

TRANSCRIPT

LEGISLATIVE COUNCIL ECONOMY AND INFRASTRUCTURE COMMITTEE

Inquiry into Local Government Funding and Services

Camperdown – Wednesday 7 August 2024

MEMBERS

Georgie Purcell – Chair

David Davis – Deputy Chair

John Berger

Katherine Copsey

Moira Deeming

Bev McArthur

Tom McIntosh

Evan Mulholland

Sonja Terpstra

PARTICIPATING MEMBERS

Gaelle Broad

Georgie Crozier

David Ettershank

Michael Galea

Renee Heath

Sarah Mansfield

Rachel Payne

Richard Welch

WITNESSES

Cr Kate Makin, Mayor, and

David Rae, Chief Executive Officer, Corangamite 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 pay my respects to their ancestors, elders and families. I particularly welcome any elders or community members who are here today to impart their knowledge of this issue to the committee or who are watching the broadcast of these proceedings. I also welcome any members of the public watching via the live broadcast or in the public gallery.

To kick off, we will get committee members to introduce themselves, starting with members in the room at Mr Mulholland.

Evan MULHOLLAND: Hi. Evan Mulholland, Northern Metropolitan Region.

Bev McARTHUR: Bev McArthur, Western Victoria Region.

Sarah MANSFIELD: Sarah Mansfield, Western Victoria Region.

The CHAIR: Georgie Purcell, Northern Victoria Region.

David DAVIS: David Davis.

John BERGER: John Berger, Southern Metro.

The CHAIR: We will kick off on the screen in the same order as before.

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

Sonja TERPSTRA: I am Sonja Terpstra, state Member for North-Eastern Metropolitan Region.

The CHAIR: Wonderful. We also have Richard Welch here. I am sure he will come back at some point.

Thanks very much for appearing today. All evidence taken is protected by parliamentary privilege as provided by the *Constitution Act 1975* and further subject to the provisions of the Legislative Council standing orders. Therefore the information you provide during 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 the same things, 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 following the hearing. Then transcripts will ultimately be made public and posted on the committee's website.

For the Hansard record, could you both please state sure your full names and the organisation you are appearing on behalf of.

Kate MAKIN: Kate Makin, Mayor of Corangamite shire.

David RAE: David Rae, CEO of Corangamite shire.

The CHAIR: Fantastic. We now welcome your opening comments but ask that they be kept to around 10 minutes to ensure plenty of time for questions.

Kate MAKIN: Sure, no worries. Thank you. Good afternoon. I am Kate Makin, the proud Mayor of Corangamite shire. Today, along with my CEO David Rae, I have the honour of appearing in support of our

submission to this important Inquiry into Local Government Funding and Services. Corangamite shire is located in the heart of south-west Victoria. It is a region rich in agricultural heritage and natural beauty, home to over 16,000 residents and almost 9800 rateable properties. Our community thrives on the lands of the Eastern Maar and the Wadawurrung traditional custodians. Our local economy is driven by agriculture, particularly as part of Australia's largest dairy producing region, and tourism. Our coastline, as you may well know, is also internationally recognised as home to the great Twelve Apostles.

Our council is dedicated to providing high-quality services and initiatives to our community, a task made increasingly challenging by the evolving economic landscape; increasing costs, be it through inflation or cost shifting; and an increasing regulatory overburden. As we navigate out of this landscape post the COVID-19 pandemic and grapple with child care, workforce, housing and the cost-of-living pressures, we face the dual pressures of maintaining sustainable and efficient business practices while meeting the growth needs of our residents.

In our submission we address the critical issue of the increasing cost of compliance and cost shifting from the state government, and to a lesser extent the Commonwealth government, to local councils. Increasing compliance on council has a direct and indirect cost. For example, the increased legislative governance obligation on Corangamite shire to comply with the *Local Government Act* has increased significantly in recent years, by \$75,000 annually. Similarly, to comply with the obligation of the local government performance reporting framework costs council indirectly around \$15,000 annually. Election costs, as we are about to head into, have also escalated significantly over the last couple of cycles, increasing by around 50 per cent. These examples amount to around \$150,000 for the 2024–25 financial year for council, and where rates are only increasing by 2.75 per cent, this is a significant cost impact to us.

