

# TRANSCRIPT

## LEGISLATIVE COUNCIL ECONOMY AND INFRASTRUCTURE COMMITTEE

### Inquiry into Local Government Funding and Services

Bendigo – Wednesday 21 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**

Bradley Thomas, Chief Executive Officer, Hepburn Shire Council;

Bernie O'Sullivan, Chief Executive Officer, and

Adele Drago-Stevens, Director, Corporate Services, Macedon Ranges Shire Council; and

Trevor Ierino, Chief Executive Officer (*via videoconference*), Indigo Shire 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 paying my respects to their ancestors, elders and families. I particularly welcome any elders or community members who are here today to impart their knowledge of this issue to the committee or who are watching the broadcast of these proceedings. I also welcome any members of the public watching via the live broadcast.

To kick off, we will get committee members to introduce themselves to you. We will start in the room with Mrs McArthur and then go to the screen.

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

**Gaelle BROAD:** Hi. I am Gaelle Broad, Member for Northern Victoria Region.

**The CHAIR:** Georgie Purcell, Northern Victoria Region.

**John BERGER:** John Berger, Southern Metro.

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

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

**The CHAIR:** Wonderful. Thank you very much for being here today and travelling to Bendigo.

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 this 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 those same comments, you may not be protected by this privilege. Any deliberately false evidence or misleading of the committee may be considered a contempt of Parliament.

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

For the Hansard record, could you all state your full names and the organisations you are appearing on behalf of. We will start on this end of the table.

**Bradley THOMAS:** Thank you. Bradley Thomas, Chief Executive Officer of Hepburn Shire Council.

**Bernie O'SULLIVAN:** Bernie O'Sullivan, CEO of Macedon Ranges Shire Council.

**Adele DRAGO-STEVENSON:** Adele Drago-Stevens, Director, Corporate Services at Macedon Ranges Shire Council.

**The CHAIR:** Wonderful. And on the screen.

**Trevor IERINO:** Trevor Ierino, CEO, Indigo Shire Council.

**The CHAIR:** Great. Thanks, Trevor. We now welcome your opening comments but ask that they are kept to around 15 to 20 minutes collectively just to ensure that there is plenty of time for discussion and questions. I am not sure if you have organised who wants to kick off.

**Bernie O'SULLIVAN:** Very kind of Hepburn shire to let me go first. You can see the regional sharing. It is great to be here. Thank you for allowing us to present. As indicated, our mayor Annette Death was keen to be here today but is ill and cannot make it.

Macedon Ranges Shire Council is a large rural council on the outer semirural fringe of Melbourne with about 51,000 residents growing to about 65,000, so about a 1.5 per cent growth rate. We have, when we think about our road network, around 1750 square kilometres that we cover. We run a saleyard, an airfield, eight kinders, aquatic and fitness facilities and 21 school crossings and look after 570 buildings and structures, so it is a really significant business that we provide on behalf of the community.

The sustainability of the local government sector is under challenge. If we do not do anything about it, if we do not plan for a better future, then we will continually start to see the smaller rural shires in particular start to post deficit budgets. We are already starting to see that. Collectively across the Australian government, state government and local government we have got to work together to create a different, more sustainable future that can still deliver really fantastic outcomes for the community.

We have got particular challenges faced in rural and regional councils. We do not have the same ability to raise revenue like our metropolitan cousins, particularly the differentials around rates, user fees, car parking and enforcement. I suppose not having the population base really gives us challenges there. When we think about rate capping, and that has been talked about a lot today, there is the ability to do that in a smarter way. We have heard today, and it is absolutely our view, that we could have a more mature system for rate capping that recognises the difference between metro and rural and regional but also recognises the cost inputs that councils have that are not well reflected through the CPI mechanism. When we think about some of the pressures that we have in our Macedon Ranges community – think of towns like Gisborne, Woodend, Kyneton, Romsey and Lancefield – it is a beautiful environment, a distinctive area and landscape under the *Planning and Environment Act*, but it also brings with it a pretty challenging climate in terms of natural disasters. We have had nine nationally declared disasters in the last few recent years. The June 2021 storm, for instance, cost us about a fifth of our budget – about \$21 million that cost – and it has taken us three years to work right through the claims process. We just got back our final claim from that June 2021 storm process. So it highlights –

**Bev McARTHUR:** Claims to the state government?

**Bernie O'SULLIVAN:** Claims through the state and federal natural disaster assistance.

**Bev McARTHUR:** Three years?

**Bernie O'SULLIVAN:** Three years. Therein lies an ability to streamline. When we think about the day-to-day services we provide, let alone the scenarios that we cannot necessarily plan as well for, there is the opportunity to do a much better job in terms of streamlining that disaster process and the claims back. But also we can actually build back infrastructure that will withstand future events in a much better way.

When we think about some of the expectations of our community and not keeping pace with them in what we can deliver, in some of those services we see each level of government wanting to reduce their cost base and move that on to another level of government. We think about libraries. For instance, for libraries in the Macedon Ranges, councils cover about 75 per cent of our operational funding. Historically that was a 50–50 basis. Maternal and child health: we cover about 63 per cent in the Macedon Ranges shire. That is a 50–50 agreement with the state as well. There is an opportunity to look at those sharing arrangements to be able to think about them differently into the future.

A couple of things that we would love to impart to the committee: reviewing the inputs for the rate-capping mechanism and making it fairer between rural and metro and thinking about more predictable long-term funding for local governments. There is an annual process where we get notified a couple of days before Christmas each year what the rate cap is going to be for the next year. Surely we can do that in a better way and in a more timely way.

