

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

WITNESS (*via videoconference*)

Cr Mary-Ann Brown, Chair, Rural Councils Victoria.

The DEPUTY CHAIR: I declare the hearing open.

Evidence that you give in session here is protected under Parliamentary privilege. If you speak outside, that will not be protected, but you will also get a transcript in the next few days which will enable you to make any typographical corrections or numerical changes that may be required.

I suggest what we might do is just get you to present for perhaps about 10 minutes or so, and then we will move around the different members and ask some questions and respond. You have obviously got the terms of reference, and we welcome your submission from Rural Councils Victoria.

Mary-Ann BROWN: Thanks very much, David. Thank you, members of the panel, for giving us this opportunity.

Rural Councils Victoria is an incorporated body. We represent 34 rural councils across Victoria. Our membership does not include regional councils, so our focus is very much on issues that are relevant to rural areas, many of which are large in geographic size, but often populations are spread quite widely. Our experiences are probably similar to many parts of rural and remote Australia.

In Victoria one in nine Victorians live in rural communities and are served by a rural council. I am a councillor at Southern Grampians shire in the west of the state. In Victoria 38 of the 79 councils are classified as rural. We are responsible for 79 per cent of Victoria's land area and have a combined population of about 836,000, which accounts for about 12.5 per cent of Victoria's population, and we also are responsible for over 60 per cent of Victoria's local road network. This sort of environment represents some challenges for rural councils in terms of meeting the needs of their communities. We have a lot of infrastructure, we have got widely spread communities and – I will touch on this in a minute – we have got limited funding sources. So we often have small rate bases, and we also have little access to other sources of income, unlike some of the larger metropolitan councils, which can raise significant funds through things like parking fines and parking income. Those are probably the challenges.

I would also like to say that rural Victoria is a significant contributor to the national economy. For instance, in 2021–22 the gross value of agricultural production reached a record high of \$20.2 billion. That is Victoria's contribution, and Victoria's agricultural production accounted for 23 per cent of Australia's gross value of agricultural production. Victoria is the second-largest agricultural producer after New South Wales, which is just ahead of us on 26 per cent. So the economic contribution of our communities is significant both in the state's terms but also nationally.

The financial sustainability of local government is a pressing issue for our membership. As some of you may recall, in 2017 KPMG conducted a piece of work on behalf of the state government which identified that there were 13 rural councils who were facing significant financial pressures, and that situation has probably not changed – in fact it has probably worsened. We are seeing communities looking more and more to local government for services. We are dealing with ageing facilities. Also, our communities probably bear the brunt of natural disasters, and on top of that we have seen significant inflationary pressures that are pushing up the costs of construction and maintenance. This situation does need to be addressed, and we really welcome this inquiry to look at what can be done to support local councils to continue to deliver for their communities. In many cases local councils are the biggest employer in rural communities, and they are probably the largest provider of services as well. Our communities, probably more so than the metro and regional councils, in regional areas, look to local government to provide services because we probably seem to be more accessible and responsive in many respects.

Having said that – and I am probably not telling some of you who are sitting around the table; I notice former council colleague Bev McArthur there – rural Victoria is an amazing place to live, work and visit, and we have certainly seen the impact of tourism, which has been very positive, the growth, over a number of years, which has supported our communities. But it is important that we ensure that councils have the resources to ensure that they can keep their communities vibrant and thriving. In 2022 Rural Councils Victoria commissioned a

piece of work to look at alternative sources of income for local government, and SGS Economics did that research for us. They looked overseas and also across the country, and basically there is no silver bullet for rural councils. That report is available on our website. One of the other things they did comment on was that they found that local governments are on the whole efficient organisations that generate great value for their communities and still manage to continue to deliver high-quality support to their communities despite financial pressures. My council just had a meeting this morning to adopt our budget, and we have certainly in the process of developing that budget been looking at areas where we can be more efficient and reduce costs. We just had a briefing on a service review, and this is an ongoing process for local councils to see if they can deliver better value with the resources they have available to them.

