where we have spent \$15,000 to \$20,000 in preparing business cases and grant applications, which were unsuccessful, and in those cases those grant applications required a two-stage process, so an expression of interest and then we were invited to submit full applications. Despite the fact that we were not knocked out at the expression-of-interest stage and we proceeded

to the full application, the application was still unsuccessful. There is a significant cost in preparing applications, and much of that could be better spent on direct service provision to the community.

Sarah MANSFIELD: Thank you.

The CHAIR: Thanks.

Ed SMALL: I can only really reiterate what Mr Nolan said. The problem with tied grants is it is often very useful to get the funding but it is not quite what is needed to spend the money on in that area. There has been some recent road safety funding, which is really welcome, but we might have wanted to concentrate the money somewhere else had we had the choice. There is the issue of the time taken to put in grants, because quite a considerable proportion were not successful, which is fair enough because there is only a limited pool of money, but there is a balance there somewhere.

John BROCKWAY: I would just reiterate the evidence provided by my colleagues here. I just wanted to touch on the emergency response grants, the NDFA. The evidential requirements are pretty extreme in my opinion. You might have a road worker take a photo of a tree down on the side of the road, but it might be knocked back because he did not take it wide enough and you do not see the tree across the whole road. It is actually very intensive trying to put together one of those grant applications. I had one earlier last year that I was putting together. Thank God, our insurance covered the damage that we had from the storm that we had and we did not need the grant, but it was a significant investment in time.

In other things, sometimes the grants set up expectations in our community. Over COVID it was almost like an open chequebook. We had a lot of grants going in for a lot of different things. And we responded and did things for the community, but that also set expectations in the community. When the grants stopped, the community expected that we would continue to deliver those services. So that makes it difficult in some cases, especially when they were grants that we had not applied for and were sort of just handed to us with an expectation that we would deliver something.

And just to reiterate, the major facilities grants – the cost of a pool these days if you did a greenfield could be anywhere between \$50 million to \$60 million. The ability of council to fund, you know, 25 per cent of that would be really at a stretch, so the grant funding for those major projects needs to be reconsidered, I think.

The CHAIR: Thanks, Dr Mansfield. Mrs McArthur.

Bev McARTHUR: Thank you, Chair. Thank you, everybody, for being here. Can I just acknowledge former mayor but current councillor Jim Doukas from the Moyne shire in the audience and thank councillors Gstrein and Beard for hanging around all day and being part of this important activity – a shame some of the other councils have not participated. But anyway, I am going to go to Mr Mason and ask him about GORCPA, which for the Hansard record is the Great Ocean Road Coast and Parks Authority. Its name is as amorphous as its quango status. I want to know (a) what you think of it but (b) many of us did support the idea of one authority around the Great Ocean Road, but we thought we would get rid of 30 other smaller quangos in the process but that did not happen – they are all still there. So what would happen to the Warrnambool City Council in terms of funding were GORCPA to assume control of Warrnambool foreshore areas, specifically caravan parks?

Andrew MASON: That is a really good question.

Bev McARTHUR: I thought so.

Andrew MASON: Because in some ways if I was totally economically rational, we would look to hand over management of the coastal Crown land foreshore reserves, because we have done some work that has identified that the cost per year for council to manage what is effectively state government Crown land is somewhere in the order of \$1.6 million to \$2 million a year. But we would have concerns around GORCPA's ability to manage and maintain the standard that the Warrnambool community expects.

Bev McARTHUR: They have had trouble managing the lavatory block at the Twelve Apostles, we should add.

Andrew MASON: Yes. The Warrnambool foreshore is maintained at a very high level, which is what our community rightly expects, and we would want very clear reassurance from GORCPA if they were to take over that they would manage to that. I think that is an issue. I think there is a secondary issue in that we all know, having gone through the GORCPA process, that there is a need for an alternative income stream if it is not coming from the public sector. It sounds like car parking has just been ruled out, so I am not sure where the income stream for the parks authority is now going to come from. In that context, I think it would be hugely problematic.

The CHAIR: One more question, Mrs McArthur.

Bev McARTHUR: Can I ask the CEO of Moyne: some time ago you had drovers in the Moyne shire because you have a major issue with roadside vegetation – many rural councils do. But they came across incredible obstacles by VicRoads and the EPA and various other bureaucracies to stop it, yet it was a major service to the Moyne shire because it helped you maintain roadside vegetation, which is a serious problem because these days you cannot burn it, because trees have grown up and we have to keep all of them, because we like biodiversity and wildlife corridors on the roadside. I have never quite worked that out because it leads to roadkill. But how are you managing your roadside vegetation given that it seems almost impossible to get drovers back to help you?

Mark EVERSTEYN: Thanks for the question. We have employed dedicated staff for that in recent times. Also, pleasingly, in terms of the work our crews do each day, just in that most recent community survey we actually rated very highly in that work; we went up on the prior year. In terms of appearance of public areas, for instance, we went to 72 and that –

Bev McARTHUR: But you now have to pay people to manage the roadsides, when previously you could have had drovers doing it?

Mark EVERSTEYN: We do. That is right. Yes. Look, it certainly places that extra pressure. There is no doubt about that. I was at our depot only yesterday morning. Some of those crews now are starting to get ready for the spring – snakes, all those sorts of risks that they now need to deal with – and we are putting our good people on, exposing them to those sorts of factors as well. So they are probably some of the things to think about on top of the costs.

The CHAIR: Thanks, Mrs McArthur. We have got two members on the screen. We will try to get back to you. Mr Welch.

Richard WELCH: Actually I will give my time over to Mrs Broad – if you would like to go first, Gaelle.

Gaelle BROAD: Is that all right, Chair? Thank you very much. Look, I really appreciate you all contributing today. Thank you. The Labor government often talks about free kinder programs, but I am just interested: what is the cost to your councils to help deliver that?