One of the things that we would love in local government is to improve the collaboration between state government and local government. We have a great relationship locally and regionally, but when we think about the broader local government sector and state government, there is an opportunity to really improve that collaboration and the respect. Immunisation was mentioned – we were alerted in the last few weeks, and that came as a surprise to us. Another example in recent times has been the waste charges on local government and some of the things that cannot now be included in the kerbside charge. We should reduce the surprises to local government and improve those levels of collaboration.

And as has been talked about today, the infrastructure challenges for local government are immense. We are a community that welcomes people to come and live in our community, and people are keen to come to the Macedon Ranges. Our communities like to see sustainable growth, but they also want infrastructure to keep up with growing communities. With how our financial situation is long term, we will struggle to be able to keep up with our infrastructure expectations from the community. Thank you.

**The CHAIR:** Thank you. Do you want to offer it up to Trevor?

**Bradley THOMAS:** Yes, go, Trevor. Finish off.

**The CHAIR:** Are you right, Trevor?

**Trevor IERINO:** Damn. I was hoping you would all cover it and I would say, ‘Same as them.’ Thanks for the opportunity to present via Zoom, which is great. It saves me a 4-hour drive over there in the wet, and I appreciate that.

Bernie, I think it was, has covered a lot already. It sounds like rate capping has been discussed all day. Indigo shire is the jewel in the crown of picturesque north-east Victoria, a beautiful part of the world. Our main towns, you might know, are Beechworth, Yackandandah, Rutherglen, Chiltern, that sort of region, very much an historic region based on tourism and heritage and gold and Ned Kelly – that sort of a shire.

Rate capping started in 2016, I think it was, and it really assumes that what you had structurally on that day was perfect, so we are all sort of frozen in time now to say the structures, the services, the size of your council, your revenue was all perfect, all we need to do CPI adjust it and we will be fine. Well, that is not really the case at all. A lot of the shires started behind the eight ball with backlogs of infrastructure with no way of catching up on those. The process itself of rate cap variations is quite onerous, quite tedious, quite politically challenging for anyone to even apply for rate cap. What you get then is every little adjustment is like a death by a thousand cuts. Having CPI running at 6s, 7s and 8s and rate caps at 2s and 3s just means you build up a gap of 5 per cent one year, 5 per cent the next year. You can never get that back, so every little bit of cost shifting, every little new obligation or initiative – they are great initiatives about gender equality and things like that or gender equity action plans – are all great things but they are all a little cut, little cut, little cut and you cannot get them back.

You cannot go to the ESC and say, ‘Listen, I have had a bad series of years. I have lost a bit here, here and here. Can I have a rate cap variation to catch those up?’ No, you cannot do that, so slowly over time you keep on eroding and eroding and eroding the capability of councils to deliver all the services and to build all the facilities that you want and that you need as a community. Things that people take for granted in metropolitan Melbourne, some of them are just luxuries to us. Small towns that just want a proper netball court or female change rooms and things like that, each time you diminish our ability to deliver those, that is one more netball court that does not get delivered, one more community hall or one more playground do not get delivered in a small town. They are the sorts of struggles we are up against. If there was any discussion earlier today which I did not hear about flexibility and a rate cap system that somehow allows some sort of catch-up for these accumulations of cost shifting and so on, that would be greatly appreciated and give us a chance to catch up. We have got no ability to generate new revenue. The states and the feds do not put rate caps on themselves, and councils sort of have to struggle with that.

Just to touch on climate change, and I think Bernie mentioned this as well, the regional areas tend to cop the brunt of climate change, so things like natural disasters – major flooding, major bushfires and things like that – hit the rural areas first and the metros do not have those impacts in the same way. Increasingly we are finding that infrastructure that has been built over the last 100 years now no longer copes with the new future. What we thought were flooding levels, what we thought were capacities of all our systems, that used to work now do not

so they have fallen a bit behind. So when there is flood damage, as an example, we do look to not just building back what was there but just building back something that is able to cope with higher flood levels than what was there before. Immediately we get pushback to say, 'That's better. You can't have something better than what you had before. We'll only reimburse you for what you had.' That is a bit silly, because we will just blow those facilities out again. We have got to find some better process there with that sort of disaster recovery. Also, time delays are enormous. We are just getting approval now to fix works that were damaged a year and two years ago. The community have been very frustrated with how long it takes to work through the process of disaster recovery funding and things like that.

Probably my other big one I would like to mention is ageing infrastructure, in particular pools. I am not sure if this came up earlier, but a series of small towns, most have got their own pools – very precious. They all really value them. A lot of pools were built straight after the Melbourne Olympics, a lot of them were built in the 50s and 60s and a lot of them are now approaching, what year we are in, 2024. They are 60 to 70 years old now. They are all reaching the end of their useful life. I have a pool at Beechworth that needs replacing, and it is going to cost \$10 million to 15 million. We have got no chance of funding one pool. We have got five pools that will fall into the same category, so we are talking about \$40 million, \$50 million, \$60 million to replace pools. There is no way known we can replace them without help, but no funding opportunities come near funding pools. I think maybe sports and rec grants might be the closest, and that is a cap of about \$2 million. They cover barely one-sixth, one-eighth of the price of a pool. This is an emerging problem. We are going to see a whole lot more pools fall over in the next 10 to 20 years with no way for those small shires to be able to fund those. Communities will have to give up on them, and that is really unfair too. Especially with climate change and things like that, pools and ways to keep people cool will become more and more important.

