

TRANSCRIPT

LEGISLATIVE COUNCIL ECONOMY AND INFRASTRUCTURE COMMITTEE

Inquiry into Local Government Funding and Services

Melbourne – Tuesday 8 October 2024

MEMBERS

Georgie Purcell – Chair

David Davis – Deputy Chair

John Berger

Katherine Copsey

Moira Deeming

Bev McArthur

Tom McIntosh

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Sonja Terpstra

PARTICIPATING MEMBERS

Gaelle Broad

Georgie Crozier

David Ettershank

Michael Galea

Renee Heath

Sarah Mansfield

Rachel Payne

Richard Welch

WITNESSES

Mike Gooley, Executive Director, Local Government Victoria, and

Colin Morrison, Executive Officer, Victorian Local Government Grants Commission, Department of Government Services.

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 land 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 other members of the public watching via the live broadcast.

Before we begin, I will get committee members to introduce themselves to you, starting with Ms Broad.

Gaelle BROAD: Good morning. Gaelle Broad, Member for Northern Victoria.

Bev McARTHUR: Bev McArthur, Western Victoria Region.

The CHAIR: Georgie Purcell, Northern Victoria Region.

John BERGER: John Berger, Southern Metro.

Sarah MANSFIELD: Sarah Mansfield, Western Victoria Region.

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

All evidence is being recorded. You will be provided with a proof version of the transcript. Ultimately transcripts will be made public and posted on the committee's website.

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

Mike GOOEY: Thank you, Madam Chair. Mike Gooley, Executive Director of Local Government Victoria.

Colin MORRISON: Colin Morrison, Executive Officer, Victorian Local Government Grants Commission.

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

Mike GOOEY: Actually, Madam Chair, we are happy really just to take questions from the committee if you want to.

The CHAIR: Okay. Wonderful.

Mike GOOEY: We understand that you have done quite a tour.

Colin MORRISON: Yes, and we did do a presentation.

The CHAIR: It is our final day.

Mike GOOEY: That is right, so it might just be most efficient in terms of your time if we just leap straight into questions that the committee might have.

The CHAIR: Wonderful. Sounds great. Well, we have got plenty of time, members. We will kick off with Dr Mansfield.

Sarah MANSFIELD: Thank you. Thank you for coming in today. A common theme from across nearly all of the councils we have talked to is concern about ongoing financial sustainability given a whole range of different structural issues around how councils raise revenue and the limitations on that for them. Some councils, particularly smaller rural councils, face a more looming threat when it comes to financial sustainability than others. Some of the larger councils seem to be doing a bit better in the short term, but all of them did report these concerns. How does that fit with your experience and understanding of where councils are at? And do you have concerns going forward about the financial sustainability of councils?

Mike GOOEY: Thank you for the question, Dr Mansfield. The presentation that we gave to this committee last time, rather than go through it in great detail – obviously from a Local Government Victoria perspective we have an overarching view.

Visual presentation.

Mike GOOEY: That is the composition of revenue across the 79 councils, so obviously the majority of that is rates and services. The next one then is actually what that looks like with regard to the different cohorts for metropolitan, interface, regional, large shires and small shires. That is using a combination of Auditor-General data, so you can see in terms of the mix of funding that is available to councils that it is quite variable, and the stand-out there is of course small shires and their reliance on government grants. It is quite different obviously for metros. It really just comes down to the rate base differences.

Sarah MANSFIELD: One of the concerns that has been raised by councils is, for example, that the asset renewal gap is growing. Most of the councils that we have spoken to have concerns about that and the challenges with maintaining assets when also faced with pressure to deliver new infrastructure, upgrade things and continue to deliver services that the community expects, and a lot of them are struggling to see a way forward on that unless there is some change in their capacity to raise revenue. Do you have any thoughts about that and whether the state government has a role in supporting councils more with that asset renewal gap?

Mike GOOEY: Certainly at the global level, if you like, as Local Government Victoria, we monitor the financial performance of councils, and we rely very heavily on the Auditor-General's opinion of course. But in terms of, if you like, the balance between services and asset renewal, they are an independent tier of government. It is 79 separate organisations making decisions. So a lot of the issues around the balance actually come down to the decisions of the elected representatives at each council with regard to what looks like asset renewal, what the services are and what the trade-off is, if you like, for those sorts of decisions, not dissimilar from every layer of government having to make a decision over what the priorities are for the limited resources that are available.

Sarah MANSFIELD: I think one of the things that we have heard, though, from councils is that they are concerned about their capacity to continue to deliver for their communities. We have got lots of rural councils that are struggling already to maintain, for example, road infrastructure and some of that basic infrastructure that the community expects. Going forward they feel that that is only going to get worse, and that is despite them doing their very best to cut back where they can on other areas. Almost all of them that we have spoken to about this cannot see where there is capacity to cut back much more, other than to cut services that the community also relies on. Again in rural areas we heard they are often the provider of last resort – there is no private sector to come in and replace them if they pull out of some of these services. Long term, what sorts of things do you think need to change in order to support some of those councils?

