

TRANSCRIPT

LEGISLATIVE COUNCIL ECONOMY AND INFRASTRUCTURE COMMITTEE

Inquiry into Local Government Funding and Services

Traralgon – Wednesday 4 September 2024

MEMBERS

Georgie Purcell – Chair

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WITNESSES

Sarah Johnston, General Manager, Business Excellence, East Gippsland Shire Council; and

Allison Jones, Director, Performance and Innovation, and

Taryn Abrahamsson, Manager, Financial Strategy, South Gippsland Shire Council.

The DEPUTY CHAIR: Can I declare the hearing open and welcome the representatives of East Gippsland Shire Council and South Gippsland Shire Council.

I will come to introductions in a second, but what you say here is protected legally. If you speak outside, it may not be protected, so that is an important point.

If I can just ask you to introduce yourselves.

Taryn ABRAHAMSSON: Taryn Abrahamsson, Manager of Financial Strategy for South Gippsland Shire.

Allison JONES: Allison Jones, Director of Performance and Innovation at South Gippsland Shire.

Sarah JOHNSTON: And Sarah Johnston, the General Manager of Business Excellence at East Gippsland Shire Council.

The DEPUTY CHAIR: If I can, I will just ask the committee members to introduce themselves. Perhaps I will start with those on screen. Sonja, you might want to lead off.

Sonja TERPSTRA: Thanks, Deputy Chair. Good morning, everyone. It is Sonja Terpstra. I am the state Member for the North-Eastern Metropolitan Region.

Sarah MANSFIELD: Sarah Mansfield, Member for Western Victoria.

Moira DEEMING: Moira Deeming, Member for Western Metropolitan Region.

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

Bev McARTHUR: Bev McArthur, Member for Western Victoria Region.

The DEPUTY CHAIR: David Davis.

Evan MULHOLLAND: Evan Mulholland, Member for Northern Metropolitan Region.

Tom McINTOSH: And Tom McIntosh, Member for Eastern Victoria.

The DEPUTY CHAIR: Thank you. If I can ask you each perhaps to give a very short presentation. You are obviously aware of our terms of reference and so forth. We will then respond with questions. Sarah, you are first.

Sarah JOHNSTON: Thank you very much, and good morning again. Firstly, my sincere apologies on behalf of our mayor, who would love to have been here today but is actually opening a community asset down in Lakes Entrance. For those of you who do not know, Jemmys Point is opening today, which we are excited about.

I would also like to say that we really welcome this inquiry. We know that the ability to deliver core services for our communities is underpinned by local government funding models, and the financial sustainability of local government is rightly a key consideration for the government at this time. I suppose, because we are part of our community, we understand the challenges of the economic climate and the cost-of-living pressures. We are continually looking at ways to improve the efficiency of our service delivery and innovate to ensure we remain financially sustainable. We know that if we work together we can achieve national and state priorities through what we do.

A little bit about us. In our patch, like all local government areas, communities are the absolute centre of all of our decision-making and at the heart of everything that we do. That has been expressed through our community vision, and we are going through a process of looking at our community vision at the moment. Essentially it says that we strive to continue to deliver critical services that support conditions for our communities to thrive. We are located on the country of the Gunnai/Kurnai, Monero and Bidawal people, and it is really a natural playground. We have got 21,000 square kilometres of land, including High Country, nine national parks, two significant marine parks, Australia's largest navigable inland lake system and lots and lots of coastlines.

From a challenge perspective, I might go through some of the challenges that we outlined in our submission. What that means is because we cover 10 per cent of the state we have got 50,000 residents spread across 40 communities. It is a small, dispersed rate base. Most of our land, 75 per cent of our shire, is actually public land, and it means that we need to duplicate our services in many cases to be able to deliver those services to those small community areas. What does that look like? It means six separate customer service centres and five separate works depots, and we also have two what we call mobile service centres. Mobile buses drive out and about and get to our really remote areas – the likes of a Bendoc or a Benambra, for example.

The added challenge that we have got from what money comes in is that our public land cannot be rated. From our perspective we have got 3000 kilometres of roads. We connect via roads – that is how we connect in the country, as I am sure you are all really aware – and we have got an asset base of over \$1.5 billion. If you think about renewing that and keeping that up to scratch, it is significant. I am sure you are also aware and you have seen this week the effects of extreme weather and a changing climate. I do not have to tell you all about the fact that East Gippsland has been through droughts and it has been through Black Summer bushfires, and more recently we have had some pretty significant storm events.

I suppose the key message that we want to include as part of this is that the disaster-ready funding and any funding for climate readiness includes betterment funding. An example that we had is we actually had to rebuild a culvert not once, not twice, but three times because we only got funding to build it back to the same rather than actually investing in that betterment part. I know you have heard a lot about funding on a need basis and obviously the differing needs of the different councils. Being regional and rural councils, that more acute need is one of our perspectives. We do not employ grant writers, and from our perspective what we would like to see is more grants based on need rather than competitive grant writing skills. We also have to really look at how we prioritise what grants we are going to write for and if we have the resources to actually write for them from a co-contribution perspective. That was one of the considerations.

The cost of legislative compliance – look, we get it. There are a whole lot of different pieces of legislation, and they offer very good reason for us to comply. From our end sometimes we feel those things much more acutely. If we look at things like environmental protection, 3000 kilometres of roads, we are thinking about weed management and pest management across those. That costs us a fair bit more than it would cost other councils. We get about a \$70,000 grant for that. It costs us probably \$1.5 million, though, to do that work across the year. I know you will have heard a lot about this as well, but on the waste services, the increasing cost of compliance, including the EPA levy, is borne by us. It is obviously going to a state government perspective rather than coming back into our communities so that we can build those waste services to be more sustainable in the future. I suppose the key message from us on that is that we continue to be consulted on changes to legislation, including the cost of us being able to comply with those things.