I think I might leave it there, because there are others that need to go in our 15 minutes. We have got a written submission we have made that covers a lot more than that, but I think that covers the key issues for me, if that is okay. Thanks for the opportunity to give evidence today.

**The CHAIR:** Wonderful. Thanks, Trevor.

**Bradley THOMAS:** Thank you. I echo a lot of those words. Hepburn shire is arguably the most beautiful shire in Victoria. It sits in central Victoria – the towns of Clunes, Creswick, Daylesford and Trentham – and I am very lucky to work there. I pay respects to the Dja Dja Wurrung people, who have the lands where Hepburn shire sits.

Thank you also to the committee for coming into regional Victoria to hear from us. It is very much appreciated. I am happy to talk through and answer any questions on our submissions and the sector in general.

There are four probably things I just want to highlight that I think are important for the committee to really consider. One both Bernie and Trevor spoke about. There is an absolute genuine want and desire from local government to work in partnership with both state and federal government on the solutions. We know there needs to be work at all three tiers of government. There needs to be that collaboration, and Bernie particularly spoke about it, but that no surprises and working together for the betterment of our communities. We are really keen about that at Hepburn shire.

I think too for me and at Hepburn shire equality of access to services is really important. Whether you are in metro Melbourne, regional Victoria or a rural shire like us, you should be able to access services. We understand there will be differences, but access to transport, access to health services, jobs and other services is really critical. Particularly that is a really key role that local government can provide, and we are happy to provide lots of different services, but we need support in delivering those.

There are two others I really want to touch on. There has already been discussion from the two previous and throughout the day in terms of the rate system. I think it is really important to think about it as a revenue system and not just rates. Rates is a really, really key component, and you are talking between 40 per cent and nearly 70 per cent of some councils. But it is our revenue system that is currently broken in local government. Hepburn shire, for example, gets 91 per cent of its revenue from either rates or government grants. That effectively means – those two are capped – they have very little say and very little ability to influence those two items. The capacity for local government to look at alternative revenue sources is limited, and that is why the revenue system needs to be looked at. Is it fair that it continues to be a property tax? Is there a different way of

doing rates and charges? Is there a different way of funding local government? Looking at the grants that do exist at the moment, should they be more untied? Should there still be some competitive grants? I think it is really important that we look at the entire revenue system.

I think what is most important for us to convey is that this financial sustainability issue and crisis is hitting right now. I will talk about Hepburn shire. In the 2024–25 budget that we have gone into we have cut our operational costs by \$1.5 million, or nearly 4 per cent. That is so that we stay afloat and have just a very small margin of unrestricted cash. We are currently working with our councillors and our community on how to fund a \$4 million gap next financial year. That \$4 million needs to come from additional revenue or there will be reductions in the services and costs. I think it is really important that the committee understands the financial sustainability of all local governments. I think in previous years it has really been small rurals and then it has turned into large rurals. There are 79 councils that have a form of financial sustainability issues in front of them; particularly small rural councils are finding it really hard. The financial challenges are here and now. The majority of councils have looked at cutting services and the ways of doing things in the current 2024–25 year.

**The CHAIR:** Thank you. We will go to questions. Dr Mansfield has to take off slightly early for an event, so we will go to her first.

**Sarah MANSFIELD:** Thank you. Thank you all for appearing today and for your submissions. The issue around grants funding has come up quite consistently across these hearings so far. But I would still be interested in hearing, from your perspectives, what impact the reliance on competitive grant funding has on your ability to plan and also the impact of the different reporting requirements and all of the work that is involved in putting together an application with an uncertain outcome – what impact that has on you as councils and what suggestions you might have for how that process could be changed, if it should be at all.

**Bradley THOMAS:** Thanks for the question. I suppose – quickly – for us the certainty allows us to plan. There are a number of grants programs that are ongoing, and I suppose that allows council to plan around what they do this year and in three years and in five years time. We know there will always be competitive grant processes, and that is fine. I think what we would say is there has been a greater shift to that competitiveness. That is tough, and it is particularly tough for councils that have to put significant time and resources into the grant applications. I would also say that I think that a lot of the grant funding that we are seeing is predominantly infrastructure based. It takes a lot of work and effort in terms of planning – business cases, master plans – to even get to that stage, which makes it really tricky for smaller rural councils and is going to make it even harder now. We have almost got to plan in front. Absolutely we need good planning, we need good business cases, but I think for me part of what could be seen is a bit of a focus on some planning grants. That could be really helpful. I also think – there is a trust of local government – that absolutely there needs to continue to be accountability. We have to sign off multiple milestone grant applications. Often they will need a CEO to sign off or they will need to be signed by three or four witnesses and different things. I think there is some red tape that could also go with the processes and an equitable process.

**Bernie O’SULLIVAN:** I think that is a fair point. We saw to some degree during COVID, when we all went home, we needed to put in place a system that was more streamlined and quick, and maybe grant applications went from 70 pages to five in a matter of a couple of months.