Mike GOOEY: Again, Dr Mansfield, from an administrative perspective, a lot of it does come down to just what the priorities are and what that looks like in terms of the split. I am sure it will come up as we go, the question of cost shifting and everything else that goes with it, but again, for those specific programs, they are probably not so much a Local Government Victoria issue as much as they are for other parts of government. As Local Government Victoria, we do work with our portfolio partners to say what funding is going to particular things, but we obviously do not have any line of sight to those decisions that are made by other ministers and

other portfolios. We do have an internal advocacy role within state government, and then of course with my colleague Colin, with regard to when he is wearing his hat as Executive Officer for the grants commission, we also talk to the Commonwealth about what that looks like. So there are a few moving parts with regard to what the sources of income are and the role that we play. But also the resources are limited across every layer of government, so it really does come down to the sorts of questions around what the priorities are, what the split is and how you meet community needs, and those are obviously elected representatives – decisions to be made.

Sarah MANSFIELD: You raised the issue of cost shifting, and it is another one that we have heard a lot about. You mentioned that you have a role in terms of advocacy across departments and within government. What sort of advocacy have you been doing around that cost shifting issue?

Mike GOOEY: The obvious one is that we work very closely with our colleagues in Department of Transport and Planning and also across other services. We have no decision rights obviously, but certainly we work very closely with the 79 councils, and we have ongoing conversation with CEOs about where those pressure points are and how we make sense of that. So we work internally with our portfolio partners and other departments. Similarly, the minister receives things from local members, so the minister obviously uses her role to advocate on behalf of local governments with other portfolios as well.

Sarah MANSFIELD: There were some consistent themes again with cost shifting, so we heard a lot about maternal and child health services, a lot about libraries and some of the other services that councils are expected to provide, like tree trimming around electrical wires and road maintenance on state government owned roads, things that are expected of local government where they cannot easily just say ‘Look, we’re not going to do this anymore’ without significant consequences for the community. Are you doing any broader advocacy on those issues, and do you have any sense that they are going to be addressed?

Mike GOOEY: Well, all we can do is talk to our portfolio colleagues, really, Dr Mansfield. Are they being addressed? They are decisions that are made by other departments. We clearly have things that come to us via the network across the 79. We raise those with our portfolio partners.

Sarah MANSFIELD: Okay. Thank you.

The CHAIR: Thanks, Dr Mansfield. Mr Berger.

John BERGER: Thank you, Chair, and thank you, both, for your appearance today. I understand the minister has made some guidelines for the waste charges. I am just wondering if you could give us some of the history on how these guidelines were developed and the rationale behind them.

Mike GOOEY: Thank you for your question, Mr Berger. I will go to some notes. In terms of the history on the service rates and charges, just in terms of background and context, under the *Local Government Act 1989* a service rate and charge can be levied upon a property for a designated service, and in this case they are specifically waste, recycling and resource recovery services. There were some recent changes, because it used to be just waste and was changed to bring it into recycling and resource recovery services. So all councils do levy service rates and charges on properties. I will come to the guidelines in a minute, but it is really this key piece of legislation that allows that to occur. The charges are not subject to the rate cap, so that is probably the other thing just to bear in mind. That amendment to the legislation was via the local government legislation amendment Act in 2020 to ensure that service rates and charges could be used to recover all the costs associated with contemporary waste management. That means the processing, storage and all the related management of the waste collected from properties.

Obviously the legislation is quite broad, and its definition actually affords councils autonomy to levy rates and charges in accordance with their needs and the circumstances of the ratepayers and also the services that are actually available to them, because obviously that differs across the state as well in some cases. A longstanding practice with regard to section 162 within the Act is the service charge levied on a property should be transparent and related to the service provided directly to that property, so that amount should really just reflect the direct service that is received – so the actual cost of the kerbside bin collection and then the downstream management of the contents of that bin.

The practice of understanding these has been well understood across the sector, and certainly it was brought to light in particular in 2018. The Victorian Ombudsman investigated Wodonga City Council’s waste service

charges practices, and at that time they determined that the revenue collected by the service charge should not be used for services other than that which the service was levied for. So it is really quite specific with regard to those charges. The Ombudsman also found that Wodonga City Council at the time was overcharging their ratepayers and channelling the revenue from that funding to other council services. This was followed up then by the Auditor-General and also the Essential Services Commission, and there was also a review into the rating system in 2020. They have all considered that matter and come to the same conclusion, that good practice is about being very clear that the charge that is on a property should be for the services on that property.

As a part of that process, then, in 2022 there was a consultative working group that was pulled together by Local Government Victoria comprised of FinPro, the Revenue Management Association and the Municipal Association of Victoria, along with LGV staff. The working group stepped through setting up the guidelines. That was the focus. The actual service rates and charges, as they came through those, really were clarified as a part of talking to those stakeholders to understand what fully transparent and good practice would look like. Really it is just about making sure that ratepayers are not overcharged for their kerbside services.