Getting to some of the terms of reference that you have outlined, so the cost-shifting piece – I think you all know that we are the provider of last resort in many communities where for other levels of government or the private sector it is not commercially viable for them to do that. A couple of examples from our end are libraries. We obviously get a small grant from the state government as part of doing our libraries. We actually did a service review on our libraries because we are absolutely committed to spending money in the most efficient way that we can. We did it a couple of years ago, and we had absolutely vehement community pushback on it. We went out from an evidence backing and said, 'We're not seeing people in our libraries and in our service centres at these particular times of the day. We're not seeing the borrowings. We're not seeing people attending the programs. Here's what we propose to do. We propose to provide a lesser service based on those needs.' The community said, 'Absolutely not. You can't do that to us. These are so important to us. They're absolutely critical.' We said, 'Okay. We'll have to build those costs into part of our future budget,' which is exactly what we did. I just wanted to provide that as an example.

The other one is – I know you will have heard this as well – school crossing supervisors. We have got about 20-odd school crossing supervisors. We get a grant for those, but it does not cover the cost of providing that service to our community. There are three or four of our school crossings that do not fit into the grant application process, but our community have said from a safety perspective they want supervisors at those areas, so we fund that for our community. The Raymond Island ferry – I cannot not touch on the Raymond Island ferry. We are the only council in the state to have a ferry that we fund ourselves. It costs us about a million bucks a year. We do get a grant, but it does not cover the cost of it. It is the only way to get to the island. If we are thinking about what we are covering from the costs to provide services to our community, that was another key one I wanted to highlight.

I know you have heard a lot about core services, and I think it is really difficult to define core services. I am relatively new to local government, and I am still discovering all the things that we do. There are 59 key indicators, which I know you have heard at length as well. An example that came up yesterday that we were talking about at our –

The DEPUTY CHAIR: We would like your list, though. We are interested to have the list of the 59.

Sarah JOHNSTON: Of the –

The DEPUTY CHAIR: The list of all those services.

Sarah JOHNSTON: The LGPRF ones? Sorry, I meant the performance indicators – the 59.

The DEPUTY CHAIR: Those ones.

Sarah JOHNSTON: Yes.

The DEPUTY CHAIR: Sorry. I thought it was just the list of the things you were doing.

Sarah JOHNSTON: No. Sorry. An example yesterday, I suppose, if I wanted to think about what is a core service and what is not a core service, we were asked – for those of you who know, we have got a very small community called Cann River on the way up to New South Wales. They had a fire that burnt down one of their main food providers up there – as in, it did meals and shops and all of those sorts of things – which was really unfortunate. Insurance will not cover the cost to rebuild that, so at the moment we have got a situation where we are looking at not having any business in town that can provide any meals to people that are passing through. From a council perspective, we have invested as heavily as we can in the streetscape of Cann River. We want to make it a stoppable place to try and help so that the businesses can build and so that people are stopping at those shops. But we are going to have to go up there and have a chat to the community and say, ‘Hey, how can we also help you get sustainable business models for people to be able to just get a meal?’ whether that be at the pub or a bakery or whatever.

I think the other point for us is that we need good people to deliver. We know we cannot compete from a wages perspective. We have got 600 people across our shire – we know and we are really honest with them. I am sure South Gippy will say exactly the same thing. We cannot compete from a dollars perspective with other councils and with other private businesses. People are working for us because they get other value and passion from living in our area and from working with us. But we do need to be able to attract and retain people, and that costs us less if we are attracting and retaining and not having the turnover as well as part of that to deliver those core services.

I think one of the other things that is particularly important to us is this ‘provider of last resort’. If we think about the lot of money that came in for things like mental health services on the back of Black Summer, community then came to expect and had a need for those mental health services to stay. The funding is not there anymore, so that is coming out, but there is an expectation from community that we can still help them and we can still provide those services too. I suppose all of this in the mix is that this is a shared problem. We are absolutely committed to efficiencies, and we do think very, very carefully about how we can deliver the most efficient services to our community. If I think about this year’s budget, we built in \$1.3 million in service efficiencies and we have got \$4.5 million built in as efficiencies over the next four or five years. We are having active conversations about balancing community aspirations for what we can deliver and what we can actually afford to pay.

One of the other challenges that we have got at the moment is we are negotiating our enterprise agreement. Our enterprise agreement for the next three years looks like it is going to cost us an extra \$2 million that is unbudgeted, and that is about saying to our people, 'We want to pay you as much as we can to retain you and deliver good services, but we also have to balance that against what our community can afford to pay and obviously things like the rate cap.' At the moment the proposal on the table is above rate cap, it is above our growth rates for our communities, and I am not even sure whether that is going to get us a yes vote. We are working really hard to sell a compelling case to our people at the moment as we speak.

If we are thinking about efficiencies, we have had a shared services model with Wellington Shire Council for IT for the last few years, and it has generated significant efficiencies, not only in dollars but also in how we provide the services and how we can build capability across our team. So that has some really key benefits. But what I am trying to say is that we are committed to that, and we are committed to that in line with the fact that we know that the cost of materials and supplies just this last year has gone up 10 per cent. We know that things like our insurance, if we are thinking about climate readiness, has gone up about 24 per cent.

A couple of other last points that I wanted to make are that we are also really acutely aware in all of this about our capacity for our community to pay. I have got some figures this morning on payment arrangements, and they are escalating. We have just put out a new hardship policy – our council signed off on it last week – and it is essentially saying, 'We're here to help. Come and talk to us. We'll put you on a payment arrangement. We'll look at things like deferrals and waivers,' because we are seeing the pressure mount with cost of living across our communities as well. I suppose this brings us really to the headline point here that we are talking about. I know this is not a state-level lever, but it is about the increase to the financial assistance grants and getting that back in line with that 1 per cent of federal tax revenue and how we can advocate for that together. I think the other thing that we wanted to discuss as part of the submission as well was giving the ESC the lever to have a think about if CPI is the right measure to be looking at from a rate cap perspective and if there is an adjustment that can be made if your CPI rates end up being much higher than what you have put in as a rate cap. That is probably all I needed to say. Thank you.