**Bev McARTHUR:** Are they back to 75?

**Bernie O’SULLIVAN:** Maybe there are 72. So it is the opportunity, with local government being the third tier of government, to be able to have that sort of relationship. We all want the same outcome of, with constrained resources, delivering amazing things for our community and those that visit us and work in our communities. At the moment in terms of local government with the future that we see, if we do not all work together it feels like we have got one hand tied behind our back, as a lot of us are in growing communities and wondering how we are going to keep up with those expectations when one of our biggest cost bases is our staff. We are one of the biggest employers in our local communities. That is a great thing, and we want that to remain. We are keen to ensure that we keep local people employed. But when we think about if we do need to continually reduce our cost base, that is one of the areas it comes from, and that challenges our rural communities.

**Sarah MANSFIELD:** Thank you. The other issue that has come up is the challenge of meeting the growing asset renewal gap, and that has emerged across a whole range of different councils. Are there any risks on the horizon for your councils with respect to that, and again, what, if anything, should the state government be doing about it?

**Adele DRAGO-STEVENSON:** If I may jump in there – thank you for the question – just with regard to assets, obviously all councils have spoken to some degree to this, and rural and regional councils particularly would be aware that having a look at divesting ageing assets is really politically challenging in terms of communities. There are often strong emotional attachments to a lot of those assets within communities and legacy reasons and historical reasons why they are very important to community sentiment. So any program like that is particularly difficult, and you would all appreciate this as elected representatives in terms of selling to the community what the benefits of that would be.

The grant funding tends to favour, as has been mentioned, infrastructure for new and shiny things. What that leads to actually compounds that issue around the ageing infrastructure and that growing renewal gap for us, because it leads to a greater portfolio of assets to manage on different cycles. We still, in my experience, have limited capacity to maybe consolidate utility and increase utilisation of some of those assets for our groups who prefer to stay. The polycentric approach that I think Trevor was talking about with pools is probably reflected in lots of community assets in terms of buildings, but it also extends to a lot of our other infrastructure in terms of that. So certainly that is a growing challenge for us.

Having a good set of consistent data about what condition our assets are actually in and incorporating the full suite of assets in a way that is meaningful to maintenance to be able to make sure that our long-term financial planning and our asset plans are genuinely reflecting the future needs is something that really makes that difficult. With the challenges that have already been described today around staffing, the time it takes to do that kind of work and the significance of that in terms of really rebaselining to get a picture of what the infrastructure needs are – that work is often done in dribs and drabs, and often we cannot dedicate the investment in that in terms of a program of work to be able to do that comprehensively. So it does remain an ongoing challenge.

**Bernie O’SULLIVAN:** And just to also extend that point very quickly, we think a lot around our own assets that we own and manage. There are lots and lots of amazing assets out in our communities that are managed by volunteer committees of management, and those assets are struggling to be maintained. That responsibility often is increasingly falling to local government to keep the lights on and ensure communities can continue to use those facilities. That is hard for local government, as we need to focus on our own assets that we own or manage and have legal responsibility for.

**The CHAIR:** Thank you. Trevor, I have been informed you have your hand up. But I actually cannot see you, so feel free to yell out at any point.

**Trevor IERINO:** I will lower my hand. Just on assets, can I go back for a moment to rate capping. Being up here on the border we observe a lot in New South Wales. One of the challenges for us, and we do it pretty well I think, is understanding our assets and understanding our renewal needs and putting enough money aside to do renewals first before we spend money on anything else. What happens when you get a thousand cuts with rate capping is that you lose a bit of money, lose a bit of money, lose a bit of money, then the money that you have got left for the community assets just gets smaller and smaller and smaller. So the temptation is to delay and hold off and push off your asset renewals, because it is not that sexy; it is all in the background and gets hidden away. We are not in the position yet where we are chewing into renewals, but we soon will be. If we keep going as we are, there will be no option other than to do that. We see that on the New South Wales side. We have had rate capping for less than 10 years; they have had it for 30 or 40 years. We see rate cap requests on the New South Wales side at something like 50, 60, 70 per cent, because they have had to chew into their maintenance and renewals. They have just done it that way. They have run down their assets. They are in big trouble there, and they need big rate cap adjustments just to get back to square. It would be really prudent for us not to fall into that trap.

It is going to take a while to get there, but we are starting to get there now, and we will see more and more of that. Unless we can have a more flexible rate cap system to keep that at bay, then we are going to find ourselves falling into the trap of still doing the shiny things and letting go of maintenance and letting go of renewals

because we just have to; there will not be any money left other than to let that lapse. So that is a real problem and something we should keep an eye on. Again, climate change and the impact on infrastructure from all these natural disasters is putting more and more pressure on keeping our infrastructure up to date, because it is getting a pounding, to be honest.

**The CHAIR:** Thank you.

**Adele DRAGO-STEVENSON:** If I could just add to that a really live example for us in terms of our asset renewal – speaking about roads specifically and the impact of recent weather on them, and climate change particularly – based on our condition reporting, our asset renewal budget and our long-term financial plan, we should be spending about \$5 million a year in terms of our sealed roads renewal in Macedon Ranges shire. In the 2024–25 budget we have allocated \$12 million just to roads in terms of our budgets.

**Bev McARTHUR:** Good. Great.

**Adele DRAGO-STEVENSON:** That is a really significant overinvestment. Yes, that is great; it is good for our roads and their condition. However, it has an impact on the rest of the budget, and it means that all of the other things that we need to fit into that budget are underinvested in as a result of that, because there are a limited amount of funds that we have available.

**The CHAIR:** Thank you. Thanks, Dr Mansfield. I will go next. My question is for Macedon, but I think probably everyone will have something to contribute to it. In your submission you spoke about cost shifting and the impact on maternal and child health services. It is something that I am probably more familiar with in the Macedon Ranges and the impact it is having, living there myself. But can you please talk us through some of those challenges and the broader impacts that they are having on the community?