Out of that working group, a decision was made by the minister to issue the good practice guidelines for service rates and charges. That is again under section 87 of the *Local Government Act*, and that allows the minister to provide good practice guidelines. Really it was about aligning it with the findings from the Ombudsman but also then considerations by the Auditor-General. Clearly the guidelines were put out at the end of 2023 to provide clarity. They actually list in those guidelines examples of services that are unrelated to the streams of waste that are generated from properties. In particular, the examples that were given were graffiti removal, public bin emptying, tree planting, public education and waste advocacy, because they are obviously broader than just the property and the levy that is put upon those properties. Following their publication, obviously as a part of the Local Government Victoria review of finances, we were aware that there were some councils who were working outside of what was considered to be good practice, but it was probably only half a dozen to a dozen. When the guidelines were put out, it became apparent that in fact a majority of councils were probably acting outside of strictly those streams. So that was really the backdrop, if you like, for the guidelines.

Obviously you have heard a fair amount in this committee around where things have landed in their understanding, but probably the other thing that is important to consider is that the service rates and charges component of course does not sit under the rate cap. Also when you look at the history of its increases, it has risen much faster than general rates. Service rates and charges revenue in 2016–17 was about \$532 million – that was the first year under rate caps – and since then it has risen to \$1.19 billion in the year 2023–24. We understand from the budget review that we have done for the year to come that service rates and charges collected for waste management will be about \$1.25 billion.

John BERGER: Thank you, Mike.

Bev McARTHUR: That was a good, scripted answer – a Dorothy Dixier.

John BERGER: Thanks, Bev. I did have a question about the findings of the Ombudsman, but you have covered it off adequately, so I am all right.

The CHAIR: Thanks, Mr Berger. Mrs McArthur.

Bev McARTHUR: Thank you. Tell me, who do you actually represent – the minister, the 79 municipalities or, optimistically, the ratepayers?

Mike GOOEY: Mrs McArthur, we are public servants. We work for the Department of Government Services.

Bev McARTHUR: So you are actually accountable to the government and you really work for them.

Mike GOOEY: Yes. We are public servants.

Bev McARTHUR: Good. You talked about the priorities. What do you see as the priorities of local government?

Mike GOOEY: It is probably not really for a public servant to say what the priorities for local government are.

Bev McARTHUR: It is just that you mentioned it, so I thought I would ask you to elaborate.

Mike GOOEY: I think it really does come down to the responsibilities of elected officials to respond to the community.

Bev McARTHUR: For the councillors and the government to tell local government how to operate?

Mike GOOEY: In terms of, again –

Bev McARTHUR: I am just trying to establish what you were referring to when you talked about priorities.

Mike GOOEY: They are the priorities that elected officials make for council. That is the decision-making head of power, if you like, for a council.

Bev McARTHUR: Yes. Let us go to the waste issue. Government extracts now a fair amount of money from local government by way of the levy. It does not all go back into the services for waste. Tell us how much goes into consolidated revenue and how much gets put back into the system to deal with waste. Given that you have said that councils cannot cream money off ratepayers by overcharging for waste collection, what about the government that is taking money via the levy from ratepayers? What are they doing with it? How much is going back into the waste area?

Mike GOOEY: Sorry, Mrs McArthur, which levy are you referring to?

Bev McARTHUR: The EPA levy, the waste levy.

Mike GOOEY: I am sorry. I am unable to answer that question, Mrs McArthur.

Bev McARTHUR: Well, you had a very long speech there about waste. Are those answers not in it?

Mike GOOEY: That is about service rates and charges.

Bev McARTHUR: Yes.

Mike GOOEY: It is also outside my portfolio responsibilities.

Bev McARTHUR: So service rates and charges. The government changed the law so that outside of the rate cap ratepayers could be billed for waste, basically, and it includes a whole lot of things that actually that ratepayer is not responsible for – graffiti, education, tree planting and so on. But at the same time you are telling – or the government is telling – councils they cannot charge ratepayers, quite rightly, for activities that they are not supposedly collecting money for. What about government, though?

Mike GOOEY: Sorry, Mrs McArthur.

Bev McARTHUR: You can't answer?

Mike GOOEY: That is not a part of the world in which I live, I am afraid.

Bev McARTHUR: Well, I will tell you what is part of the world that ratepayers live in, and that is cost shifting. That is one of the major issues for municipalities, the fact that government just continually changes the goalposts in how they fund operations. Whether it is, as Dr Mansfield has mentioned, kindergartens, or libraries, lollipop ladies – that is probably politically incorrect these days – school crossings et cetera. The proportion of the funding that state government used to contribute, and you are in charge of, surely, assisting local municipalities in making them viable, that surely must be a major issue for your advocacy if you are there to actually work with municipalities. How can it be that only 17 per cent, we heard yesterday, of funding for libraries is from state government? It used to be 50–50.

Mike GOOEY: Yes, that is an interesting point, Mrs McArthur. Certainly libraries have been around for a long time. They are actually an artefact of the old mechanics institution. We do not need to talk about that history.