These are also examples of compliance and cost shifting the state government has direct control over. What it means is communities get less when governments pass on cost to councils. In recent days council has also been advised that we must co-fund the Department of Health's central immunisation register. We have been advised that we will be charged \$6000 plus \$2 for each immunisation registered each year. This is described by the department as 'a new co-funding model'. I would call it cost shifting. While this is a small cost in the scheme of our budget, the cumulative impact of these small cuts compound and become significant over time, and in a rate-capped environment, communities in the end miss out.

Councils, as you know, play a significant role in supporting their communities in times of emergency. Councils are not necessarily adequately resourced or equipped to deal with emergency, and so we are grateful the state government has recognised this by extending the municipal emergency resourcing program by a further four years. However, the funding has not increased since 2014, and this has cost the Corangamite shire around \$120,000.

Much of the state community infrastructure located within our shire is grossly unfunded. Crown committees' ability to manage and maintain this infrastructure is limited and council is often called upon to meet this need. The traditional funding mechanism to deliver this community infrastructure is inadequate, and the state government needs to take more active roles in this, in looking after its own assets.

The impact of the fiscal imbalances and the unique challenges faced by a rural council like ours are difficult. Our submission highlights the need for more equitable and sustainable funding models that ensure that we can continue to deliver essential services for our community. I thank you for the opportunity to present to the committee today. I look forward to engaging with you on these vital issues for the future of our local government and our community. I will hand over to my CEO, David Rae.

David RAE: Thank you, Mayor Makin. Good afternoon, members of the committee. Thanks for the opportunity to present to you today. I am not here to rehash what has already been submitted to you by way of our written submission.

I think Corangamite Shire Council has a very proud history and legacy of prudent financial management over a long, long time. I acknowledge Mrs McArthur, who is a former member of the council and has been part of that journey. Successive councillors and successive administrations, in my view, have left a strong legacy that the next incoming council will take charge of. We are very prudent financial managers. Our financial position historically has been quite strong. I would say that we have moved from a strong position to now a stable

position, and that is a consequence of a series of, I guess, challenges that we are all facing broadly. The broad economic climate is largely in my view a function of, in terms of its deterioration around the cost of living and the housing crisis, decisions both the federal and state governments have made in recent years. The economy is certainly overstimulated. But I think increasingly our community are looking to council to solve many of these problems, which by and large are problems that have been created by other spheres of government.

I am happy to take any questions along the way, but I just want to raise a couple of matters. I think it is important to focus on the solutions to the challenges that we face, not necessarily dwell on our problems. I will draw the committee's attention to a recent review done several years ago by the government. KPMG were commissioned. It was the rural and regional councils sustainability review. If the committee has not read that review, I would certainly suggest they do. It provides a range of recommendations to the government of the day that I think go some way to, I guess, addressing your terms of reference as well.

I think council's financial position, as I mentioned, has shifted from being strong to stable. Proudly we are a council that has no debt. The rhetoric, or the narrative, that comes out from the government that councils need to borrow more is flawed in my view. Ultimately, at the end of the day those funds need to be repaid at a future point. Council is not averse to borrowing, and the use of debt is appropriate for investment in infrastructure that will ultimately pay for itself in the long term.

I think generally cost shifting places a significant financial burden on councils. We continue to deliver a range of services, particularly those services that are funded by either the state government or federal government. What we are seeing more recently, particularly following the pandemic, is the increasing cost of service provision, basically, but also the increasing cost of infrastructure as well, and what we are seeing is a significant impost around our ability to meet that infrastructure demand. I think into the future it is a challenge that we will need to address front on. I think despite the financial pressures the core services of council remain a priority, as does recognising the role of council in terms of what it is best placed to deliver and what services are best placed to be delivered by the state government or the federal government.

I think the immediate challenge for council at the moment as we move forward in terms of the introduction of the 30 hours of kinder is the infrastructure demand associated with that in terms of capital build, and we have done some recent work on that that would estimate an investment north of \$10 million being required to meet that challenge. I guess that is an example of where a policy decision of a state government can have a significant impact on a local council, and being a small rural council, we do not necessarily have the funding mechanism to meet that capital demand. We are in conversation with the government, and we would hope the government recognises our inability to fund those critical asset upgrades, but at the same time we recognise the importance of early education to our young people and certainly are open to having future conversations with the government. Those financial constraints are enormous challenges for local councils around maintaining existing services but also in some ways can constrain innovation as well. In relation to the overall revenue structure of local government I think property taxes alone are insufficient to cover the extended responsibilities. There has been a review into the rating system recently, and that review made a series of recommendations. I think fundamentally the review is sitting on the shelf at the moment, so I guess the sector probably does need some direction in terms of the outcomes of that review. I think more recently there was an intent around introducing an averaging scheme for valuations, however, that was abandoned, and probably rightfully so, because of the complexity in challenges of introducing that.