The other significant piece of research was conducted by the Grattan Institute last year, and this report, *Potholes and Pitfalls*, looks particularly at road funding. But what they found was that there is not enough funding in the system from state or federal governments. I am sure the committee is aware that the federal government has also got an inquiry into local government financial sustainability. We made a submission to that inquiry and have asked for the opportunity to speak to that as well. All credit to state and federal governments, at least the issue is on the radar. What we did, in part because we knew this inquiry was coming and also that one, was a survey of our members. Just getting back to the Grattan report, basically they found that tied funding or grant funding is a drain on resources for the councils, that many grant programs have rules or guidelines that are inflexible and that funding levels from government have not kept pace with actual local government costs – and I have touched on that already.

When we did the survey of our members, the sort of response we received from them is that none of them were in an excellent financial position. About half said their financial position was average, while a further quarter said their situation was poor, and over half of our members responded to that survey. They also indicated that basically councils cannot be expected to continue with underlying deficits without a deterioration in cash and/or infrastructure. I believe that today you also heard from FinPro, which is the organisation supporting finance professionals in local government, and I am sure they would have been saying the same thing. What we are seeing is that increased expenditure, demands for infrastructure and limited revenue sources are amongst the top three funding challenges for local government. The top one was rate capping. Having said that, probably the issues with rate capping for rural councils are that it is a lengthy and costly process to go through without a guaranteed result. If you are successful, what you are probably doing, particularly in areas where population is static, is asking the same people to pay more money in terms of rates. Removing the rate capping level would not necessarily provide significant benefits for local governments if they were successful as part of that process.

The other issue is that what we have seen with the financial assistance grants which are provided by the Commonwealth is that over time as a percentage of taxation revenue those grants have fallen from 0.76 per cent to 0.57 per cent. They actually have not kept pace with inflation, and that is certainly a point that we made in our submission to the Commonwealth inquiry. The other thing that we are seeing as well is that there are cost increases that are being passed on to local governments, over which we have absolutely no control. A classic example of that is the cost of elections. This year we have got local government elections in October, and in many cases the costs of those from the last election in 2020 have increased by over 30 per cent. For my council, for example, it is going to cost \$260,000 for the AEC to run the local government elections on our behalf. There is nothing we can do about that. We cannot negotiate to reduce that cost. If you look at that across the sector as a whole, that is probably a minimum of \$20 million that is being taken out of local government just for running elections. That is just an example of a cost where we do not have any control.

The other challenge that I have touched on is the expectations from communities. Particularly in rural areas, because of market failure, often councils are providing child care. In some cases councils are still providing aged care services, and none of the councils that responded to our survey indicated that they believed they were core services for local government to be providing. I have had a conversation with a council that is looking at also maternal and child health and whether that should be more appropriately provided by the health department.

The DEPUTY CHAIR: Mary-Ann, I am going to get you to wind up quite quickly so that we can get to some questions. Thank you.

Mary-Ann BROWN: I will. Okay. So that is sort of the environment which we are in. I think the other issue I just wanted to touch on is the issue of Crown land. Many rural councils have a lot of Crown land in their

municipal areas, and there are Crown land committees that manage that land on behalf of the state. However, there is very little ongoing financial support from the state for those responsibilities, and those committees often look to councils to provide financial support, whether it is for capital works or ongoing operational aspects. So this is the environment which we are in, and these financial pressures have been growing every year. The choices for the councils are that they cut back services or they cease some services altogether or they take longer to do renewal and maintenance of existing infrastructure. That is without any new projects. I am happy to take any questions.

The DEPUTY CHAIR: Mary-Ann, thank you. Just before we move to questions, I am just going to run down a list here. You have mentioned a number of reports. The first was the Grattan Institute report. We should get hold of that. The second was a KPMG report; we should get a copy of that too. You mentioned a report on your website.

Mary-Ann BROWN: It is called *Alternative Sources of Income for Local Government*. That report was prepared in 2022 and is available on our website.

The DEPUTY CHAIR: Thank you. And your submission to the federal inquiry, is that on your website too or can we get that separately?

Mary-Ann BROWN: I will check that, but if it is not there we can send it to you.

The DEPUTY CHAIR: And the survey of your members – so there were five of them that I picked up – that would be helpful.