Bev McARTHUR: That would be politically incorrect too, I should think.

Mike GOOEY: They were precursors in some ways of libraries and TAFEs. Anyway, that is also outside the purview of the world in which I live. But the 50–50 split between state government and local government, with regard to libraries, is an interesting artefact, because it was for about 10 minutes in 1975, I think, when that actually occurred. Obviously, in almost 50 years, the nature and the expectations of community around libraries have changed. So I think that –

Bev McARTHUR: So it is totally fair enough that state government basically bails out of that scenario. Is that what you are saying?

Mike GOOEY: That is not what I am saying at all, Mrs McArthur. Probably really, it is important to recognise that community expectations have continued to shift, and local governments have done a great job of understanding what those broader requirements are, and therefore the sorts of services that are being provided continue to change. The ability then for state government and local government to work together to make sense of what the split of costs is is an ongoing part of the negotiation that goes on between the sectors.

Bev McARTHUR: So what about the new cost shifting that has occurred very recently? Many local governments were providing vaccinations, which was totally funded by the state government, and in recent times they got an email, after they had prepared their budgets, to say they were going to be up for a \$6000 administration fee and a \$2 per jab fee. That is very recent cost shifting. What do you say about that? Outside your purview?

Mike GOOEY: Well, it was a decision made by the Department of Health and the public servants there.

Bev McARTHUR: So here is something that you may have been involved in, and I am not sure what you actually do because everything is outside of your purview. The current elections that are coming up, we heard yesterday quite an interesting concept. Why is it just one set form of voting, the whole voting operation? The councils are just sent a bill. They just pick up the thing. They cannot choose to do it themselves. There is no tendering for the process. There is just one operation, and local government, via the ratepayers, just have to pay that amount. They might have been able to do it much more efficiently if they were running the local election themselves. Why do we have it that they have just got to pay out whatever you say to whoever should provide this operation?

Mike GOOEY: I think it comes down to transparency issues as much as anything, Mrs McArthur. But certainly again – you will love this answer – not within my purview. The Victorian Electoral Commission is in fact responsible for running elections and they have legislation which they need to meet as part of that. Again as a part of that, it is very clear in that legislation that councils pay for elections to be run.

Bev McARTHUR: How much more time do we have, Chair?

The CHAIR: You can ask one more question if you like.

Bev McARTHUR: Okay. The whole system of taxing ratepayers is incredibly inequitable in this state because it depends on geography basically. It also depends on the politics within a council as to what rate in the dollar they set – farm rate versus town rate versus commercial rates. Some councils have 11 different rates-in-the-dollar scenarios. Is it time, and is it something you do to advise government, to look at how we fund local government better and differently so it is fair for Victorians and no matter where you live you pay the same amount of tax?

Mike GOOEY: That is an interesting question. The legislation – the *Local Government Act 1989* – actually holds the rules, if you like, around the way in which rates are formed for the state and it does allow that flexibility and transparency for councils to actually make a decision around differential rates and the rate in the dollar. I think it is fair to say it is the only level of government that sets its budget and then works out how much it is going to charge people. That in itself is an interesting public policy question. But the reality is, Mrs McArthur, they are decisions that are at the feet of councils to make, so the imposition of municipal charges, which should not be a part of the rates base, is one of the ways in which the equitable nature of the rates paid by individuals can be shifted. Often it is not regressive –

Bev McARTHUR: For instance, could the state government and federal government or a combination of both fund local government directly for core services and anything extra is a charge?

Mike GOOEY: They already do fund – certainly the Commonwealth already does.

Bev McARTHUR: Yes, I know. But they do not fund it completely because we have got rates. If we did away with rates, a property tax which I am suggesting is incredibly inequitable – it is the only tax in Victoria that depends on where you live –

Mike GOOEY: As a policy problem, it could be a consideration by government – a government of any time –

Bev McARTHUR: But you do not do work into this sort of policy area?

Mike GOOEY: We certainly do. That is what public servants do when we are asked to look at things.

Bev McARTHUR: Okay. So have you done any work in that area?

Mike GOOEY: No is the answer. Only speculative work, Mrs McArthur.

The CHAIR: Thanks, Mrs McArthur.

Bev McARTHUR: Is that recordable?

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

Gaëlle BROAD: Thank you very much. Just on that, do you think it is worth doing a review or a report to look at that inequity?

Mike GOOEY: There was actually a rate review done in 2020. Again there were findings which did actually identify some of the questions around both equity but also then the nature of the way in which rates are formed. The real issue is, coming back to Mrs McArthur's issue around equity, there are some fundamental things that are set within the legislation which allow rates to be formed. But it is interesting that, in terms of just being really very clear, the review was done up into 2020, which is actually why we have two Acts really – the 1989 Act still has all the rating components whilst the 2020 Act was a big shift in terms of a principles-based Act because they were waiting for the outcomes of a review. But there were a few things that were really clear in terms of the principles of the review, which was about making sure that there were proper supports for ratepayers in financial hardship, the ability to basically improve the transparency and consistency around decision-making for rate paying, but also making it very clear – for those who receive a rates notice, you will note that there is a lot more information on them now than there has been in the past, and that is about trying to drive that transparency. Trying to build greater equity and fairness into the rating system is a very clear public policy question.