**Bernie O'SULLIVAN:** Yes, thank you. Maternal child health is a really critical service for us and one that we take really seriously. We have been lucky with great staff and being able to attract excellent MCH nurses. To that point, we have heard earlier today around how regional sharing is really important. In recent times we have been supporting Mount Alexander shire with maternal child health nurse support. It is a really significant program for us. When we think about some of the maternal child health services that we provide, we provide services to up to about 600 infants and families each year and approximately 5000 key age and stage consultations for children between zero and six years old. When we think about, I suppose, the declining 50–50 share between state government and local government, for us we have been able to get that back to around local council picking up 63 per cent and the state the rest, but it is a challenge. We are doing the basics, but gee, we could do a lot more, particularly for vulnerable families. At the moment we do not have permanent breastfeeding support as part of the MCH service. As you know, it is such a critical service, and when you bring home a baby, that can be such an indicator on how the baby grows and succeeds and the stress levels of the parents early on. So that is a really big opportunity when we think about MCH and something we see as an opportunity in the Macedon Ranges. But also longer appointments – when we think about the key age and stage appointments, we are funded for 30-minute appointments. A range of those appointments need to be longer than 30 minutes, where –

**Bev McARTHUR:** They would not be for a GP, would they?

**Bernie O'SULLIVAN:** Well, we are talking about such a critical bond between, for instance, a mother or primary caregiver with a maternal child health nurse. Some of the information that is passed between those two would not even be passed between a patient and a GP, so there is an opportunity to look at some of those improvements.

**The CHAIR:** Thank you.

**Bradley THOMAS:** I would just probably note that we are actually one of only, I think, two councils in the state that fully contract out our maternal and child health services. Central Highlands Rural Health conduct that for us. I suppose that is an option for other councils to continue to look at around all services and who is best placed to do them. It works really well for us in terms of having the health service deliver, but we have got to work really closely with them in terms of the funding and access to services as well.

**Bev McARTHUR:** Do you pay them?



**Bradley THOMAS:** Yes, we pay on top of the state government component as well. It is probably no cheaper or anything like that; it is just around who we determine best to deliver the service in our community.

**The CHAIR:** Trevor, did you have anything to add?

**Trevor IERINO:** Sorry, no. I do not have any good information on the particular topic at hand.

**The CHAIR:** That is all good. I have just one more question for Macedon, which you probably will not be surprised by. According to Wildlife Victoria data, the Macedon Ranges is the most significant area for wildlife road strike – 200 per cent higher than Bendigo. I know that council has had a bit of an interest in this, recently holding a forum. It is obviously not completely the responsibility of the shire to tackle it, but do you have a plan around this given that it is something that is impacting the community?

**Bernie O’SULLIVAN:** Yes, it is a really significant issue. You are right that wildlife trauma through the Macedon Ranges is evident on the side of the road, unfortunately, and not just through Macedon Ranges. We actually took this issue to the state level through the peak body Municipal Association of Victoria and also to the national general assembly of the Australian Local Government Association in Canberra in the middle of the year. We think a lot of state government reporting, for instance, and national reporting is around vehicle trauma, people trauma with vehicles. We do not have good reporting in terms of wildlife trauma and impact on people.

**The CHAIR:** Yes, the two can interact.

**Bernie O’SULLIVAN:** Yes, there is a really big opportunity to think about for the data that we capture to be much more mature to then enable us to make better decisions to support our drivers and support our wildlife. Macedon Ranges is a distinctive area and landscape and we value that, but we need different solutions. There is a range of research going on with universities as well around signals to livestock to stay away from traffic. There have been no really fantastic solutions yet, but we also look at really basic things. It might be wombat crossings with culverts underneath to enable wildlife to traverse a busy road, for instance. There is no silver bullet there, but we know it is a problem and we are focusing on it.

**The CHAIR:** Thanks for your work on it. I do not know if any of the other councils have anything to comment on that.

**Bradley THOMAS:** All I would say, I suppose, is we are not doing anything in particular, and this is a real challenge around ‘How do we not replicate?’ If Macedon are doing something, this could actually be rolled out in other places, because with increasing financial stress and commitments to local government, we cannot do everything. And we do have really good relationships, local government to local government, but we are going to have to get better at that. And can there be more of a statewide approach to this? If this is something that we need to respond to, why are we going around it in 79 different ways as well?

**The CHAIR:** Thank you. All right. I will hand over to Mr Berger.

**John BERGER:** Thank you, Chair. Thank you, all, for your appearances this afternoon. I suppose my question is more towards you, Bernie, in relation to your submission and the announcement about the shared services model. The state government has kicked in some money for Loddon shire, and you are kicking in for your area. Could you talk to us about how the pilot is going?

**Bernie O’SULLIVAN:** Yes. Thank you. My Director of Corporate Services Adele was integrally involved in that. I think, yes, it is just one small example, but gee, we have got to do more of this. Do you want to talk to those three areas, Adele?