The DEPUTY CHAIR: Sarah, thank you. I will ask Allison and Taryn to present briefly, and then we will start with some questions. Thank you. That was very comprehensive.

Allison JONES: Thank you. Firstly, massive apologies from our mayor, who is really passionate about this topic, but it is briefing day today and heading into caretaker, so they had a fairly big agenda. So you have Taryn and me here. We want to talk through the main points of our submission, and then we are happy to take questions. In terms of our submission, we used it as an opportunity to work with our councillors to help them understand the impact of rate capping and what our long-term financial sustainability is going to look like under rate capping. In terms of that context at South Gippsland shire, we are obviously the most beautiful council in Victoria, so we will kick off with that. We have a population of about 30,500 – East Gippsland would be the second most beautiful, to be clear – but we have 28 towns and villages, so we are really dispersed over a large area.

Our economy is of national significance in relation to food production. It is a key centre for dairy production, which I am sure you all know – we have 10 per cent of Victoria's dairy farms – and also premium beef production, horticulture and wineries. We have got 300 kilometres of coastline, and we are home to the awesome Wilsons Promontory. Our shire size is just over 3300 square kilometres, and we have got 2000 kilometres worth of roads; about 1200 kilometres of those are unsealed roads. Given our shire size and the relationship of our rate base to roads, it is unbalanced and unsustainable for us to be able to continue to invest what we need to do in roads. Our financial sustainability at the moment – and we had an independent report done about eight, nine months ago – is that we are sound, but over the longer term we are heading for unsustainability due to revenue constraints.

I will cover a little bit of cost shifting and hand over to Taryn. We have given a lot of examples in our submission of where we see cost shifting and what the impacts are – increased regulation, the challenges of Crown land management for local government, recent planning changes, disaster funding hurdles and exclusion of betterment. We are in the middle of a storm event at the moment. This will be the third time we have had our business continuity plan out at South Gippsland this year, so climate change and events are certainly becoming more and more common. Many of the activities we undertake to make sure we are delivering services, even with cost shifting, are actually to the detriment of our financial sustainability. I will hand over to Taryn.

Taryn ABRAHAMSSON: Our community satisfaction survey results do tell us that our community are happy with the level of service that council delivers and that they do feel well supported, but we are working towards defining our core services. We know that our community has a view and the challenge from here will be to define exactly what those services are and then to unfortunately decide what not to do or what to do at a lower level or a different level. The key here for us will be to clearly define the costs of each service and then to make really transparent, informed decisions with our community. In our case, unfortunately this will largely revolve around asset management and maintenance of state assets.

A major impediment for us on service delivery in particular is the expense that we have been forced to incur on storm recovery. While we pay the initial outlay for storm-related expenses, this is money that we do not have available to spend on services for our community. We currently have \$10 million in natural disaster funding awaiting assessment. That is money that we have had to outlay, and we are unable to spend that on our community. Additionally, we have had to employ a full-time employee just to administer natural disaster funding claims. The process and requirements are so laborious that it is almost out of our reach, and we would really welcome change to the requirements in this space, including allowing betterment into recovery works and also up-front payments.

At South Gippsland our revenue by category is rates at 63 per cent and grants at 21 per cent, which only leaves approximately 15 per cent for user fees and charges and other income. In 2023–24 we received practically zero general purpose grants. Previous to this it was approximately 40 per cent general-purpose to 60 per cent specific-purpose grants. This split highlights the heavy reliance that our council has on rates and grant income, both of which are income streams that we have practically no control over. The rate capped system being linked to a forward estimates CPI has made it difficult for us to maintain our level of services to our community. We echo the message of others in our sector that local government costs are affected by growth in construction and material and wage costs, rather than changes in a common household basket of goods as measured by the CPI. Implementation of a rate-capping system that addresses the inequity that rural councils face under the current system due to their inability to raise the quantum of revenue that metropolitan councils can is something that we feel strongly about. The system could be a two- or three-tier system with a metro rate, regional rate and rural rate that helps close the gap.

South Gippsland has limited revenue-raising capacity. We cannot really increase our fees and charges by very much, and even if we did, they make up 7 per cent of our income. Grants are our second-largest revenue stream, and the federal financial assistance grants make up a large portion of this. As a practical suggestion, the timing of advice about how much each council is to receive in the following financial year currently being in May makes accurate budgeting difficult. We aim to prepare the majority of our budget prior to Christmas so that we are prepared for the New Year to work really closely with our councillor group on budget decisions. If we knew the amount to be received in October or even November, rather than in May, we would be able to make more accurate expenditure alignments with expected revenue.

Allison JONES: We are going to be fast.

Taryn ABRAHAMSSON: Not too fast.

Allison JONES: I have just got one more thing to add, and that is that our submission gives a range of considerations to the committee of options to move away from rate capping or even to have a multitiered approach. Again, we really see the need to support councils less able to generate revenue from activities such as car parking, which a lot of the metro councils have, as well as the development of funding streams to assist in areas supporting state or nationally significant projects and their associated needs. Happy to take any questions. Thank you.

The DEPUTY CHAIR: Can I thank both councils for their submissions formally but also the submission today. I have got one question for both at the start which relates to roads and what you have received in road funding. You have both got very large lengths of roads. So maybe that is a simple first question: state money, federal money – how much have you received in the last two or three years?

Taryn ABRAHAMSSON: I can answer first. Roads recovery funding from the Commonwealth government in the previous financial year for us was \$2.4 million, almost. Non-recurrent funding for roads was \$4.3 million. From the state government for roads it was \$2.5 million.

The DEPUTY CHAIR: \$2.5 million. And do you have a time series on that at all? That might be helpful. You may not be able to do it now.

Taryn ABRAHAMSSON: Not now, but yes, I can provide that, for sure.

The DEPUTY CHAIR: Thank you.