Our community has limited ability to pay user fees and charges. I think the community can bear some cost increases, but funnily, at the end of the day these are services that are legislated on council to provide or the fact of the matter is that there is a capacity for community to pay over and above reasonable increases as well. The revenue model also has been explored more recently. Rural Councils Victoria as well have completed some work in terms of alternate revenue structures. There is no silver bullet that comes as a result of that piece of work, and I think what it does demonstrate is that particularly rural councils are really constrained about their ability to raise income over and above rates, recurrent grants and user fees and charges.

I have spoken broadly about the economic factors, but I think fundamentally there needs to be greater cooperation between state and local governments around solving these challenges. They are challenges that I guess are not unique to us, but we are seeing them experienced right across the state. I think the work the MAV have done and Rural Councils Victoria and FinPro in terms of submissions to the committee probably talk

broadly around the challenges for the sector as well. So I think you have got all the facts and figures you need in that regard.

I will probably just pause and leave it there and open for questions. But I think there are a couple of challenges I see ahead at the moment in terms of council, particularly Corangamite shire. One is that the cost burden can be tempered by minimising the legislative reform, and where there is legislative reform and there is an additional obligation on council to implement, that should come with the requisite funding. In terms of the property-based tax or the rating system, I think historically property was seen as a way where inherently wealth was held; wealth is not necessarily inherently held in property in a contemporary economy, so I think there is an opportunity to review the rating system. And to some extent, is there an opportunity that councils can share in the Commonwealth collect of GST in lieu of giving up property rates as well?

I might pause there, members, and open up for questions.

The CHAIR: Fantastic. Thank you very much for that. Members, we will do the same as before and try and keep it to one question, and if we have time we will go around again or submit questions on notice. I will start with Mr Berger this time.

John BERGER: Thank you, Chair. And thank you both for your appearance and submissions to this inquiry. I am interested to note in your report about the school shortages, and I am interested to know how that impacts your sector.

David RAE: Well, I think it is a big challenge, particularly around not just skilled workforce but also unskilled workforce. In the last 12 months we have had vacancies in engineering roles, planning roles and finance roles as well. That constrains I guess service provision and the ability to deal with a range of matters such as planning applications and building approvals and designing roads that we then go and construct, but also particularly from a finance side an example is meeting the reporting obligations that we have as a council.

I think the sector is facing significant challenges around workforce. Child care and early years is a particular challenge for us at the moment. The child care one is an interesting space, because child care is federally funded but kindergarten, early education, is state funded. What we have seen is a shift from the childcare sector, in terms of workforce, across to early years or kindergarten because there has been a need for doubling of the workforce. Child care historically has been an underpaid workforce, and it has been really, really difficult to attract workforce into that sector as a consequence. I think that is recognised, and I think that is probably a role for the federal government – to step up and better fund that system.

In terms of workforce, right across the board we are competing against the private sector at the moment. The private sector, as you know, do pay premium wages that we are not able to match, so invariably we are left with positions being vacant for periods of time or securing contract workforce at a higher cost to deliver some of those services. It does impact service provision and also the financial position of the council.

John BERGER: Thank you.

The CHAIR: Thanks, Mr Berger. Mr Davis.

David DAVIS: Can I thank you both for your contribution. It has been very helpful. I am going to ask a similar set of questions as I asked the last council, Swan Hill, and that is particularly in the areas that I am interested in, which are maternal and child health, libraries, cultural and arts funding and to an extent local roads too. Along the time series I just want to see that change and the impact that that is having, and I think it is quite significant. That is a take on notice, if that is possible, please.

The second thing is I just want to pick up the mayor's point about maternal and child health, and I just want to be absolutely clear about this: as I understand it, what you are saying is the Department of Health, however it is denominated now, is actually applying a fee or a charge for each immunisation and each maternal and child health encounter? Is that what I am –

Kate MAKIN: I will pass this over to my CEO, because we have only just been advised of this in the last few days. Mr CEO, I will pass this to you.