**Adele DRAGO-STEVENSON:** The short answer in terms of how it is going, John, is that it has just commenced in terms of that process. Bendigo has been really moving that forward, helping to produce that and getting some alignment around the particular areas, so legal, cybersecurity and procurement in particular. The origins of, for example, cybersecurity, were that we are aware as a smaller shire in terms of the requirements and the growing risks around the type of data that we hold and the ageing infrastructure in terms of the technology and so forth that local government organisations in particular are probably very appealing targets in terms of cybersecurity. We are doing as much as we can within our own environment already around that and

paying close attention to it, but that is one area where we know that through collaboration on platforms and other things we can extract benefit. It is those types of things, and some of that is around shared platform implementation and shared knowledge. Some of the regional cities in particular do lead quite well in that area in terms of sharing some of that knowledge, and Bendigo does often do that. We benefit from that relationship and also with Hepburn and others.

Likewise, legal is another area, and procurement, that are similar in terms of we are getting similar advice – to the point Bradley made earlier, 79 councils are often getting advice from legal consultants on the same issues because they are coming and hitting us all at once, so how can we make sure that we are doing more to share that advice and actually asking maybe a couple of times around the nuance of the different local government areas, and not getting that advice 79 times and paying for it 79 times across the various shires. That is borne out too with some of the changes more recently around the amendment to the Act. For example, we are all doing the same thing in a hurry ahead of the election, and post that to implement many of those changes, and there is not really sufficient time to effectively collaborate in many cases.

**Bev McARTHUR:** Surely that is what the MAV should be providing for you, shouldn't it?

**Adele DRAGO-STEVENSON:** I think MAV does a very good job in helping to facilitate that. The timelines are incredibly short and tight around being able to do that effectively.

**The CHAIR:** That is correct.

**Adele DRAGO-STEVENSON:** So they are the areas of focus. We are kicking that off. The pilot program is to explore how successfully we can do that and overcome the different levels of maturity in our organisations, particularly around some of those platforms.

**John BERGER:** Do you see a point in time – and I pick up on your enthusiasm, Bernie, saying there should be more of it. At some stage would you like a database of sorts – I know that might be the wrong terminology – where these shared experiences are there and then for our different councils to be able to tap in and use a resource that has already been used?

**Bernie O'SULLIVAN:** Yes, I think that is a fair point, because my sense from my time in local government is that people want to share, but they often do not know who to share from and what work has been done. We have a really strong network in Loddon Campaspe and Loddon Mallee. We are constantly talking to each other, so that makes it easier. But more broadly across the state we have got metro councils doing significant work and being able to also fund a lot more consultancies and those sorts of things. We would love to be able to dovetail off that work. Something like that would be useful.

**Adele DRAGO-STEVENSON:** If I can just build upon that in terms of the role of the state, in the submission we talk about structural adjustment funding and those types of things, but changing the business while running the business is incredibly hard. The sustainability concerns that have been raised consistently around this make that even more difficult, and spending every dollar in a way that is really meaningful and impactful and outward facing into the community is a priority of all local government organisations. Doing internal work around restructuring and looking at shared services – in particular this might be a bugbear of mine as Director of Corporate Services – is not the most attractive thing to the community, to talk about the fact that we are going to be spending significant amounts of money to improve our technology infrastructure, for example. It is like fixing the wiring in a rundown house if you do not see the benefit. So that is a particular challenge and I think it is also why historically there has been underinvestment in things like technology improvements, organisational design, operating models and so forth. They have been underinvested in because they are the least visible in terms of the impact in the community.

**John BERGER:** I just wondered, perhaps, Bradley and Trevor, have you got a view on the shared system?

**Trevor IERINO:** I can have a go at that one. Indigo in particular have a very strong working relationship with Alpine and Towong shires, and we are doing a lot of work on shared services ourselves as well. We have a number of services that we are providing to each other, but I think Brad may have mentioned that the industry itself is very collaborative. We are not competitive, we are very collaborative, and we do share a lot of intel, a lot of data. But it would really help to have some more structured ways of consolidating some of those. I think support for establishing shared service models can be expensive in itself, just even doing business cases and so

on. There have been little attempts over the last few years to support collaboration programs or shared service programs to some degree, so I think more investment there would be great. I think there is an opportunity too for the state – Bernie mentioned this – to centralise some of the documents that we are required to produce. An example is an induction program. We are all running around doing induction programs for the councillors, and there are lots of consultants all contacting us saying, ‘Hey, can we help with your induction program?’

**Bev McARTHUR:** Money for jam.

**Trevor IERINO:** Seriously, 90 per cent of an induction program could be one document that we all share if someone in the state could spend five or 10 grand on putting together a document, and then we could just add bits to the end like ‘insert name of councillors’, ‘insert name of staff here’. But really 90 per cent of what we are inducting our councillors on, Bernie would be doing the same stuff, Brad would be doing the same stuff, 75 other councils would be doing the same stuff about what the *Local Government Act* is, what your obligations as a councillor are, all that stuff – training. Why are we all going to consultants to write our own or spending our own time to write our own? One person could do it and we could all share it. We do do a lot of that, but it would be great if we actually had a structured approach. Code of conduct – I think we are looking now to do that as a state, which is great. But that could easily have been done years and years ago, and let us all follow the same one. Let us have the same transparency policies. Let us have the same privacy policies. Why aren’t they all just the same policies? We are not that different from each other.

**The CHAIR:** Thank you. We are just running a little bit short on time, so I will go to Mrs Deeming. She has gone? Okay. I will go to Mrs Broad.

**Gaelle BROAD:** Thank you very much. You have spoken probably to a couple of the examples, but with cost shifting we have heard about the school crossing supervisors, libraries, waste management services, maternal and child health services and just the cost of compliance and regulatory changes. Can you give further examples of what has actually happened?