Mary-Ann BROWN: We have not compiled the survey results in a report. We have used that information in the submission to the federal inquiry and also in this submission.

The DEPUTY CHAIR: Thank you. Sarah, you are first – and also a former councillor.

Sarah MANSFIELD: Yes. Thank you. Thanks so much, Cr Brown, for that presentation. There is some really useful information in that. I am curious to understand – you have outlined that grants are a key source of funding, particularly for rural councils. Quite a number of councils have been impacted in recent years by severe weather events and have had to apply for funding from different levels of government to support recovery efforts as a result of those. From what we understand, some councils are still waiting on funding to be delivered that they applied for quite a long time ago. Are you able to speak to that issue and perhaps where the grant program might be challenging for rural councils in situations like that?

Mary-Ann BROWN: I probably have got only an overview, Sarah. I understand it has been the case in a couple of the councils that have been impacted. The process to me seems to be quite clunky, would be my observation. I would say some of it is about the assessment. There is usually a requirement to provide proof of what the conditions of assets were before the event, particularly with flooding, and then you provide evidence of what it is going to cost to fix those assets. An interesting very small snapshot is we did have some flash flooding here in October 2022, and we are just about to let a contract for some of those works to be fixed. We are talking about, what, 20 months down the track. So it seems to me to be quite a slow process.

I think the other – and this is not particularly in this case, but one of the issues that we have raised is that particularly in Victoria there needs to be a betterment fund. So even just the conversation we have had here locally – council is putting in some money so when we do go to build culverts and the like we are actually going to be able to build them back better, so that then hopefully next time there is significant flooding there will be less damage, which means less repairs.

In Victoria I think there is some money that has been allocated to this, but compared to particularly Queensland it is nowhere near as much as is needed. And I think that is something that we need to think about – how do we build more resilient infrastructure? – because what we have seen over the last probably 10 years is a number of these types of events. And you fix something – it might have been repaired after the 2011 floods, and then it gets damaged again in the 2022 flooding. And we need to be focusing on I think putting more funds into that so that we then need to put less money into disaster recovery. The other challenge with disaster recovery is: what is the human cost for people having to continually repair and rebuild every time there is a disaster? We need to be doing better to reduce that damage.

Sarah MANSFIELD: Thank you. And with having to apply for grants, whether it is for disaster recovery or whether it is for road maintenance or whatever it might be, what sort of administrative burden does that place on rural councils, and do you think that is an issue?

Mary-Ann BROWN: Yes, I do think it is an issue, Sarah. First of all, I think local government should be considered a trusted partner by other levels of government. We are subject to very strict auditing. You know, there is a lot of regulation around local government, so I think that you should be confident that money that goes to local councils is going to be spent as it should be. But I think that there are some grant streams that the amount of work applying for them is just – and then once you have got the funds, it is then about the milestones along the way. There are some grant streams that it is just not worth applying for because of the amount of work, and most rural councils would not have a dedicated grant writer. And then it is about, depending on the conditions around the grant, what is the compliance associated with that? How much work is associated with that? And that takes up resources that perhaps could be spent better on actually delivering the project, as opposed to making sure the project is on track.

So I think our position is that the untied grants – examples of that are the financial assistant grants, the Roads to Recovery funding and also the local community infrastructure program; they are all federal funding – are the types of funding streams there should be more of. They have got criteria around them, but the burden of meeting the requirements is not so onerous that you think, ‘Is it really worth having this money, because we’re going to be struggling to deal with this?’ Our view is there should be more of those types of grants to deliver on some of the ranges of programs that we are looking at.

Sarah MANSFIELD: Okay. Thank you.

The DEPUTY CHAIR: All right. I am going to ask Beverley McArthur.

Bev McARTHUR: Thank you, Deputy Chair. Thank you, Mary-Ann, for being with us today, and congratulations on your OAM, very well deserved, in the recent King’s Birthday honours list. I was particularly pleased to hear you say that if we applied for a rate cap extension or whatever, all we would be doing is hitting ratepayers further. So it is not the panacea to all the ills. I wonder if you would like to comment on my pet concern, which is the fact that rural and regional ratepayers pay a far greater rate in the dollar than our metropolitan cousins, and as you said earlier, in rural and regional areas you have less capacity to be able to generate income, because, you know – I think it is \$25 million Stonnington get out of pet registration fees, and yet they have a very low rate in the dollar for their residents. So rural and regional ratepayers are being very adversely affected by the rate-in-the-dollar system of property taxing. Do you see that as something we should be looking at to make it fairer across the board for all ratepayers in Victoria?