David RAE: Thanks, Mayor. Written notice that the state system will be asked to make a contribution towards the running of that state system. \$6000 is the fixed cost, and then for every immunisation record that is registered on that system there is a \$2 fee associated with that. That is a new cost we have not had to pay previously, and we have only been advised of that in the last effectively 10 business days.

David DAVIS: Is there a rough estimate of how much that will actually cost?

David RAE: We are in a very preliminary stage of that, but although it is a small cost in the scheme of our overall budget – it is probably \$10,000 or less overall – it just means that \$10,000 does not get spent on something else that benefits the community.

David DAVIS: Traditionally – and I am a former health minister, so I look at it in this way – there has been a partnership between local government and the Department of Health, and maternal and child health has been delivered in a very careful way through local communities, through local community health centres, through local council offices and so forth and maternal and child health centres. You obviously incur the cost of labour and buildings and supplies, and traditionally the state government has reimbursed you for a very large share of that. In effect you are delivering a critical statewide service, and now they propose to put a charge, both an overarching charge and then an individual service charge.

David RAE: That is correct.

David DAVIS: I am dumbfounded.

David RAE: It is somewhat unrelated to the MCH service – that is separately funded. This is around, I guess, the broader state scheme for recording immunisations as well. There is a software product that needs to be, I guess, funded in a particular way.

David DAVIS: What is that called? Do we know the name?

David RAE: I will take that on notice.

David DAVIS: Send it on, yes.

The CHAIR: Last question, Mr Davis.

David RAE: I am happy, by you, Chair, to provide a copy of that letter, subsequent to the meeting.

David DAVIS: That would be very helpful.

Bev McARTHUR: Basically it is an immunisation tax.

David DAVIS: It is just extraordinary. I have never heard the like of it, and I just put on record that I think the government needs to reverse this immediately.

Bev McARTHUR: It would be the 55th new tax in this state.

The CHAIR: All right, members. I will pick up something Mr Davis touched on. I think you heard the evidence from Swan Hill – their statements around maternal and child health services. Are you experiencing a similar thing as a rural council?

David RAE: The biggest thing we face in relation to MCH is around workforce – recruiting qualified MCH nurses to provide that much-needed and much-valued service to our community. The other constraint is around the funding. There is a state agreement with MAV and the state around the 50–50 contribution model for universal maternal and child health services. Largely we are running to that model. We are not necessarily putting in additional funding over and above that state contribution, so I am particularly mindful of that. Any additional funding – there is a conversation to be had if council is putting any more funding in than what has been agreed to.

The CHAIR: Yes.

David RAE: There is another component, which is the enhanced funding model. That enhanced funding model I think has delivered some good outcomes for the community. What it does is fund those more challenging post-birth MCH cases, and it is delivering good outcomes for our community. That is a well-funded model, so in that respect we are particularly grateful for that.

The CHAIR: That is state government funded?

David RAE: That is state government funding, yes.

The CHAIR: Do you have concerns, similar to what Swan Hill touched upon, about losing families to areas where there might be better services?

David RAE: Our challenge is that we are in close proximity to regional centres – there is Warrnambool to our west and there is Colac to our east. Our community is, I guess, conditioned or used to travelling some distances. But where we are able to continue to provide services locally, our community will continue to utilise those services. I think it is incumbent upon us to make sure that we can secure and recruit the required workforce, and historically we have been able to do that for a range of reasons. Families do value the local health services, and the importance of those in a community cannot be underestimated. Young families also need child care as well, and the challenge for us is being able to address that need. That is probably a more pressing need than the MCH service at this point in time.

The CHAIR: Just very quickly, you think a large reason for that is early childhood educator wages?

David RAE: I think that there are two aspects. One, the available workforce. I would put that down to the level of remuneration in that sector.

The CHAIR: Yes.

David RAE: The other issue is around the financial sustainability of providing childcare services in rural and remote communities. As an example, we have a community north of us in Skipton that has a high demand for child care. We would like to provide more child care, but that comes down to the availability of the workforce but also government funding to be able to underpin our cost. Otherwise it invariably becomes a cost to council to provide that service, and from a council view, child care is a federally funded service and it should be appropriately funded.