Sarah JOHNSTON: At our end, the recurrent amount that we got this year was about \$6 million for local government roads. I would have to come back to you on the exact Roads to Recovery figure, though. My apologies – my CFO should have been with me today, but she is in the throes of our VAGO annual end-of-year audit.

The DEPUTY CHAIR: That is all right. We do not mind. If you could do that, that would be much appreciated. Now, I am just coming to the South Gippsland submission. There are two things that in particular I looked at in this. One is the planning and responding to new industries. As I understand it, some of the lower-emission technology matters around offshore wind and so forth are resulting in significant costs for councils.

Allison JONES: Just off our coast is Australia's first offshore renewable energy zone, which is pretty cool and pretty exciting. We foresee a fair bit of growth in our towns in terms of servicing the construction and then maintenance of that offshore industry. Council is trying to get ahead of the game, and I almost like to call it a reverse structural adjustment fund – what is the fund to help us fast-track our planning so we can grow towns and –

The DEPUTY CHAIR: Has the government offered any of that support?

Allison JONES: We are in pretty good discussions with the government. We have got a federal government application in at the moment for some further planning money, but early stages.

The DEPUTY CHAIR: State money or support?

Allison JONES: Not yet.

The DEPUTY CHAIR: So nothing as yet.

Allison JONES: No funding as yet, but really good conversations. It has been quite constructive and positive.

The DEPUTY CHAIR: And on state government, there is another topic that you mention here: Victorian government savings initiatives. Council has been advised that Agriculture Victoria will no longer be providing specialist advice on farming applications and councils will need to access this specialist advice from consultants. Have you –

Allison JONES: There are probably a few examples like that, and I understand obviously there have been some cost savings at the state level as well in terms of staffing, but slower wait times in terms of CFA referrals – and also the ag advice has been, in all three of the Gippsland councils I have worked for, instrumental in helping us navigate complex agricultural funding applications. So to know that that is not available now is really going to slow our permits down, obviously, and it may not give us the same outcomes as having access to that –

The DEPUTY CHAIR: So detailed advice?

Allison JONES: Technical, and it is time-consuming.

The DEPUTY CHAIR: Have you costed out what that is likely to be to hire these consultants? They do not come cheaply, do they?

Allison JONES: No, they do not. It will just have to be case by case, obviously.

The DEPUTY CHAIR: Was there any consultation about this, or they just announced it – 'Gone'? All right. If we can perhaps come to Ms Terpstra.

Sonja TERPSTRA: Thanks, Deputy Chair. I just want to say thank you for your submission this morning as well. It is very comprehensive. It is always a bit hard to ask some questions when there is such a comprehensive submission, but I noted from your submission you talked about a financial sustainability framework. Are you able to expand on that, what that might look like and how it might be developed? What sorts of things could you take into account for it, and how would it look?

Sarah JOHNSTON: I will take that, if that is okay. I think that was in our submission. Thank you. It is a really good question. This goes to part of VAGO's annual report last year that talked about how we are measuring how sustainable our councils are consistently across the board. What that got to was this concept of this underlying surplus or deficit when you remove the recurrent grants out. For us at the moment without having the timing of the financial assistance grants coming in early, last financial year we would have just broken even from an underlying surplus–deficit perspective. This current financial year, just in and hot off the press, our figure is about – and this could change, for context – a \$24 million underlying deficit, and we are forecasting for 2024–25 a \$5.6 million underlying deficit. What we are talking about there is, instead of looking at just your plain operating surplus–deficit as part of your books, looking at it more broadly and going, 'What are the figures that actually demonstrate how sustainable the industry is?' This was something that came off the FinPro submission as well, which we support as well as the MAV and the rural councils ones as part of this. I hope that answers your question.

Sonja TERPSTRA: It does. Does anyone else want to add anything to that?

Allison JONES: No, we would support that position.

Sonja TERPSTRA: Cool. Just one other question, on betterment disaster funding – we hear a lot from councils about betterment funding. What would be your suggestions about how that could be improved? Obviously we are looking at making recommendations, and we have heard a variety of things, from how onerous it is to put in submissions for betterment to how difficult sometimes it is for smaller rural councils to actually adequately quantify what their roads are like. So can you expand on, in a perfect world, what a betterment funding system would look like for roads?

Allison JONES: From our perspective, at the moment we have got seven live landslips, so betterment could be around, obviously, something as simple as allowing us to fund a bigger culvert. We have got a road where we will probably not be able to fix the landslip, and betterment might be buying the farm that is on that road, which would cost less than actually trying to fix the road. But there is no flexibility and no ability to apply logic or even innovation to the betterment application, so it really needs a good dose of common sense, where we could actually zoom out a bit and say, 'What's a better outcome?' I think the East Gippsland submission, with their four goes at fixing something – it feels a bit, I am going to say, insane that we can keep getting money to do the same thing so it is going to fail yet we might even be able to try and meet the betterment some of the way and actually have a better outcome for the long term and a better outcome for our community.

Sonja TERPSTRA: Are you saying that in some cases, because of perhaps the impacts of climate change or flooding and the like, perhaps the road is not in the right place and it actually needs to be moved somewhere else? Is that kind of what you are alluding to?

Allison JONES: That is one. Obviously we are going to have more intense rainfall more often. We know that Gippsland is going to do okay in a climate change scenario, but we are still going to have pretty extreme events. So I think for us it is flexibility and getting an outcome rather than just sticking to perhaps rules that might have been written pre climate change.

Sonja TERPSTRA: Okay. Great. Thank you very much. No further questions, Deputy Chair.

The DEPUTY CHAIR: Okay. I think Moira is on the link now.