Mary-Ann BROWN: Bev, I have to say – thank you for your congratulations – I agree with you. There was an inquiry into the rating system a few years ago and there has also been some discussion, and this is an issue we have also raised. Some of you may be aware that with the financial assistance grants from the Commonwealth there is a minimum grant. Every council in Victoria receives something through the financial assistance grants regardless of the level of need. Now, the Victorian grants commission administer that grant system, and they have got a range of criteria. They certainly are very sympathetic and understanding of the demands that are made of rural councils, but there are still very large metropolitan councils that might get a couple of million dollars through that system. I think at both state and federal governments there needs to be a conversation, because as Bev rightly says, for our councils the two major sources of income are rates – in our case it is probably nearly 50 per cent of our income – and then grants, which are probably another 20–25 per cent. Then there are various other smaller things that make up the rest of our income. So there needs to be some sort of disbursement or redistribution of funds to our communities.

When I talk about things like the road network, it is not just our local residents who use our roads, it is people who come to visit our areas. We do get people saying, ‘God, your roads are in a poor state’ – mind you, they say that about the VicRoads ones as well. But in many of our communities the road network is the only way you can get around because the public transport is either non-existent or very limited, so we are bearing the cost of that. Our council has got six outdoor pools – per capita we have probably got the highest number of outdoor pools in the state – whereas a metro council might have one outdoor pool that they are maintaining. We have made a decision to close one of those pools in a very small community, and the community concern about that is significant. But in the long term it is not sustainable. These are the decisions that we are having to make

because we look at our long-term financial plan and say, 'We're not going to be able to afford all these facilities and we can't maintain them to the standards that are expected.' I do not know that we are going to get rid of the rates system, but I think we need to look at some other guaranteed source of income, particularly for rural councils, because we are so dependent on rates and grants and the opportunities to raise other income is just not there.

Bev McARTHUR: The issue is: why should anybody anywhere in Victoria not be paying the same rate in the dollar on the property tax that local government charges?

Mary-Ann BROWN: Correct. The other issue is: if you are living in Victoria there should be a basic level of services that all residents have access to.

Bev McARTHUR: Mary-Ann, you mentioned roads, and they are massive issue out in our area, particularly in your municipality, which happens to be in my region. What is the cost, do you think, to the productivity of your area of the poor road infrastructure?

Mary-Ann BROWN: Look, Bev, I probably could not put a figure on it, but I think that the anecdotal evidence – well, let us put it this way. First of all, what we are seeing in rural areas is a higher level of fatalities, country versus metropolitan, and that is because people are travelling on roads. The road condition is not necessarily a factor in that, but the fact is that that network is critical if you are going to be accessing medical services, if you are getting your product to market and kids to school – just accessing a whole range of services. So people are travelling a lot in vehicles. Then there is the damage that occurs to vehicles as a result of the condition of roads, and probably our local smash repairers would be able to give you a better indication of that, because it is either the road conditions or you are hitting kangaroos. They are probably the two main causes of damage to vehicles and the costs associated with that.

Bev McARTHUR: That is my time, I suppose.

The DEPUTY CHAIR: All right. Thank you. And if I could get Gaelle to ask some questions.

Gaelle BROAD: Thank you very much for your presentation. I actually saw four cars pulled over last night with a kangaroo that was hit, so definitely in regional areas it is a big issue. I am just interested: what do you, or Rural Councils Victoria, consider to be the fundamental functions that councils are expected to deliver?

Mary-Ann BROWN: We probably have not got a defined position, but certainly roads, waste management. I think the community expectations are access to a range of sporting facilities. In many communities they would also expect to have access to some sorts of cultural activities, because all of these things contribute to social connectedness and the livability of our community. So at the very least they would be some of those services.