Gaëlle BROAD: Have you made any recommendations to the minister following that report?

Mike GOOEY: The legislative amendment Act that went through in 2020 was clearly a part of that, which was about actually changing the requirements for the rates notices. So there have been changes.

Gaëlle BROAD: We have heard from some farmers that their rates are \$75,000, and that is actually more than they are taking home. So for some people, any rate impact on them is much higher than for others. There is a lot of inequity there.

I am just interested – we heard during this inquiry from FinPro that VAGO, ESC and LGV do not have a shared definition of what constitutes financial sustainability. What financial indicators do you think are the most important when assessing the financial health of a council, and should there be a shared definition?

Mike GOOEY: That is a good question. Certainly from a policy perspective it is work that we are doing across the nation, working with other jurisdictions to determine what financial sustainability looks like. It is fair to say that local governments are very asset heavy businesses, and that obviously changes. They are quite different from ordinary businesses, if you like, in terms of service providers, because they have to do that as well.

Bev McARTHUR: A lot of the assets are owned by state government, actually.

Mike GOOEY: But they have the responsibilities for them under legislation. Those sorts of moving parts are important to take into consideration.

Gaelle BROAD: Do you think the grants should be stripped out? We did hear from some councils that that gives an inaccurate measure when they are assessing.

Mike GOOEY: No. Effectively the Australian accounting standards provide a framework for reporting how businesses run. They are used as the framework for understanding how councils are performing, and that is the framework that the Auditor-General brings and similarly the ESC. You are talking to them later today, so that is probably a question for them about how they see financial sustainability. But from our perspective, it is as easy or as difficult as reading the balance sheet and just seeing where the council is at, how it is going and what its 10-year plan looks like. Another part of the 2020 Act and the reforms that went in as a part of that is the requirement for local governments to have very clear 10-year plans with regard to assets and services. They have become the rolling business plans for councils, and they help to give some sense of the trajectory for councils.

Gaelle BROAD: I guess that is the thing. We have heard from council after council after council, and some of them are saying that within five to 10 years there will be major alarm bells. I guess I see your role with Local Government Victoria, and I can even see on your website:

Local Government Victoria provides policy advice, oversees legislation and works with councils to support responsive and accountable local government services.

So making sure that there are clear indicators to identify when not all is well seems a very important part of your role. We have heard too from local councils about the number of services being pushed onto them by state government. Do you think that there need to be improvements in the way councils are compensated for the roles that they take on?

Mike GOOEY: Again, I will probably come back to my original statement around how they are the third independent tier of government. So the decisions in terms of the split priorities between infrastructure and services do lie in the hands of the elected officials.

Gaelle BROAD: Well, the elected officials I guess have been telling us that there are major issues. Are you aware of those issues?

Mike GOOEY: Yes, we certainly are. I mean, the day-to-day business of Local Government Victoria is working across the portfolios and working with CEO colleagues to understand where the pressure points are and where the things are that are important.

Gaelle BROAD: When councils are flagging that there are major problems with these responsibilities being shifted onto them, what advice have you given to the minister on that?

Mike GOOEY: Blow by blow, for all the things – I mean, it is fair to say there are issues around infrastructure, particularly roads. Again, obviously with regard to Minister Horne holding both those portfolios, I would suggest that probably 90 per cent of the conversations that are had in this portfolio are about roads in particular and obviously rural roads.

Bev McARTHUR: Well, what are you saying to her?

Mike GOOEY: There are clearly some pressures, and then that is a conversation which we have with our colleagues at DTP. Again there are decisions that are made by ministers of the Crown, Mrs McArthur, that are very important with this as well.

Gaelle BROAD: I guess issues like the insurance of state government assets that have been pushed onto councils, along with school crossing supervisors, libraries and maternal and child health funding. There are lots of areas that seem to be being pushed on them, as well as increased compliance. Have you made any representations to the minister to address any of those issues?

Mike GOOEY: They are ongoing conversations that we have with other departments.

Bev McARTHUR: How are they going those conversations?

Mike GOOEY: Quite well ever since –

Bev McARTHUR: It does not look like it.

Mike GOOEY: Mrs McArthur, we are doing the best we can. I chair a working group with the executive director who looks after the school crossing supervisors, and we are working with council groups. As an example of the sort of work we do, we work very heavily with our friends at DEECA with regard to waste policy, and on it goes. That is actually probably an important thing, which again as a committee you would have heard – every portfolio that the state government runs has a touchpoint with local government, and that is an important part of the –

Gaelle BROAD: It is certainly a very major role. I guess we have heard from you earlier about the libraries and that it was a 50–50 split for about 10 minutes. That is a recurring theme that we are hearing from local councils. Do you think there should be an audit of that change over the years in that funding split across the different areas that has been highlighted during this inquiry?