**Bernie O’SULLIVAN:** Can I mention one other example? Whether it is cost shifting or a perverse disincentive in the system – in 2021 it was declared a climate emergency. We have got a whole range of environmental plans at Macedon Ranges Shire Council. We have been one of the leaders in environmental policy and achievements rolling that out – a four-bin system, diversion from landfill at about 74 per cent – so we are really kicking goals in that area. You would expect that, for instance, as we achieve better environmental outcomes, some of our then resultant costs would come down from state government. That is not necessarily the case. For instance, when we think about the EPA, the Environment Protection Authority, landfill levy, our annual tonnage to landfill was about 7000 tonnes per year in 2021. It is now down in 2023 to about 5886 tonnes, but our levy has gone up. Our levy has gone up from about \$667,000 in 2021 to close to a million dollars. There are opportunities, when we think about even the good work that we are doing, to incentivise that more for local councils. We all want to see better outcomes, but sometimes we are getting better results but we are also being pinged at the same time.

**Bev McARTHUR:** It is just a tax.

**Gaelle BROAD:** I guess just with the coming local council elections too your costs have increased for that. I am interested too in what grant revenue streams exist. This might be something you need to take on notice. Where are the gaps in that process as well?

**Bradley THOMAS:** I think there are probably a couple in that, and I know it has been talked of a fair bit earlier today. There are federal government financial assistance grants, and local government does so much as a percentage of infrastructure investment and service delivery, I am not convinced that we get our fair share of the total pie. I think we could have arguments around minimum grants and whether there should be a greater pool between metro and regional and rural, and everyone will have their say on that. Fundamentally the share to local government needs to increase. That is the major one coming out of federal government. There is very little, I suppose, ongoing capital funding at all from both tiers. Particularly from federal government there has been the Roads to Recovery, which has had a really significant increase in the last 12 months, which is absolutely needed, but at the state government level there is very, very little ongoing permanent infrastructure grant funding. It is more: ‘Have you got a great idea? Put your submission in for that.’ So I think in terms of that if we could really see some certainty there, and even some certainty in terms of funding. Only yesterday I

saw announcements in terms of engaged youth funding. That will now have to go through a process. I am sure all 79 councils have got a youth team or a youth department. Now we will go through a process in terms of applying for what should be a form of recurrent funding in terms of supporting our youth. Now, absolutely there should be some accountability in terms of what we are delivering with that funding and what the two or three items are that Hepburn is going to do a little bit differently to Macedon and to Indigo and how we are going to collaborate. So there are absolutely no problems in terms of that reporting back to state government, but why are 79 councils needing to go through an application for engaged youth funding? I think that is where some opportunities lie.

**Gaelle BROAD:** Duplication of resources. I know, Trevor, you have got your hand up. I am just interested too, with the federal assistance grants we heard from a council earlier that it comes through Victoria but they held back the funding and it kind of created a bit of a hole in some budgets. Can you expand on that? Did you experience that with the timing?

**Bernie O’SULLIVAN:** I mean, in recent years, as you heard earlier today, it was paid prior to 30 June. The local government sector has been trying to advocate for a sensible conversation around some of the financial sustainability challenges. The impact on particularly small rural councils has been totally masked by the federal assistance grants dumping in before 30 June, which then throws out VAGO analysis and reports in our annual reports. It is just making sure our decision-makers at each tier or level of government understand those issues and allow local government to support them to unpack some of those issues. We are bandaiding the system long term here in terms of financial sustainability of councils, and the quicker we realise that and work together to do something about it, we will be in a better position.

**Bradley THOMAS:** I think it is important just to note that it was not withheld from state government, it is just in terms of the timing from the federal government. It has now returned to being paid in the year it relates to, and I suppose it should just stay in the year it is related to. They have fixed it now, I think, and personally it will be easier. They have paid it into 2024–25. Do not go and play with it – and that is a federal government decision.

**The CHAIR:** Trevor, did you have any final comments?

**Trevor IERINO:** A quick comment on the cost-shifting question. I think Glen Eira may have funded, themselves, a study on it, and they identified something like an \$18 million cost shift over time. If you had some time, I could probably give you dozens of examples. There is a lot of conscious cost shifting, but there is also a lot of unconscious cost shifting. The government might cut funding to some of the agencies, and then the agencies make decisions themselves. They are like, ‘I’ll no longer do this. I’ll no longer do that’, but then you find the community still demands those things, so a vacuum gets created and we get sucked into that vacuum as the community is still after it. So even though you stop funding DEECA or DELWP or whatever they are, it still has to be done by us, or parts of Victoria have their funding cut, so they are not maintaining picnic facilities as much as they used to. People come to us and say, ‘Can you empty those bins? Can you fix that picnic ground?’ It is not even ours, and we are still getting dragged in. We just spent \$600, 000 – \$700, 000 – on a hall in Kergunyah. We had some government grant, but we put in a few hundred thousand dollars. It is not even our hall. It is a DELWP hall, but –

**Bev McARTHUR:** Well, why on earth did you pay for it?

**Trevor IERINO:** You just get sucked into it, because it is in the community interest.

**Bernie O’SULLIVAN:** Because the community need it.

**Trevor IERINO:** The community need it, someone’s got to do it, so we just do it. And there are dozens and dozens of examples of where agencies stopped doing the –

**Bev McARTHUR:** Do not come crying to us, then.

**The CHAIR:** Thank you very much for your questions, Mrs Broad. Is everyone okay to just go 5 minutes over, given we started late, so Mrs McArthur can ask some questions?