Andrew MASON: I would have to take that question on notice. I think what we are finding is that increasingly the issue with free kinder and three- and four-year-old kinder is, firstly, finding the workforce to deliver those services, and secondly, the capital cost of building and upgrading new kinders, given high inflation in the construction industry has become an issue for us. The Building Blocks grants that are on offer are increasingly not covering the full cost of new or upgraded kindergartens.

Bev McARTHUR: So does that mean three-year-old kindergarten is not free?

Andrew MASON: Well, it is certainly not free to council.

The CHAIR: Thanks.

Gaelle BROAD: Jim, did you have anything you wanted to add to that?

Jim NOLAN: Yes. Thank you for the question. In Pyrenees we do not provide the services directly, they are provided by a service provider. Council provides the facility and the service providers –

Bev McARTHUR: How much does that cost you?

Jim NOLAN: How much does that cost the provider? I do not know how much –

Bev McARTHUR: No. How much does it cost you to provide the facility?

Jim NOLAN: As Andrew said, the biggest cost is in the capital cost, and these are somewhat ageing facilities. I know the state has provided full cost of the extension to the Beaufort facility, but I do not have the actual costs of the original construction at this stage.

The CHAIR: Thank you.

Gaelle BROAD: Can I ask a further question?

The CHAIR: A very brief one.

Gaelle BROAD: Okay. I am happy for them to take it on notice too. I am just interested in state government. You talk about the cost shifting happening at an alarming rate. What sort of communication or consultation has there been by the state government when they are looking at making changes to things like the immunisation fees or the garbage collection? Have you had consultation with the government before they have imposed that kind of cost shifting?

John BROCKWAY: The consultation in regard to the waste fee was a very hastily organised webinar about a day before the announcement. We have just received feedback in regard to the immunisation charge. I think it is 'not much' to 'nil'.

Andrew MASON: What I would add to that is we do seek to work through peak organisations to really bring these issues to light, whether that be the Municipal Association of Victoria, FinPro or other regional groups. There is strength in numbers, and to a certain extent I would be surprised if there is not some sort of campaign against the immunisation charge.

The CHAIR: Thank you.

Jim NOLAN: In respect of the waste and the review of the service standards, that has been undertaken by Recycling Victoria. Currently RV has conducted a number of engagement sessions with the sector on that issue, but in terms of the ministerial guideline that was drafted there is very little consultation on that aspect, and that is one that has got significant impact potential for the Pyrenees.

The CHAIR: Thanks very much. Ms Broad.

Ed SMALL: Can I just add to that?

The CHAIR: Of course.

Ed SMALL: One of the issues with that guideline was that it was coming in six months time as opposed to giving a chance to actually get some feedback and discussion around it. We thought that was an important oversight.

The CHAIR: Thank you. Mr Welch, we have time for one very quick question from you, if you would like.

Richard WELCH: I do not have a quick question – I have only got a very long, elaborate question, so I will put it on notice.

The CHAIR: Okay, fantastic. Well, we might leave it there then, unless – did you want to ask one quick question, Mrs McArthur?

Bev McARTHUR: Yes, why not, Chair? We heard from the Yarriambiack CEO that local government should get back to some core services, and she said that child care has no place in local government, kindergartens should be run by the education sector, maternal and child health should be run by the health sector. Would you agree that local government perhaps should get back to some core services that you perhaps were originally destined to do but the state government – because of their cost shifting and transfer of responsibilities over to you – are just making you a service provider effectively but at ratepayer cost and should resume some of these services that they are demanding that you fund?

Andrew MASON: I think that the situation for a regional city like Warrnambool is different to a small rural – and I would be very sympathetic around that argument. I think that there is often a place for councils to be delivering services, because we can often do it better and more effectively. I think that the issue should be if we are going to do it, we should be funded to do it, and if we are not going to be funded there should be a sensible and mature conversation between the sector and state government around how we transition some of these services back. My experience to date is that it is very hard to have a sensible, mature conversation around handing back services, because it is contested and resisted.

Mark EVERSTEYN: I will just add to that. Thanks for that question, and from a Moyne perspective and that rural lens, if we look at the last four years of the current council term, our rates have increased by 18 per cent compounded but our staffing costs have only increased 15 per cent. So we have been very diligent, I think, to make sure that we spend within our means, and really at the end it does come down to those additional services, those additional requirements, as we have touched on today, to get that done, but I would agree with what Andrew said – I think that local lens in delivering these services, we have got great people with the capability to do that but just finding the right harmony I think at the end of the day.

Bev McARTHUR: You have probably got to learn to say no, too, haven't you, unless you get fully funded?

Mark EVERSTEYN: Indeed.

The CHAIR: Mr Nolan, did you have any comments in relation to that question?

Jim NOLAN: Yes, thank you. I do. Pyrenees, given our situation, we are regularly reviewing what services we provide, and asking the question about whether or not we must provide it, whether there is a need for it and what we can stop doing, effectively. Last year we actually exited the in-home aged-care service, which was really a service that our community loved, and council is very proud of the service delivery there, but for a variety of reasons Pyrenees, like many other councils, ceased that service. It is now being provided essentially by the privates and not-for-profit sector. We are experiencing a number of challenges in our community about an effective reduction in service because of council's exit from that service. We expect if we exited other services, it would be similar, and in many cases council is best placed to deliver services, and if we did not I think there would be some disadvantage experienced in our dispersed population.

The CHAIR: Thanks very much, and that is right on 5 pm, so we will leave it there. Thank you very much for appearing before us today and for your submissions. You might receive some questions on notice from other members of the committee as well, but that concludes the public hearing.

Committee adjourned.