Mike GOOEY: I think that is an interesting question. Mr Morrison's other role is actually Director of Sector Investment. We do work and ask lots of questions around what the profile of programs is that other portfolios run, both how they are dispersed and what the amounts are for various programs.

Gaelle BROAD: Have you done an audit of the cost shifting, or are you saying that is a good idea to do an audit of the cost shifting since rate capping was introduced?

Mike GOOEY: We work with portfolios and basically ask the questions about what those things look like. We have not done a full audit, no.

Gaelle BROAD: Okay. Would you be able to provide an indication to this committee – like an audit that shows since rate capping was introduced how costs have impacted on councils?

Mike GOOEY: I would not think that the data was readily available.

The CHAIR: Thanks, Ms Broad. We might get time to go back around again. I just want to pick up on Ms Broad's comments around grants. We have heard a lot, consistently throughout this inquiry, that the systems and the process are too onerous, particularly for smaller councils. Looking at what is up on the board there, obviously it is smaller councils that are often not getting access to grants that often need them the most. What can the government do to alleviate how difficult the grant system is to navigate at the moment?

Mike GOOEY: Madam Chair, I think this is the issue, isn't it, because there are hundreds of grants. Probably the most important grants – mainly because Colin is sitting next to me – are the financial assistance grants which come from the Commonwealth. There are levers that can be pulled through the grants commission which really clearly reflect council need, the sociodemographics and the spending profiles of councils. They are considerations the commission gives. But with regard to other grants, we have no line of sight to those. They sit in other portfolios.

The CHAIR: Right. But do you think that there are things that can be done from the state government level in terms of making the process easier to navigate for councils?

Mike GOOEY: Easier to navigate, Madam Chair?

The CHAIR: Less onerous.

Mike GOOEY: Less onerous, yes. It then comes down to department portfolio decisions on who can access the grants, how much is available and all of those things. They do not sit necessarily with us. Certainly again it is fair to say, with regard to the grants that we have direct control over, we do make it as streamlined as possible.

The CHAIR: On the same issue, again a big thing that has come through is often a council will get a grant to provide a certain service and the community will be very excited about it and utilise it and then the funding will end and they will have to make a decision to fund it themselves, which obviously right now we have heard

is really, really difficult, or pull the service. What can be done? What can the government do to help ensure the sustainability of services by councils once they have implemented them?

Mike GOOEY: Again, they are questions for other portfolios about how those initiatives are run, because often it is a case of ‘It’s a government initiative to do X, Y and Z’ so they are the things that are supported within that time. Then it is a case of ‘Should they be continued?’ and where funding is not forthcoming from the state government there is obviously then a question for councils to say, ‘Well, is this a service that communities require and want, so therefore what’s our responsibility in taking up that?’ So yes, that really clearly comes down to meeting community’s expectation.

The CHAIR: Okay. Dr Mansfield.

Sarah MANSFIELD: Thank you. I might just continue on the grants subject. Some specific asks from many of the councils we have heard from have been for grants to be untied. They need more untied grant funding, because the amount of resources that they are having to put aside to apply for the grants, which they may or may not get, and then the onerous requirements around reporting in terms of acquittal of those grants are often almost not worth the effort for some of them to even apply because it costs them so much in terms of time and resources just to apply for and acquit the grant. They have said to us they should be seen as a trusted partner of other levels of government. What sort of advocacy are LGV doing on that issue for councils?

Mike GOOEY: Again, it actually comes back to Mrs Broad’s question before around how we get a better understanding of what broad suite of grants are available. Obviously they vary from very small programs, which other portfolios run, all the way through to the larger ones. With some of the larger ones, from an LGV perspective, through our sector investment team that Colin runs, we actually do have the administrative responsibility for some of those.

Colin MORRISON: Mike, if I can just pick up on, say, the public libraries funding program, where the government gives recurrent support to the councils to provide public library services, that funding is essentially untied except that it needs to be applied to, obviously, the provision of public library services. But we do not make a call as to whether it can be used for staffing or for buying materials or for utility bills. It is essentially untied funding for use within the public library service. Yes, there is an acquittal process at the end of year. It is very brief, probably no more or less than you would expect from a public accountability perspective. It is not funding that councils need to apply for. It is formula based, and that formula skews the funding towards smaller rural councils. But it is very light touch in terms of its administration. We are always very aware of the impact of those issues such as the administration required or the effort required on behalf of councils to apply for grants and to acquit them.

Sarah MANSFIELD: Okay. I think the message that we have heard from councils is that more grants like that, where that is the process and they can be trusted to use that grant funding without such rigorous and onerous requirements, would be welcome. In terms of rates, rate capping was something that came up again quite frequently and how a lot of councils just feel that it is not fit for purpose. Have LGV got a policy position on that, or is that an area that you have done work in?