The CHAIR: Great. I broke my own question rules, so I will go to Dr Mansfield.

Sarah MANSFIELD: Thank you. I know that this is related to federal changes, but I guess it is an issue that has relevance for councils in all sorts of areas. Your decision to exit aged care – you mentioned in your submission that that had an impact on the provision of aged care in the local community. I would be interested in understanding a bit more about what happens there.

David RAE: Mayor, would you like to open up?

Kate MAKIN: Aged care – sure. We transitioned out of aged care because we were not able to provide those services that were required for council. We felt very deeply concerned about exiting that service, we were all quite hesitant about exiting that service and we wanted to make sure the community still had the access to the services that they were getting from us, but we felt that we could not provide the extra services that were on demand for them. I suppose I could say that we were lucky that we found that we could transition those patients or people very well with our staff. We made sure that the transition was very good. We made sure that we had it all in place and everything else, and no-one was left behind. Aged care is a huge thing in Corangamite at the moment. We had a service close in Terang, which is just a little way down the road, which is proving very hard for those people in Terang. They have had to go to Warrnambool, which is the neighbouring shire, and that is a cost burden and travel burden on those families wanting to see those people and everything else. We find that quite difficult for us here in Corangamite. I think it is a tricky one; we would have loved to have stayed in the services, but we just acknowledged that we could not provide the upkeep and the extended services that were required of us.

Sarah MANSFIELD: Were the reasons similar to perhaps what is happening with child care and just finding staff and –

Kate MAKIN: Yes, finding staff – and quality staff – is completely it. We were down to a bare-bones workforce, you could say. They were a great workforce, they loved what they were doing and everything else like that, and we made sure that they could transition to the new companies that were taking over those workforces and taking over those services to make sure no-one was left behind and no-one was out of a job. We still found that those were the issues as well – that we just could not find the people that wanted to go into that workforce.

Sarah MANSFIELD: Was the service that closed in Terang a private service?

Kate MAKIN: Sorry, I cannot remember.

David RAE: Through you, Chair, it was a not-for-profit service, effectively.

Sarah MANSFIELD: Yes, but not a government service.

David RAE: No, not a government service. If I may just add to the mayor's statements, through you, Chair. Council still has a role to play in aged care and has taken on what is known as a navigation service, so assisting community members through navigating the My Aged Care website, as an example, but also a range of programs and so forth, but also working very closely with our local health services in the provision of supporting them in their service delivery. Fundamentally at the end of the day there was a changing federal landscape that meant some decisions had to be made, because it would have cost council more to stay in it to provide that service than not. Increasingly it was becoming a complex service to run as well. We are good at building roads and maintaining parks and gardens. Historically we had a role to play in home and community care, but this has become a more specialist role now, so there was a decision that council made to recognise that a specialist provider was best placed to deliver those services.

The CHAIR: Thanks, Dr Mansfield. We will go to Ms Terpstra.

Sonja TERPSTRA: Thanks, Chair. Thanks, David and Kate, for your presentation. It has been very, very helpful. I just want to focus on a few things, and I think you were talking about maternal and child health – the challenge faced there. One of the things you were talking about – and I just want to make sure I understand you correctly – was there was some charge that someone was applying to the administration of immunisations. Could you just take me through that again, so I make sure I understand what you were saying?

David RAE: Thank you. Through you, Chair, we have been recently advised that we will need to contribute to the state immunisation register. There is a fixed cost component of that and then there is a variable cost component of that for each immunisation that is registered on that system. This is a new –

Sonja TERPSTRA: Sorry – who has advised you of that? You said you had been advised, but by whom?

David RAE: The Department of Health has advised us of that.

Sonja TERPSTRA: Right. So what is the charge for? You are saying it is a charge that covers what?

David RAE: Effectively the maintenance and upkeep of that system.

Sonja TERPSTRA: And how much is it?

David RAE: It is a fixed component of \$6000 and then a variable component of \$2 per immunisation registered.

Sonja TERPSTRA: And the \$6000, is that per annum?

David RAE: That is per annum, and that is a new cost that 10 days ago –

Bev McArthur interjected.

David RAE: A new cost that 10 days ago we did not have.