**Bev McARTHUR:** Okay. Thank you, Chair. Thank you, everybody, for appearing. I have many issues that I would like to cover off on. Just to go back to the wildlife issue on roadsides, I mean, when are you going to get to a situation where roadsides should be safe places, not biodiversity zones or wildlife corridors? No wonder there is roadkill. When I was on the road inquiry, with regard to reporting, the only reporting of accidents is when an ambulance was called. So no data is collected on whether road infrastructure causes accidents, whether police were called or whether anything else was involved in the accident situation. Collecting road data is critical. State government does not want to go anywhere near it because it will be exposed for what really is the problem, and that is the state of the roads.

Brad, you said you have got to provide lots of different services – no, you do not. Surely you have just got to provide the core services. We do not need local government providing a fitness centre, for heaven's sake.

**The CHAIR:** It is a great fitness centre. I was there this morning.

**Bev McARTHUR:** Do you believe that local government should actually define the roles and responsibilities it has and stick to those basic services that you are meant to provide, or do you think you should go off and provide everything, especially what the state government impose on you?

**Bradley THOMAS:** A fundamentally interesting question about local government. I think ultimately local government want successful, healthy communities. What people think local government should be delivering as core services, I will put a hundred different people into a room and you will get different answers. Even on a particular topic in terms of what is important on a road and that sort of thing, I think that is the balance that local government really struggles with – what exactly are we delivering, how are we delivering it? It is really tough to stop doing things. We spend an inordinate amount of time talking to and working with our communities. What is really clear is we cannot continue to do more of everything, and that is what has happened over the last period of time. It is really tough to stop doing anything. It is almost impossible to have that conversation with the community. But that is what is happening at the moment and will continue to need to happen.

**Bernie O'SULLIVAN:** And ultimately we are driven by feedback from our communities. As we all get a new council term, our community will be involved in helping deliver a community vision and a new council plan, and they will guide their expectations on councillors and then staff. I have got really good faith that they will come up with a really sensible view of what they value for the community and the work that we could do. Often our work – yes, it might be absolutely on core services, but it might be on significant gaps in services where the market has been exposed because other levels of government may or may not have been there before. There is no-one there, and there are perverse outcomes if local governments do not step into that breach. We do not always like to do that because it means we are not doing something else, but we are getting to the point where it is: 'What is the highest priority that we can fund?' We prioritise things like immunising babies and keeping people safe and supporting communities, but we do know there are other more intangible things. Bradley talked about youth programs before. Some people might say, 'Well, why are you doing that?' It is because if you get it wrong and you do not have those sorts of programs, then you have really significant perverse outcomes for young people in our communities that may not have the same access to services and the ability to do the normal youth activities that you might have in metro areas.

**Bev McARTHUR:** You talk about wanting a flexible rate-capping system. That actually just means increasing rates for ratepayers, doesn't it?

**Bradley THOMAS:** Not necessarily.

**Bev McARTHUR:** Oh, are you going to lower rates?

**Bradley THOMAS:** Across all 79 there could be the opportunity to do that, and I suppose that is what I commented at the start. Rates is one component of the revenue system, and it is the one that we have a little bit of control of. That is why we need to look at the whole revenue system. There are a whole range of things that should happen in the rates system, I absolutely agree. Should it be a property tax? That question needs to be answered.

**Bev McARTHUR:** You would agree that we should look at whether we should have a property taxing system for local government?

**The CHAIR:** This is the final question too. If everyone wants to respond to this one, then we will wrap it up.

**Bradley THOMAS:** I would say that there has not been a fundamental review of the revenue system for local government. When there are increasing responsibilities on local government, when there are increasing demands from community, and community wants more, then we have to look at the revenue opportunities as well as part of that. If you look at the whole revenue system, there are opportunities.

**The CHAIR:** Bernie and Trevor, did you have anything?

**Bernie O’SULLIVAN:** I would just say rate capping is the system we have got in at the moment. There are opportunities to do that in a smarter way that would result in much better longer term outcomes for the community at both levels of government. We are putting our heads in the sand if we think the current system will deliver a stronger local government sector and then better outcomes for the community in the longer term. We are chipping away at the moment in terms of our revenue, our asset base and our community trust at every level of government. We can be better at that.

**The CHAIR:** Adele, do you have anything?

**Adele DRAGO-STEVENSON:** I have nothing to add.

**The CHAIR:** Trevor.

**Trevor IERINO:** I have nothing too clever to say. I think property rates are flawed. That is just a personal view. It is old English law: if you own property, you are wealthy, so you can afford to pay something. I think it is all flawed, but that is what we stuck with. We cannot change the bigger picture; we just work with what we have got. I think it is flawed. There was a big review done of the rates system four, five, six years ago with lots of inputs made and lots of recommendations, and I do not think nine-tenths of the recommendations were accepted by the state. There is not much more that the councils can do.

**Bev McARTHUR:** You need to start standing up to the state government. That is what you all need to do.

**The CHAIR:** Thank you. That is all we have time for today, but you might receive some questions on notice from members to respond to in writing.

**Bev McARTHUR:** Especially on how much it costs you to apply for grants.

**The CHAIR:** Thanks very much for coming and appearing before us today and making submissions. It is very, very helpful. That concludes the public hearing.

**Committee adjourned.**