Mike GOOEY: It is. Really clearly, again, under legislation, the rate cap system is set out, so we administer the process. But in terms of its actual effect – and again, you will be talking to ESC a bit later, but ESC review the rate cap from a policy perspective. If the policy was to stop our unbridled increase in rates, ESC, in their review of the rate cap, said that has obviously provided an outcome where it has not been unbridled. I think prior to 2016 the average rate increase per year was about 8 per cent. Obviously that was much more than CPI, so that is probably that end. But every year it is the role of LGV to provide advice to the minister on what the rate-cap setting should look like and make sure that the process is undertaken. In its broader suite, the consideration is: should it be more than – we obviously rely, again through the legislation, on advice from ESC – what the forecast CPI increase would be? They are given due consideration. Obviously the policy markers are it is either more than CPI, it is CPI or less than CPI or not set at all. In terms of what the implications of those are, they are part of the broad considerations when rate caps are set. So again, we administer the process and provide advice on what that looks like.

Sarah MANSFIELD: We have heard from a number of councils that CPI is not really a great marker of the sorts of expenses that councils face because a bundle of groceries does not really line up with the kinds of costs

that councils face around infrastructure, which is a lot of materials. Then in terms of both infrastructure and services, the big costs are wages, and those costs have been increasing at a far faster rate than CPI. So I guess a rate cap that is set at or below CPI, which it has been for a while, is not really keeping pace with just the ongoing costs, let alone any new costs that councils might be facing. Is that something that LGV has been aware of and taking consideration of when you provide advice to the minister?

Mike GOOEY: It certainly has been, Dr Mansfield. The reality is, as I mentioned before, we know that councils are asset-heavy businesses. So as part of that, then it does come down to: what is a reasonable basket of goods, if you like, to have to compare that increase? It is certainly, again, a question perhaps for the Essential Services Commission. I think for water infrastructure, when they have said they are thinking about water prices, they do give consideration to the fact that that industry is an infrastructure-loaded sector. Similarly, in terms of the sort of advice that could come from the ESC and some of the policy considerations, they are some of the things that are absolutely live in terms of conversations.

The CHAIR: Thanks, Dr Mansfield. Mr Berger.

John BERGER: Thank you, Chair. Do you have any idea how much money ratepayers have given to councils through the additional waste charges across the state?

Mike GOOEY: As noted previously, I think the changes have been such that since 2016–17 about \$532 million was raised through service rates and charges and then in 2023–24 it was \$1.19 billion. So that is quite a change over those five years.

John BERGER: Thanks.

The CHAIR: Thanks, Mr Berger. A couple more questions, from Mrs McArthur and Mrs Broad.

Bev McARTHUR: The increasing infatuation of the minister with monitors seems to be curious, applying monitors where the ratepayers pick up the bill, like \$1200 a day each, for example – and for what reason? – and applying them until January next year, after a new council has been invested. What is that all about?

Mike GOOEY: Well, Mrs McArthur, I think that clearly one of the key things around the effective and efficient running of local government is ensuring that there is transparency and accountability. Monitors actually go into councils where the minister is satisfied, from either investigations from the Local Government Inspectorate or conversations and a call from often the mayor and a CEO, that there are real threats to good governance within a councillor cohort. And monitors are actually there to help support good governance, to identify some of the systems and processes that might be breaking down or why councillors are unable to make decisions – so wherever there is that threat to good governance. It also sits on that side, with elected representatives similarly, where there might be a threat to good governance with regard to the actual operations of a council, so where there are questions of whether the organisation or the council staff are providing sufficient briefings and enough information for councillors to be making good decisions. So there can be breakdowns on both sides or either side.

Bev McARTHUR: But why do they need to be there until January? There will be a new council in October.

Mike GOOEY: One of the key things, and I think probably one of the –

Bev McARTHUR: To make sure they are all on the same –

Mike GOOEY: Pretty much.

Bev McARTHUR: control track.

Mike GOOEY: Well, no. I think one of the key things, Mrs McArthur, is that obviously it is a new cohort of councillors. I think it is an interesting reflection that the current set of councillors of course came in at the time of COVID, so there are some councillors who had to form working relationships never being in a room together. I think that has affected in some ways their ability to work together. One of the key things in having monitors over the period as new councillors come in is to help form relationships, systems and processes that will help support good governance post the election.

Bev McARTHUR: Why should ratepayers pick up the bill for this? If the government want to impose these controls over local government, why don't they pick up the bill?

Mike GOOEY: Well, it is very clear in the legislation that councils are responsible for making sure they do their job well.

Bev McARTHUR: Okay, what about the social inclusion policy? How is that affecting especially small municipalities, who are lucky to get one person applying for a job let alone having to tick the boxes of 10 requirements?

Mike GOOEY: I am not quite sure of the context or –

Bev McARTHUR: Well, in order to do work in the government sector, which includes local government, you have to tick the social inclusion policy box.

Mike GOOEY: I am not aware of that being an issue.