As I said, you know, many councils were providing aged care services and have exited that area, but we have got cases where councils are providing child care. Most councils are doing school crossings. I would say those are things that really probably should not be local government's responsibility. And then, as I said, you have got the issue of Crown land reserves, and those committees, who are all volunteers, are looking after those areas of the state for the benefit of the state as a whole with very little support from the state.

Gaelle BROAD: Does Rural Councils Victoria have a list of those items that you see that relate to that cost shifting from state government to local government?

Mary-Ann BROWN: No, we have not, but we could probably compile it. Local Government NSW commissioned a study there about cost shifting, which I think came out earlier this year – or it might have been late last year – which probably would be a similar situation to what I think we are seeing in Victoria.

Gaelle BROAD: I am just interested too: infrastructure, we have heard today, is a really big part of local council responsibility. Can you speak to some of the challenges that rural areas face when it comes to that infrastructure, like connecting to septic or trying to get concrete delivered? What are some of the challenges you face and the costs associated with that?

Mary-Ann BROWN: I am glad you mentioned septic, because that enabling infrastructure is really a barrier to development in many of our small towns, and I can give you a couple of examples. One of our towns,

Penshurst – I am on our planning committee. We had an application for a subdivision of a block which was in the town, which would have access with no additional infrastructure requirements – it was in the centre of town. The reason we could not approve it was because they had a septic tank system there, and the second block would not have been able to accommodate the septic tank. So this was a classic infill, but it could not be improved because it would not meet the requirements in terms of the septic tank.

In another one of our small towns we have got a number of people who have purchased land that is zoned residential wanting to build houses, but there are issues around the cost of extending the reticulated sewerage to those properties, and if that cost was apportioned to the individual landowners – one property owner said it would cost them \$600,000. And that is because our water authority, Wannon Water, apportioned the cost on a cost-neutral basis; they have not got the capacity to subsidise it. It is not going to happen, because none of the property owners can afford the cost.

Now, 20 or so years ago the state government did have a scheme where they provided financial support for that type of enabling infrastructure. Dunkeld, where I live, was a community that was fortunate to receive funding under that scheme, and that made a significant difference to our town. But we do not have that, and that is holding back many of our small towns, which want people to come and live there and which have got reasonably priced land. This is a barrier to further development.

Gaëlle BROAD: Now, just talking about rural councils, we have heard from earlier presenters that if there is not reform, there could be very significant disruption to services. And we heard from Local Government Victoria; they talked about how they do not really have line of sight to financial sustainability of councils. But how much pressure are councils under at the moment, and where do they go if they are feeling like they are not able to be sustainable?

The DEPUTY CHAIR: And I will get you to be relatively brief. We have just finished our little time.

Mary-Ann BROWN: I do not know where they go if they feel they are not sustainable, but I think that what councils are doing is looking at all the things that they are doing and saying, ‘Well, can we do that more efficiently?’ or ‘Do we really need to be doing this?’ Those are probably the decisions that councils are making: ‘What are the assets that we’re no longer going to maintain?’ or ‘What are the assets if we can dispose of these assets?’ Those are the sorts of decisions that councils are looking at – or ‘What do we get out of this service?’

Gaëlle BROAD: Thank you.

The DEPUTY CHAIR: Tom.

Tom McINTOSH: Thanks, Deputy Chair. I was having a chat to Mrs McArthur before, and she mentioned the time you have been in your position and the award you received, so congratulations on that. Given how long you have been in the role – we have had some discussions today about rural councillors or councillors in general, but I think specifically I deal with rural councillors a lot in my role, and I meet some really wonderful people – I just wonder if you want to touch on drawing people into the role. Also, we have always had weather events, but we have seen increasing severity of weather events and we expect that to continue. What are perhaps some of the stressors in the last five years or so – just basically getting people into the roles, some of the challenges they face, and your work and other work we can all do in supporting them?