Sonja TERPSTRA: Sorry, Mrs McArthur, I have got the call. Sorry, it is \$6000 per annum and \$2 per –

Kate MAKIN: Immunisation.

David RAE: Immunisation registered, yes.

David Davis interjected.

Sonja TERPSTRA: Sorry, but I have got the call. I am just trying to –

The CHAIR: Yes, Ms Terpstra.

Sonja TERPSTRA: Yes, thank you. So you said this was advised this year. Is that correct?

Kate MAKIN: Yes. Ten days ago.

Sonja TERPSTRA: When?

David RAE: In the last 10 working days.

Sonja TERPSTRA: Right. And in your submission I think as well you say that there has been a rise in fees and charges that the government is required to collect on behalf. So is that one? You are saying that is a charge on top of you, but what other fees and charges then are you saying that you are being required to collect, on top of government, that would be contributing to your costs?

David RAE: Sorry, Chair, I will just –

Sonja TERPSTRA: If you do not have the answers, you can take that on notice if you like.

The CHAIR: Would you like to take that on notice?

David RAE: Yes. I am happy to take that on notice, Chair.

Sonja TERPSTRA: Thanks, Chair. I will leave it there.

The CHAIR: Thanks, Ms Terpstra. We will go to Mrs McArthur.

Bev McARTHUR: Thank you, Chair. Can I first take the liberty of welcoming everybody here to Camperdown, my home town. For those of you that do not know it this is an area that has absolutely hit above its weight in the Olympics. We have got a gold medal and a bronze medal. In fact the bronze medallist comes from just down the road from where I live at Bookaar, a place you really need to get to know about. So this area, apart from that, had a gold medal winning team of equestrians, the Roycroft family, who won a gold medal for Australia in a past Olympics. So we really cut above our weight in putting this area on the world stage. Can I also acknowledge two former mayors here, Cr Ruth Gstrein, who is I think on the MAV board still, and Cr Jo Beard – fantastic mayors of this municipality and very highly regarded, and I had the pleasure of working with them.

Getting to the crux of the matter, David, you have touched on the whole issue of the property taxing issue, which for me is the fundamental problem facing local government, because we are differentiated as taxpayers, i.e., ratepayers, based on geography. So people in this municipality will be paying a much higher rate because of the rate in the dollar, especially for farm rates, than somebody in Stonnington or Boroondara, and yet you have to supply many more services than the councils in urban Melbourne. I think Stonnington has got 125 kilometres of roads – I do not know how many we have got here in Corangamite. That is the most unfair system of taxation in this country, I would have thought. Perhaps you would like to comment further on that.

David RAE: Thanks, Mrs McArthur. I guess the challenge of the rating system is that we have got a legislative framework that we have to operate within, and it is a framework that effectively we administer. And largely it is a capped rating system as well; so for this year it is 2.75 per cent, which I am sure you all know. Rate valuations are undertaken every year, and what that can lead to is significant fluctuations in the valuations of property owners from one year to another and I guess fluctuations in rates that are then levied as well. The challenge is around I guess property as a proxy for wealth, and property value does not necessarily reflect the capacity to pay either.

So I think I would take your point that a comparable property valued in Corangamite in a regional city or metropolitan Melbourne will be paying more rates in a rural context. That is fundamentally how the system has been designed. There are levers that council can employ; however, there are limitations to that. The differential rating system by itself does provide some levers for council to I guess mitigate the impacts of valuations on rate notices. But what we can see is our fluctuating valuations can muddy the waters and the differentials do not necessarily deliver the intended outcome.

I would say in my conversations with ratepayers, particularly large farm landowners, that I would agree that the rating system is broken. We are happy to work with them in terms of influencing what council can do, particularly around the revenue rating plan, which we have got to develop next financial year, but also the differentials as well. Historically this council has had a strategy of reducing the differentials for farmers and trying to minimise the impact on farmland where possible. However, we have got other obligations as well around ensuring that that rating system remains stable. There is probably not much more I can add to that, Mrs McArthur.

The CHAIR: Just one more very quick one, Mrs McArthur.

Bev McARTHUR: We constantly hear the refrain that three-year-old kindergarten is free. You have just enlightened us to the fact that actually ratepayers are picking up the bill for 'free' kindergarten, and with your capital infrastructure needed, probably you collect the rubbish, you maintain the garden, you probably make sure the downpipe is working, and I do not know what else – clean the building, no doubt. So all these services are being picked up by the ratepayer, so three-year-old kindergarten is not free – let us get that on the record.