Moira DEEMING: Thank you so much for your presentation. It was fantastic. You have brought up so many issues that are almost exactly the same as all the other councils. Would you agree that in terms of order of operations, in terms of helping councils, the most basic first step would be trying to find a way that we can clearly define and limit the roles and the responsibilities that local government actually has but also, as part of that framework, have flexibility for addressing the differences that each council might have, and that only then, after that, would it make any sense to fix up all this funding? I just would not want to get to the end of this

process and change the funding models and for all these councils to still have vague responsibilities and no agency in terms of what they can and cannot control and what they can say and cannot say that they are responsible for. Do you understand what I am saying – the two halves of that? And could you just express your opinion on that a bit for us and give us some feedback?

Allison JONES: I definitely agree on no agency when it comes to our revenue. I think communities – we are a level of government – should be able to determine the services that they want their councils to deliver. I think under rate capping regional communities are absolutely disadvantaged and we will have less assets and resources than our metropolitan council counterparts. So I do not know that legislating what the state government of the day thinks our knitting should be and getting us to stick to our knitting is the answer. I think it is either letting us be a level of government and letting communities decide what resources they want, what is important to them and what suits their flavour or – I do not know what the alternative is; I do not have an ‘or’.

Moira DEEMING: Yes. I think I was talking about the cost shifting idea and how you guys are made responsible in some ways, or even in a grey or ambiguous way, for things. The scope is just so wide, and so I was trying to think about how there needs to be some kind of a definition and some categories and some boundaries on that while still doing exactly what you have just said, which is leaving councils that freedom to respond to what their individual communities want and need, because that is going to change over time as communities age. Like you said, you have just got an investment coming that is going to change what you want to invest in, and it might be an up-front cost – things like that. I am just wanting to see if you think that is a really important first step. I do obviously, but we are not trying to get my opinion. I want to know if I have understood you correctly. You think that is really important and that we cannot avoid that and just concentrate on, I do not know, funding streams and competitive grants and all that kind of thing.

Sarah JOHNSTON: Thanks, Moira. Again, I have only been in local government about nine months, so as I said, it continues to amaze me how much we do do, which is incredible and great. Look, I think it is a vexed question. I see exactly where you are going with it, because it would make much more sense to say ‘Well, here’s what you deliver and here’s how much we will fund you’ but to give some flexibility for councils and communities to decide what they need and what service levels, I suppose, they need for particular services. I mean, the concept of boundaries is probably a better way – and I think that you used that term – of looking at that more broadly, but I probably do not have the exact answer. If I can anchor it back into something tangible, I suppose one of the things we would definitely like to see is that the current grants we get are genuinely going up by CPI or having some sort of indexation across them for the things we are getting now, as a solid recommendation as part of this process.

Moira DEEMING: Fantastic. Thank you. No more questions.

The DEPUTY CHAIR: Sarah.

Sarah MANSFIELD: Thank you. Thank you for appearing. I know this was brought up a little bit earlier in the context of dealing with the impacts of climate change and needing to apply for grant funding. I want to speak about grant funding more broadly. Are you able to give an indication of the time and resources that the councils spend on applying for grants?

Allison JONES: That is a tricky one because it is so spread out across small councils. It is different teams. There are the country football and netball grants out at the moment, so that is what came to my mind in terms of applications. I would probably have to have a think about that and come back, because it is so disparate. Except for our emergency event person, who is going for the emergency grants, the rest is just disparate across the organisation. Can we provide that information afterwards?

Sarah MANSFIELD: Yes, that is fine.

Sarah JOHNSTON: Again, I think our answer will be quite similar in the sense that it is across our whole shire. I know we do have one person who is purely dedicated to acquitting the milestones on all of our grants. That is their whole job from a resource perspective. But from a writing perspective, we do not have any dedicated writers per se. It is just spread across the different areas and, when those grants come up, leaning into that and then doing the writing. But as to an actual EFT figure, I would have to crunch some numbers for you, Sarah, I am sorry.

Sarah MANSFIELD: No worries. Are there any changes to that grants funding model? You can either focus on specific types of grants or you can speak about it more in general. Are there any changes you would like to see or that you think would assist councils?

Taryn ABRAHAMSSON: Yes, just the timing, I think. It is such a long process for councils. It is really hard to plan for, even within the next financial year, and also just the success rate of when we are told that the application has been successful is just really late in the piece for us.

Sarah MANSFIELD: Some of the other councils have raised a preference for untied versus tied grants given the challenges of, as was brought up here, having to have someone who is there monitoring whether you are reaching milestones for different grants. Is that something you have a preference about?

Taryn ABRAHAMSSON: We certainly prefer untied funding, I think, to be able to plan within our own municipality. As I said in my introduction, last year because of the timing of the financial assistance grants we did not really get any general purpose funding – or it was very, very minimal – in the previous financial year. So yes, it is certainly something that we would like to see.

Sarah JOHNSTON: I suppose from us, my understanding is – and I do not understand this process in full – it is a pretty complex formula that they use to distribute the general purpose grants, those untied ones, and yes, absolutely, the more untied, the better in a sense. But it is then about attributing that to need. For instance, with us we would have things like our population, but also our disability indexes and so forth are built in – our social disability index is built in – to how much we are receiving. If you think about things like the money that we get for roads, the ferry is built in as a road because it fits into that parameter as part of that money, and it obviously does not match at all with how much it costs us to provide that service. I think it is the question back to need, and I think if you think about it – and it is not to play city cousins and country cousins off against each other –

Bev McARTHUR: Go for it.

Sarah JOHNSTON: Think about the levers here that we have got from our own source revenue. If we are thinking about pet registrations raised, if we are thinking about parking fines, they are not things that are big revenue raisers in our particular community. Our comms law team span a pretty big area; they are out one day helping out with some lost cows up in Omeo, and then the next day they are up in Orbost doing the same sort of thing. This is not revenue raising in that sense, and so I suppose it is different needs that we want the lens to be on when we are thinking about the allocation of general purpose grants.

Sarah MANSFIELD: Great. Thank you. The other issue I am interested in is around the asset renewal gap and what your councils are potentially facing with respect to that. I know you sort of touched on it already in your submissions, but are there things the state government could do that would assist councils with addressing – particularly rural councils – that challenge of a growing asset renewal gap?