Mary-Ann BROWN: Tom, thanks for that question. It is probably in some respects not too dissimilar to being a politician at the state or federal level. Sometimes it is quite a thankless task. You cop a lot of brickbats and criticism. But on the other hand, my personal view is that if you want to make changes or contribute to your community, you need to stand up at some stage and try and influence what happens. It is very easy to stand on the sidelines and say, ‘Oh, you should be doing this; you should be doing that.’ I think it is really important, and I would encourage people to do that. I think that one of the things I have found about local government – I thought I was probably reasonably well informed, but I probably did not comprehend the range of services and activities that a local council does provide to its community. And I think they really do. Particularly in our communities it really can be a great support to even community groups who want to get projects up. So that can be incredibly rewarding.

The other thing I think about our communities is there is an enormous number of volunteers in our communities in a whole range of organisations, ranging from people like the CFA, the SES and volunteer

ambulance people to people who help in aged care – I am a volunteer at our local visitor information centre – all sorts of things. They really make significant contributions to our community, and I think that is what makes our communities great places to be. But what we are seeing in our communities is an ageing group of volunteers and also in some areas, I would say, more bureaucracy, which makes it more difficult for people to take on those roles. And I think governments, including local government, need to look at that and say, ‘What risk are we trying to manage here?’ so that we do not become excessively bureaucratic and discourage people from taking on those roles.

I think the other thing is a couple of years ago we had access to some funding, and we were able to provide a subsidy for councillors to undertake the AICD company directors course to try and improve their understanding of governance and other aspects of being a councillor. We had really positive feedback for that. The reason why we did that is that our council has a training budget, but it is probably around the order of \$1500 or \$2000 a year. That covers conferences and any other training. Now, something like the AICD course is probably \$7000 or \$8000, so that could be a councillor’s whole training allowance for their four years. So I think it is important that there is some sort of support provided. There are some other activities going on at the moment to try and help both council candidates and councillors be better prepared for the work they are going to do, because ultimately you have got a responsibility for a multimillion-dollar business. Even a small council like mine with a \$40 million or \$50 million budget, you have a whole range of projects and you are employing a CEO, so you need to understand how to fulfil those functions and do them well.

Tom McINTOSH: Yes, there are some incredible people, and I am happy to be on the record saying I admire the work councillors do. We are fortunate with some of the resources we have to assist us in our role that councillors do not necessarily have.

I am glad you mentioned agriculture, food and fibre – \$20 billion plus. It is growing. You quoted 2021–22. I think in the last financial year we have overtaken as the number one state in Australia, which is great. From the export and transport side of things, I just wanted to touch on the investment that has been made in rail and freight. I grew up with a lot of rail lines closing, but a lot have reopened and there has been investment in them. Just what does it mean to rural communities to have (a) passenger transport but (b) that freight side of things for our economic output?

The DEPUTY CHAIR: Succinctly, if possible, please.

Mary-Ann BROWN: Tom, we were really pleased here in western Victoria to see the \$150 million from the feds for the Maroona to Portland line, because there was a lot of concern about the potential truck transport of mineral sands from up in the Wimmera down to Portland. We think rail freight, if it could get more of the trucks off the road, would be fantastic. Better public transport for our communities would be a significant plus, whether it is more bus services in the first instance, but more train services would be terrific as well.

Tom McINTOSH: Great. Thanks for your time.

The DEPUTY CHAIR: Mary-Ann, I am going to restart this again now. I want to just follow up on the roads issue. There was some years ago a state roads program, I think a million dollars a year, which was straight to the council enabling them, with a bit of brief discussion with the state government, to allocate funding. What was your view on that sort of program to assist?

Mary-Ann BROWN: That was a terrific program. Look, David, I think it was rebadged as ‘fixing country roads’, and that has not been continued. The federal government has got a funding stream called Roads to Recovery, which essentially was very –

The DEPUTY CHAIR: Let me come to that in a second. But just let us stick with the state one.

Mary-Ann BROWN: Fixing country roads, but that is no longer occurring.

The DEPUTY CHAIR: I will just drill down on this – so there is not a state program directly to help with roads within the council area?

Mary-Ann BROWN: No.

The DEPUTY CHAIR: They might fund a highway through the council perhaps, but not actually help the struggling country council maintain its roads. The point you also made was that those roads are used by everyone. They are used by tourists; they are used by freight of various types as well. That is correct, isn't it?