But secondly, is it about time local government said no to the state government whenever they impose a policy on local government? We will supply free kindergarten – oh, but whoops, you will pick up the costs for the ongoing maintenance of this service. Really, if the government want to introduce a policy that is going to cost ratepayers, should local government actually say no?

David RAE: Mayor, would you like to respond?

Kate MAKIN: Thanks for that one. That is a nice handball. I would say I would like to be at the table and have those discussions with the state government rather than just being told we have to do this policy and pick up the bill for it. How about we be a seat at the table and actually have those discussions with the state government on these issues? That would be fantastic. I think that is where we need to go with these things.

The CHAIR: Thanks, Mrs McArthur. We will go to Mr Mulholland.

Evan MULHOLLAND: Given I am an out-of-towner, I am going to donate my question to Mrs McArthur, if that is all right.

The CHAIR: That is no problem at all. I just want to confirm: we have got Richard and Gaelle on the screen, is that right? I can only see Ms Terpstra.

Bev McARTHUR: Well, I will get a quick one in.

The CHAIR: No, go for it. You are a full member, Mrs McArthur.

Bev McARTHUR: Thank you. Mayor, or CEO, can you comment on the cost to industry in this municipality for the poor state government roads?

David RAE: I am happy to talk in a general sense. Councils have an obligation to maintain and fund their own local road networks. I can proudly say that we do a really good job of that, and that is a testament to our workforce in particular, but also –

Bev McARTHUR: Can I just say, for the benefit of my colleagues, that if you identify a local government road here, it will be very good. The state government road will be the pothole-driven operation.

The CHAIR: Thanks, Mrs McArthur.

David DAVIS: You used to have financial support for the local roads, but you do not have much now.

David RAE: Mr Davis, I think you are referring to the country roads and bridges program.

David DAVIS: Yes.

David RAE: We would welcome a similar contribution by the current government or a future government in that regard, but there is a cost of doing business. We hear anecdotal evidence often, both from local businesses and community members, around damage to vehicles as a consequence of the condition of the current roads. More recently – and Mayor Makin can probably talk to this better than me – there is a local road, Lavers Hill-Cobden Road, that is of a quality that has resulted in several accidents of late as well. A speed limit has been dropped from 100 kilometres per hour down to 40 kilometres per hour. That is just one tangible example that has a direct impact on the owner of the vehicle but ultimately also then the productivity of our region as well.

Bev McARTHUR: Has the dairy industry done a calculation on how much poor roads are costing them?

David RAE: Through you, Chair: I will take that on notice. Council recently did a supply chain study, particularly around the investment required in the state-owned road network, and \$310 million over 10 years is the level of investment required to bring the state road network up to standard not only in terms of addressing the maintenance needs but also futureproofing and upgrading a range of bridges and culverts to meet the increasing high-productivity freight vehicle requirements as well.

The CHAIR: Mrs McArthur, we will have to wrap it there. We have got two more members, so I will go to Mr Welch.

Richard WELCH: Thank you, Chair. A lot of the questions have already been answered through the interactions, but one question is – the cost of compliance is obviously increasing and going up. In your view, how would you reduce the cost of compliance across the board?

David RAE: Whenever challenges or issues or problems appear in the sector the kneejerk reaction is to legislate, and I think legislation is a blunt instrument and is part of a broader compliance challenge for local government. There needs to be wholesale reform of the legislative environment that councils operate within. Planning is a classic example. There are high costs to councils to undertake rezonings, as an example. That is effectively what I would describe as a compliance cost. If there is a way of undertaking planning rezoning in a more efficient, cost-effective manner without having to go through a significant process, it will bring undeveloped land to the market much more quickly and go some way to addressing some of the challenges we see across our community and the state around housing as well.

There is the burden associated with complying with the *Local Government Act*, as an example. We are seeing significant costs associated with that in recent times. The local government performance reporting framework – I do not think it necessarily adds any value to a council or broadly to the ratepayer at the end of the day. I think it is incumbent upon each council to be efficient in their own right, and I think that is the role of councils, but at the end of the day, more often than not in our experience the results are seen as a compliance exercise. So one way of simplifying compliance would be around minimising that reporting regime as well.