Taryn ABRAHAMSSON: It is a challenge for us. In the previous financial year, for instance, we spent \$20.5 million on asset renewal. The year before that it was almost \$28 million. So we are finding that pressure on numbers and being able to keep up and keep in step with requirements into the future is a challenge.

Allison JONES: The other thing the state government could definitely consider is renewing their own assets in our community, because we have got footy clubs that are on Crown land and they are getting no money for asset maintenance or renewal, so the pressure comes back to us. It is very difficult to explain to the average community member that in the town next door we are renewing their asset but we are not in their town because it is on Crown land. So I think there is definitely an asset management gap that DEECA needs to consider. We are required to have a 10-year asset management plan under the *Local Government Act*, whereas we talk to DEECA and there is not the same requirement on state assets. That is something that could be considered.

Sarah MANSFIELD: What about for other assets that the state government perhaps has largely funded? It might not necessarily be on Crown land, but they have contributed significantly in terms of capital investment, but then council is left with the responsibility for operating and maintaining that asset. Is there anything in that space you would like to see changes to?

Taryn ABRAHAMSSON: It would be great to see when we get funding for new infrastructure that exactly that is considered into future. Whether it be five or 10 years of contribution for maintenance or some kind of consideration for that, we would definitely support it.

Sarah JOHNSTON: I think that is the key bit that we have just hit on here. It is actually dollars for maintenance, not just capital dollars, built into that grant mix as a lever. I think, just adding to what Allison said before in regard to committees of management, one of the things that we do as a lever and what we fund is we do community grants, and often the community grants are just committees of management saying, 'Hey, I need \$5000 to fix this or this or this.' And they are state assets. We are putting more money in because that is our community expectation, so that they can do the work themselves but with that sort of shared approach.

Sarah MANSFIELD: Thank you. I think that might be my time.

Evan MULHOLLAND: I might jump in if that is all right. Thanks so much for your presentation. Just starting with Sarah and East Gippsland, your submission said that councils such as yours have a high reliance on external grants for the provision of new infrastructure and delivery of many services. Many of these grants are competitive in nature, with programs being oversubscribed and requiring a significant amount of effort to draft an application, which we have previously heard as well – it is a common theme of this inquiry. And it has been said that many grant streams do not allow for in-house project management and administration, which will place a further financial burden. What impact has this funding instability had on long-term planning and development of projects within your council area?

Sarah JOHNSTON: It is a really good question, and it is something that we are grappling with at the moment. If I think about a live example from the federal perspective, the Growing Regions fund, which is going open up in a couple of weeks – if we are thinking strategically about what our community wants and what grants we should be applying for as a community, we need to get that IP in-house and we need to be thinking about how we are applying for that. I think there were 600-odd applications for that particular stream; we had one of them. We got through the EOI stage but did not get any further with that particular one.

But the time and resources invested in doing very significant applications – and that one is just in my head at the moment, front of mind – is considerable. One, you are sort of looking from a whole-community perspective and a council perspective about what are the important things that you want to bid for in those bigger buckets, and then you are thinking about how you can actually resource doing that. And then if you get the money, you are not in all cases getting any money to actually administer the project. We know project management costs and admin are high. As I said, we have got one of our resources purely dedicated to the acquittal of grants. So it is significant, and I think what it means is that we are not often at the table with the best developed application either, to get the best chance of getting that money for our communities.

Evan MULHOLLAND: Yes. And one for South Gippsland: I found this really interesting – your submission states that local government collects only 4 per cent of every dollar of taxation in Australia but is responsible of course for about 25 per cent of government services. What measures do you think are necessary to address this disparity and ensure better funding for local councils?

Allison JONES: That is the nub of the issue, isn't it? What is the answer? We think, obviously, we need rate capping to end – it is probably not going to; I understand that – so we can actually create our own destiny. I am very biased, but local government is an amazing place to work and attracts people that want to make a difference for their community. So I think we are able to survive at the moment on pretty low taxation rates because of the goodwill of our people. We are certainly experiencing that at South Gippsland, with low turnover and people wanting to come and work for us.

I think the broader question is: where does it end if we do not change something soon? We are the level of government that is silly enough to send you an annual bill as well. I got mine – I live in Latrobe; I got that in the mail today. You know, I pay my GST no worries when I buy something, but of course I get a big bill once a year. And I think that is what makes rate capping so popular for those that would like to impose it or have imposed it on local government, because it is a winner. It is an absolute win. But I think for local government to be able to continue to do what it does, particularly in the regions, we need to be able to let councils set their own destiny and set their own taxation rates, and if the community hates it, they will be voted out. That is what democracy is.

Evan MULHOLLAND: Yes. What is your current asset renewal gap? I note that in terms of roads you have probably got about the equivalent of, I think I read, Melbourne to Sydney in terms of the length of roads in South Gippsland shire.

Allison JONES: Our roads gap is not too bad. Our council term obviously is about to finish. Roads came up when we did our council planning community vision; it was the number one issue. So they put an extra million dollars a year, which is huge for us, into roads. Taryn will get you the gap in a minute – or maybe not. Our challenge is buildings, though – 400 buildings. Our philosophy, probably like most councils', is to build a community hub and then sell off other sites. That feels like it is getting harder and harder to do, as communities want to hold on to what do not look like great buildings from the outside. So certainly buildings – that and swimming pools – will be our next place to look in terms of what we do best and stop doing and get out of.

Evan MULHOLLAND: Cool.

The DEPUTY CHAIR: Tom.

Tom McINTOSH: Yes. Thanks. I think it is important in this inquiry just to have a touchpoint on the severe weather events. I think it is important to touch on that East Gippsland, years on, is still dealing with 2019–20 and whatnot. And obviously South Gippsland is dealing with I think another 200, 300 trees down, 100-plus roads cut off in the last week – just storm after storm. So I think probably it would just be interesting to talk about the impact on the community and how council assists but also the impact on council staff and that service delivery and I suppose how it ties in with the community but then, yes, those employees as well.