Mary-Ann BROWN: Yes, that is correct. David, what we have seen happen is sometimes when the state highways are in a very poor condition we see those trucks using the local council roads as an alternative because they are in a better state, which then causes damage to those roads. But that state government funding stream no longer is available.

The DEPUTY CHAIR: But there is a federal, as you have outlined, Roads to Recovery. How much is that for councils across country Victoria?

Mary-Ann BROWN: I could not tell you the statewide amount, but for our council it is probably in the order of \$1 million to \$2 million annually.

The DEPUTY CHAIR: And is that equivalent elsewhere in Australia? How is that apportioned across Australia? Are you aware of that?

Mary-Ann BROWN: No, I am not aware. No, I cannot answer that.

The DEPUTY CHAIR: I always start from the presumption that federal programs like that see Victoria get less than its fair share, and I would be interested in your organisation's view – rural councils' view – on that program and whether it provides an equivalent share to Victoria.

Mary-Ann BROWN: Look, David, all I can say is there was some additional road funding announced by the federal government in about June last year, and in that particular case they focused on regional and rural roads, so there was nothing for metro or whatever. As to the split up between the states, I could not comment, but we were very pleased to see that focus on those rural and regional roads. As you would be aware, we have got a federal election some time in the next 12 months or so, and that will certainly be one of our advocacy points to all the parties standing for the federal election.

The DEPUTY CHAIR: As I say, it would be helpful to us to understand whether we are getting our population share of this funding and whether it is sufficient and the format of that, because we can also advocate clearly on that sort of funding. Just to pick up on some of your other points, you mentioned a betterment fund. What would that be, just to understand exactly what you meant?

Mary-Ann BROWN: For instance, with some of the flood damage that occurred, what the opportunity is when you are rebuilding – and this is probably particularly with things like perhaps bridges, drainage systems – you might be putting in a much bigger culvert so that you then do not unnecessarily have the water lying on the road, it is getting away, and there is an additional cost to do some of those things.

The DEPUTY CHAIR: So essentially what you are saying, to strip it down, is the damage has happened. You might have some insurance, you might have some coverage from federal or state government for the damage that is done, but actually it does not make sense to rebuild in the same form. It makes sense to rebuild at a better capacity.

Mary-Ann BROWN: Correct. With the current situation, essentially you are replacing what was there before, so unless the council kicks in additional money, theoretically, given the events that have occurred over the last few years, 12 months down the track you could have another flood with the same sort of damage.

The DEPUTY CHAIR: Yes, I have got it. Thank you. Sarah, do you have any further questions?

Sarah MANSFIELD: Not right now.

The DEPUTY CHAIR: Not right now. Bev, have you got further questions?

Bev McARTHUR: I am sure we can find one, Deputy Chair. Mary-Ann, in some areas – and I do not know whether it has hit your council yet – we have had agreements negotiated between the state government and various Indigenous groups that have come together under one banner called recognition and settlement agreements. Local government had no say in these; they largely affect rural councils at this stage. Do you have

any comment on how you are going to approach the implementation of these agreements, given that you had no say in the first place and given they have a very wideranging remit obliging councils to negotiate these agreements?

Mary-Ann BROWN: Bev, it is not something that we have discussed or that we have a position on at this stage. It has not been raised as an issue with us as a statewide body at this stage, so I cannot comment on that.

Bev McARTHUR: Okay. Also, are you adversely affected by the government's imposition of the social inclusion policy, which means that you have to ensure that you tick a number of boxes for anybody that gets employed by council? In rural areas of course there is often very limited choice of who you might employ or what services you might access, but you have got to tick those boxes. How is that affecting you?

Mary-Ann BROWN: Look, I am not aware that that has been an issue, Bev. You would probably be aware that generally rural councils have some challenges. I am sorry about the background noise – they are doing some work on the building. Rural councils do have some challenges in terms of attracting staff, but as far as I am aware that has not been an issue.

Bev McARTHUR: Okay. Well, the last issue that you will be affected by is the extraordinary compliance costs that are imposed on local government by the state government. We just passed another amendment to the *Local Government Act* last week – which ensures that you are going to have to have mandatory training and mandatory this, that and the other thing – but yet the government are not going to provide any funding for you to carry out these programs. Have you estimated in your council or have Rural Councils Victoria estimated the cost of compliance to comply with all the requirements of reporting to local government and for these training programs?