Richard WELCH: I guess the follow-up to that would be that compliance is a form of seeking an outcome through a stick, in a way. Do you see any role for getting those desired outcomes through carrots instead and that the councils could actually have a beneficial relationship to those desired outcomes?

David RAE: Yes, I do. Chair, through you: one really great example I think the government really needs to be commended for in recent times is the rural councils transformation program. Corangamite shire along with Warrnambool City Council and Moyne shire have been beneficiaries of a \$4.5 million carrot, if I can describe it like that, around delivering shared services. We are in the process of bringing our respective IT platforms into one shared-service model. I think there is a role for government to play around carrots. I think it would be great to see more of that, so having a more programmatic approach to addressing some of these challenges would be welcome. From a federal perspective, the local roads and community infrastructure fund has been a really great example of a program that councils then can sort of customise and deliver for local needs. It is fit for purpose, it is timely and councils are best placed to deliver that as well.

The CHAIR: Thanks, Mr Welch.

Richard WELCH: Thank you.

The CHAIR: We will go to Ms Broad.

Gaelle BROAD: Thank you, Chair, and thank you for your presentation and your submission. I am particularly interested in the skill shortages. You mentioned the skills shortages. How can council be better supported in recruiting?

David RAE: Thank you for your question. Through you, Chair, I think there are a range of solutions to the workforce issue. There have been some good examples more recently around – I will probably not describe it accurately – getting more women to become building surveyors. That has been a great program. Programs that bring people into non-traditional roles are really welcome. There is a challenge around incentivisation for workforce, particularly in the early years. There have been schemes previously around providing incentives for staff to take up roles and complete a range of educational qualifications, so they are particularly welcome. In terms of more broadly, from our perspective if there is any way of providing incentives to move to a rural area, that would be welcome as well. Council does provide a range of benefits for staff and subsidise relocation costs, but we are sort of limited in what we can do in that space.

The other challenge is around recognising that the difficulty in competing against the private sector. I think fundamentally where we have been over the last couple of years with those highly skilled white-collar workforces is that we are competing against the private sector, and we are just simply not able to match the salary and remuneration for some of those positions.

The CHAIR: Thanks, Mrs Broad. Did you have another question? We have time for one more quick one.

Gaelle BROAD: Yes, thank you. You talked about rural councils are very constrained under the current funding arrangements, but what does the future look like for rural councils if there is no change?

David RAE: Sorry, I missed the end of that question.

Gaelle BROAD: What does the future look like for council operations and services if there is no change to the current funding arrangements?

David RAE: In an environment that is becoming increasingly constrained by costs, the cost of doing business is outstripping our base income. At some point there will be hard decisions that will need to be made by councils. Corangamite shire has a history of making some of those tough decisions, and the exiting of aged care is one of those decisions that was made.

The cost of maintaining and upgrading civic infrastructure I think is going to be a challenge in the next decade as well. I think generally we have been pretty good at renewing existing infrastructure. The challenge that this council faces is meeting the demands of its community for new infrastructure as well, so we have just got to make sure that we look after what we already own before committing to building new infrastructure. What we have seen in the last several years is replacing that civic infrastructure is coming at a higher cost as well. I would describe it as we are facing a civic infrastructure cliff, and I think that is probably something that this council will need to take a closer look at over the next decade.

Kate MAKIN: Can I just add: I think the community will suffer greatly if that does continue the way it is happening right now. How do we make I will say Corangamite a great place to come, live, work and explore if the infrastructure is not there for those community members to come and enjoy and experience considering our city cousins have these great flashy shiny new objects and everything else like that yet we have got all this run-down community infrastructure. I think that is where it is happening, and if we want Corangamite shire to thrive, we need to be able to continue to invest in that infrastructure and sure it is up to date and up to usability for the community.

The CHAIR: Thanks, Mrs Broad. That is about all we have time for today, but I believe some members will submit questions on notice.

Bev McARTHUR: Chair, can I just say one little thing?

The CHAIR: Very quickly.

Bev McARTHUR: Congratulations to Corangamite shire for maintaining Australia Day celebrations. Well done.

The CHAIR: Thank you, Mrs McArthur. Thank you very much for appearing today and for your submission and of course for hosting us. That concludes the hearing.

Witnesses withdrew.