Sarah JOHNSTON: I can kick off if you are happy with that. Yes, it is a very big question, and I am not entirely sure that we know the full answer to that. I think it is really interesting that, if we think about Black Summer as a live case study, not only were our staff supporting the recovery and the immediate emergency efforts but they were impacted as well; numerous of them lost houses, lost lots of things, as part of it. Then it is this slow burn. You are in the moment and everyone is all together, if you think about a response, and then there is the very slow burn of recovery. Communities get frustrated because they cannot see things happening as quickly as they would like to see them happening. We certainly have not delivered all of our bushfire grants and assets and things that we have committed as yet. We are a few years on and we are absolutely committed to doing that, but it is still something that is I suppose a live issue that we are dealing with at a staff culture level and at a community level as well. I think when you add compounding effects for us and for our communities – in particular, if you think about timber transition, it has just been another thing that has gone on top of that and what they have to deal with and how they can think about, as small communities, prioritising what they need to get themselves in a position so that they are resilient for the next stages of what those small communities are going to look like.

Allison JONES: Probably not much more to add to that. Obviously we are still in recovery, with Mirboo North particularly, from the February storms. I think we worked out at one point 60 per cent of our organisation was involved in either relief centres or recovery in the weeks after. I know our audit and risk committee certainly were keeping an eye on what that meant potentially for staff burnout rate, as we were trying to obviously deliver the council plan and do all of the things that we normally do in February and March. I think we are getting really good at it at South Gippsland – doing things differently and reviewing our BCP as much as we can – but it definitely impacts us. I have still got no power where I live, but I made it here today – although I live in Latrobe. So we get better at being resilient, but I agree with Sarah that it is that longer term burn. What is the impact? When do you realise you have burnt out? What is great about Gippsland is different councils will send staff in to help each other as well – the whole sector, but that certainly happens really well within Gippsland. But it is tricky when you are impacted with roads closed and depot crews out in all of that space and the community needs you as well – it is certainly tricky. We are only 330 staff, so very small, and spread over a wide space.

Tom McINTOSH: Yes. Thanks.

The DEPUTY CHAIR: Bev.

Bev McARTHUR: Thank you. Let us be clear today: girl power is alive and well. Congratulations. Fantastic presentation. There is a majority of us if you take the rest of us as well. Sorry, boys, you have failed.

Let us get to this whole business of rate capping, which basically means increasing the taxes on ratepayers. Surely we have got to come up with a different system, because it is the one tax in this state that means where you live determines what you will pay, as opposed to other forms of taxation. I do know what your views would be, and it goes on from what Moira asked you about having defined roles of what you do, what the state government does and what the federal government does and then having funding accordingly, whether it is a percentage of the GST or a federal amount of funding and a state amount of funding, to provide the core services. Going to your point, Sarah, about where the community might want services, and you cited the example of – was it a library or something? But are they prepared to pay? I mean, when I was a councillor we had about six pools, and walking in the door would cost the ratepayers \$14.50, but the consumer paid \$2.50. The community cannot have perhaps everything they want, especially if they are not using the services, so would you support the idea of fixed funding for set roles and do away with this very inequitable and unfair property taxing system, which totally disadvantages small rural and regional councils?

Allison JONES: To a point I would agree. I think the challenge – and I will say on record I am an economist, so I am always going to go back to the market – for some councils is the private sector could not move in and deliver some services.

Bev McARTHUR: But the state can – you have got cost shifting, which you have outlined in very detailed form. The state government could actually do those –

Allison JONES: I guess in a perfect world, if they could afford to do that –

Bev McARTHUR: jobs that they are shifting over to you.

Allison JONES: I just suspect we do it more cheaply and better than what the state might, but I think –

Tom McINTOSH: Locals, Bev. Locals.

Allison JONES: To a point.

Bev McARTHUR: But the state could pay them if they do it better.

Allison JONES: The VPS get paid a lot more than local government, so it would cost a lot more. I think to a point I would agree, but probably some definition would be good. But I will still come back to communities needing to be able to determine what services they want. We are at the edges of dealing with that 4 cents in the dollar of taxation as a cost-of-living drama, whereas we are not looking at the other 96 cents of tax that we are all paying, and it just feels inequitable from a local government perspective that there is such a focus on that rather than the rest of state and federal taxes.

Bev McARTHUR: This whole business of the cost for you to do these grant applications seems bizarre. You are wasting a whole lot of time not only in the preparation but then the compliance if you happen by chance to have the good luck to get one. How should we go about doing that – by having totally untied grants?

Sarah JOHNSTON: I will start off on that one. I do not think the answer is totally untied grants. I think that grants for specific purposes that are above perhaps what would be a typical core service – and I know that is hard to define – are still very valid and relevant. To me it is going back to looking at it from a needs basis again. What does a rural and a regional council need because of all these other challenges that we have got to be able to balance it? You make such a good point about libraries and: ‘If the community are going to pay, what are you going to do?’ Drawing it back to what Tom said before, though, what they saw in these libraries and these service centres was not just that tangibility of using the service; it was actually the mental health piece, the wellbeing piece, of knowing that the mobile library service is going to turn up once a week and they are going to have a chat and they are going to have their favourite CD and all those sorts of things. It is sometimes difficult to quantify in a really pure financial sense, which is exactly the feedback that we got from community when we went out with that evidence-based piece. And if you pulled out of some of those other services based on those pure figures, you might see spikes in other things, i.e. mental health, down the track as well.

Bev McARTHUR: Could you provide us with a copy of that work you did?

Sarah JOHNSTON: I can, absolutely. It is a live council report.

Bev McARTHUR: Going to libraries, we have seen the announcement that you can get a grant if you ask five-year-olds what pronoun they want to use. Are you going to accept that grant?