Bev McARTHUR: Okay. Well, maybe have a look at it, because it is a major impost on the contractors that are applying for work and for councils that are applying it. What about also the cost now that councils and ratepayers are having to pick up with the cultural heritage management plans that are being imposed on local government with absolutely no consultation at all? They require quite an extraordinary level of so-called consultation with the cultural heritage group that is responsible for that area. What costs are now being incurred by local government in this area? Have you done any work on that?

Mike GOOEY: No.

Bev McARTHUR: Why not?

Mike GOOEY: Again, the cultural heritage Act is not a part of the purview of Local Government Victoria.

Bev McARTHUR: But it is a major issue for local government. That is your purview, isn't it?

Mike GOOEY: Yes.

The CHAIR: Thanks, Mrs McArthur. That is all we got time for if we want to get to Ms Broad – a couple of minutes.

Gaelle BROAD: Thank you. I am just interested. I guess we have heard from councils about some of this shifting of responsibilities – you know, swimming pool regulations when they were brought in, even the review of the electoral boundaries last year and the waste charges that have been changed. They have talked about a lack of consultation, and I note we have got the *Victorian State–Local Government Agreement* from 2014 that talks about communication between state government and local councils. I guess the question is: do you think there needs to be improved communications with local councils before there is any change to the responsibilities for things that they need to deliver?

Mike GOOEY: That is a great question, Ms Broad. Yes is the answer. There can never be too much consultation or in fact conversation around the set of issues that affect local government, and certainly that 2014 agreement very clearly outlines requirements or expectations with regard to what that consultation and conversation look like. Again, I think it is very important. The reality, though, is that it does not always happen, and that can be for a range of reasons. But certainly from our perspective in LGV, from Local Government Victoria's perspective, it is our job to make sure we are talking to other departments and other portfolios where there are decisions being made which will have an effect. Some of our colleagues are very, very good at flagging those, others less so. Again it is no criticism, it is just a part of the broad bureaucratic sweep of making sure that you can get all of the things. I mean, it is also very clear that out of the front doors of local councils there are more than 120-odd services that are put out, and they do touch pretty much every portfolio that the state has. So from our perspective, making sure that we know what is going on everywhere all the time is pretty much impossible. We certainly rely on our colleagues to help make sense of that.

Gaelle BROAD: Just on that, why doesn't that consultation happen? You have mentioned that it does not. Do you see your role as just liaising with other portfolios or liaising directly with councils and the minister?

Mike GOOEY: Sorry, it is the full suite of things. A day does not go past where I am not speaking to a CEO of a council somewhere, so we make sure that we have those sorts of conversations at a bilateral level. We also rely very heavily on the peak bodies with regard to them bringing us issues that are hot and important for the sector. We have a monthly CEO forum, an online one, where we very clearly try and make sure that, where there are state government policy changes or implications, we do try and get my equivalents across other parts of government to come to those meetings and speak directly to the CEOs to give them a heads-up or in fact to have conversations where ‘These are some of the things that are going on. How do we make sense of those? What is the perspective of local government on how these might actually affect the sector?’ So we do work very hard with regard to making sure that we make those connections. As I said earlier, then there are clearly the conversations that happen at a political level between the elected members, and obviously the Minister for Local Government speaks to her colleagues. We try and cover off all of the moving parts with regard to the interests.

Gaëlle BROAD: You mentioned core services, and I guess this is the challenge with any job. You have a position description and there is an outline of what you are meant to do in the job. Otherwise if it is a blank sheet, it is pretty hard for any person to achieve what is asked. So do you think that it would help the financial sustainability of councils if it was actually legislated what some of those core services of local councils are?

Mike GOOEY: It is a really interesting policy question, I think. It is fair to say that the original 1989 Act – well, not the original 1989 Act; there were the Acts prior to that – was very prescriptive with regard to not so much services but the way that the systems and processes sat around decision-making, if you like. The 2020 Act was a significant change to it being much more principled around ‘These are things that councils need to do to make sure that they understand what their community’s priorities are.’ In some ways moving to a focus on legislating for a set of core services takes us away from, if you like, the trajectory which says local governments, as an independent tier of government, should be making their own decisions in response to their community needs. There is kind of an interesting policy tension, I think, between saying ‘You must do X, Y and Z’ with ‘You need to talk to your communities to understand what their expectations are and deliver the things that are required.’ It is an interesting policy contest.

Gaëlle BROAD: Yes. As head of Local Government Victoria and someone that is talking constantly to councils, what is your view? Do you think it needs to be better defined?

Mike GOOEY: For fear of actually making any policy statements, because that is not my job, I think that the balance is not quite right in the sense of – this absolutely speculative opinion. Really clearly there are lots of communities that are getting what they need, but there are also lots of communities who are saying, ‘We’re missing out here, here and here.’ And they are really conversations which are about local democracy and responsibility of elected local members to make sense of that, I think. That is the danger, if you like, of then saying, ‘You must have these services,’ because they might not be relevant to those communities.

The CHAIR: Thanks, Mrs Broad. That is all we are going to have time for, but you are welcome to submit some questions on notice. Thanks very much for making the time to appear before us again. That concludes the public hearing.

Witnesses withdrew.