Mary-Ann BROWN: On the first point, I have been involved in a couple of working groups that are looking at both the mandatory training for candidates and subsequent training or professional development for councillors. Our position is that we think that this is a good idea to try and ensure that both candidates and councillors have a good understanding of what their responsibilities are and also to assist them to develop the skills so that they are able to do their job well. I think the issue of the cost of that is something that we certainly will be raising. There has been some talk about whether there should be regional training and so forth. The requirement for professional development – there are many other areas. I have had a business in the financial services sector, and we were required to do professional development every year. I think what has prompted this is that last year there were over 30 councillors who resigned, there were two councils that were suspended and we also had municipal monitors called in to councils. Now, that is not only a cost to the community, but even having a monitor appointed, which is a cost borne by the council, would probably significantly outweigh the cost of councillors having to do some additional training. So I think it is probably a carrot and stick approach that is being proposed, and I think certainly as an organisation we are supportive of efforts to help people to be able to do their jobs better.

The DEPUTY CHAIR: Mary-Ann, I am going to cross now to Moira Deeming. Moira, you have got 5 minutes. You have just come in at the end, so Mary-Ann is near the end of her time, but please go.

Moira DEEMING: Thanks so much, David, but I was not counting on being given 5 minutes, having come in at the end, so I am happy to cede my time.

The DEPUTY CHAIR: Okay. You are fine, Tom?

Tom McINTOSH: I am fine, yes.

Gaelle BROAD: I have got a question.

The DEPUTY CHAIR: Yes, go.

Gaelle BROAD: Thank you very much. You mentioned the Grattan report earlier. I know we have seen local councils are responsible for about 85 per cent of the road network. Can you comment? Do you think that local government does receive a fair allocation to support road funding from both state and federal governments?

Mary-Ann BROWN: No, we do not. It is as simple as that. There should be more money going to local government, given the amount of road infrastructure they are responsible for. It has not kept pace with the increased cost of doing that work.

Gaelle BROAD: Okay. And just with a couple of the levers – you have spoken a little bit about the rates, I guess, but with the financial assistance grant funding model, do you think there is a way that can be improved?

Mary-Ann BROWN: Yes, I do think there is a way that that could be improved. Queensland have introduced a reform process to change the way their grants are allocated, and that is occurring over three years, where they are basically phasing out the minimum grant. I certainly think that is something that could be considered. As I said, the other issue I mentioned earlier is that the actual bucket of funds should be increased.

Gaelle BROAD: Okay. And just with the annual rate cap, the indexation, I guess we have had others present talking about a different measure, the local government cost index, which assesses different costs that contribute. Can you comment? What are your thoughts on that?

Mary-Ann BROWN: We had a meeting with FinPro, and we would certainly support that. The rate cap this year is 2.75 per cent, which is below even CPI, and that has been the case for a number of years. As I indicated to you, for an individual council to go through the process, particularly a rural council, and say, ‘Well, instead of increasing our rates by 2.75 per cent, we want to increase them by 5 per cent’ – it is a time-consuming process. It is probably a politically challenging process. There is no guarantee that you are going to get the outcome that you desire, and then you look at how much extra income that is going to generate and who is contributing to that income. I think that is why very few councils – I am not aware of a rural council that has actually undertaken that process.

Gaelle BROAD: Thank you.

The DEPUTY CHAIR: Tom? Are there other questions? No?

Mary-Ann, thank you. We are very appreciative of your contribution. As we have indicated, there are a number of reports that we might seek from your organisation, and no doubt the staff will be talking to you over the next period. We really are very appreciative.

Mary-Ann BROWN: Thank you very much for the opportunity today. We will be providing a written submission – I think the deadline is Friday – which will provide a bit more detail about what I have said, and we will be looking forward to the outcome of your deliberations. Thank you again for the opportunity, and we are certainly happy to assist with the provision of those reports.

The DEPUTY CHAIR: Thank you, Mary-Ann, and congratulations, by the way.

Mary-Ann BROWN: Thank you.

Witness withdrew.