Sarah JOHNSTON: I can answer that. We have received the kits at our libraries, but we certainly will not be asking for pronouns as part of that. We would have an inclusivity piece and we would have a broader social cohesion piece at our libraries regardless. We have received the kits, but we will not be asking for pronouns, if that helps.

Bev McARTHUR: What about South Gippsland?

Allison JONES: We do not deliver our library service direct. We are part of what was, under the old Act, a library corporation. It is now a not-for-profit called Myli, which is Cardinia, us, Baw Baw and Bass Coast. So I will have to take your question on notice, but certainly our council is about inclusivity, and –

Bev McARTHUR: Inclusivity for five-year-olds?

Allison JONES: Inclusivity for everybody. But I certainly can take the question on notice in terms of Myli's answer.

Bev McARTHUR: What about vaccinations? Did you get the bill from the government to fund their administration and then a per-shot charge?

Allison JONES: Yes, we absolutely have.

Bev McARTHUR: What have you done with that? Sent it back to them?

Sarah JOHNSTON: I do not know if that was an option. My understanding is the bill has reduced per immunisation shot. We are looking at what the cost is.

Bev McARTHUR: It has been halved, hasn't it?

Sarah JOHNSTON: Yes.

The DEPUTY CHAIR: It is down to a dollar now, isn't it?

Sarah JOHNSTON: Correct.

Bev McARTHUR: It is a dollar per person.

The DEPUTY CHAIR: Per child.

Sarah JOHNSTON: I cannot give an answer to that at this point. We are looking at it. We will have to build some sort of efficiency. There will have to be something coming off to be able to use that.

Bev McARTHUR: Why don't you say the state government can provide the service themselves through the healthcare network?

Sarah JOHNSTON: I will have to take that question on notice.

The DEPUTY CHAIR: Gaelle.

Gaelle BROAD: Thank you very much for your contribution to the inquiry. Could you just explain a bit about the financial assistance grants? How are they administered? Specifically, are the funds transferred from the federal government to the state government and when are they usually distributed to council? We have heard other councils talk about only receiving those funds now in July when usually it is before the end of financial year. Can both councils speak to that?

Allison JONES: It is federal money and then it comes to the grants commission, which is a state panel of people that love complex formulas, to work out the distribution.

The DEPUTY CHAIR: Economists even.

Allison JONES: It might be. From a South Gippsland perspective, we do pretty well under that formula, surprisingly well. I was just going to say, in terms of the formula, it takes into account obviously your demographics – how many houses, size of your shire, bushfire risk, natural disaster. It does not take into account land subject to inundation, so if we can get that popped in in the future that might help us with coastal inundation. But I will let you talk about that, Taryn.

Taryn ABRAHAMSSON: As far as timing, this year we received it in early July, when in the past we have received it for the year in advance. The timing does not really bother us, to be honest. We have still got the money. It certainly has an impact on our financial statements for 2023–24, which do not look great to people reading them, but there is a good reason and it is just timing in general.

Sarah JOHNSTON: I think I have touched on the same thing. Timing is actually important to us because it does skew our results quite significantly. If we think back to last financial year, we would have just broken even if we had not had the influx of the \$20 million early on, which you have to receive at the date you receive it, and this year we are looking at a \$24 million underlying deficit – again, that figure is not completely confirmed – because of the timing of the grants.

Gaelle BROAD: You mentioned you were advised in May. It would have been better to have received the information in kind of October or November. Is that something the state government can help with – to change that timeframe?

Allison JONES: That was linked to the Essential Services Commission – when they tell us what our rate cap will be. We start our briefing with councils in a non-election year in about October for the next budget. We are talking about what is happening in terms of what we think CPI will be, all of those things, and then – it feels like it is Christmas eve – we find out what the rate cap is. Councils generally have a break in January and we start briefing again in February, and we have just lost all of that time to be able to build our budget and know what the main assumption is. The timing feels odd.

Taryn ABRAHAMSSON: Yes. May was in regard to financial assistance grants. We have a feel for the amount that we are going to get, but it is all guesswork up until that point. I was just making the point that it would be good for us to be able to match that expenditure to expected revenue if we were to know the amount that we are actually going to be getting pre Christmas.

The DEPUTY CHAIR: Sometimes pleasant surprises.

Taryn ABRAHAMSSON: Sometimes.

Gaelle BROAD: It sounds like you are flying blind from a number of different angles there. I heard from a resident who was concerned about the removal of the payment-in-full option by local councils on the rates notice. Are you aware of any change in that regard? Are you implementing any changes in that regard?

Sarah JOHNSTON: No. We still provide that option.

Gaelle BROAD: Thank you. I am just interested too in disaster recovery. You talked about wanting some changes to that process, like up-front funding for betterment as well. Can you just talk to the actual process itself and how you found it and any changes you would like to see?

Taryn ABRAHAMSSON: Like I said, we have a full-time person that we have had to employ just to process these claims. I was thinking about this when we were talking earlier about the impact of storms on our staff and our community. I see the impact of just processing these claims. We are told we have to have geocache location or something on everything and at this point in time and at that point in time. It actually causes a lot of stress for people from that point of view. So we have to react but we are there. We are in the front line, we see our community need and we react and we pay for that. Then the process is you have to get exactly the right form in at exactly the right time and if you are not going to be able to make that you have to apply for an extension at least two weeks before the due date. It is really complicated and stressful. So yes, they were just a couple of suggestions on betterment, which we spoke about earlier, but also to maybe just embed a payment that councils get. I do not know what it would be based on at this point, but something up-front would really be a help.

Gaelle BROAD: Did you have anything you wanted to add?

Sarah JOHNSTON: I think they have covered it.

The DEPUTY CHAIR: Can I thank both East and South Gippsland councils for their presentations. They have been very helpful indeed. There are a number of questions on notice, so thank you. I just want to acknowledge the Member for Morwell's appearance here. Martin, welcome. We will break just for 2 minutes and then start with Latrobe.

Witnesses withdrew.